Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center

Independent Auditor's Report, Financial Statements, and Supplementary Information

December 31, 2025 and 2024

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
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December 31, 2025 and 2024

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Independent Auditor's Report

Board of Directors
Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Anthony, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center as of December 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefits information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's basic financial statements. The comparison of revenues and expenses (cash basis) – actual and tax budget and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2026, on our consideration of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Wichita, Kansas
May 12, 2026

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Balance Sheets
December 31, 2025 and 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash	$ 9,129,684	$ 7,158,069
Restricted cash	223,621	41,441
Patient accounts receivable, net of allowance; 2025 - $766,000, 2024 - $833,000	1,843,767	2,069,873
Property taxes receivable	1,744,473	1,655,146
Estimated amounts due from Medicare	148,079	916,881
Supplies	876,050	887,101
Prepaid expenses and other	359,178	344,666
Total Current Assets	14,324,852	13,073,177
Noncurrent Deposits		
Certificates of deposit	1,988,345	1,898,567
Total Noncurrent Deposits	1,988,345	1,898,567
Capital Assets, Net	19,307,420	21,634,383
Lease Assets, Net	196,621	228,229
Other Assets	-	140,520
Total Assets	35,817,238	36,974,876
Deferred Outflows of Resources - Pension		
Pension	1,654,105	2,023,398
Other postemployment benefits	139,289	182,552
Total Deferred Outflows of Resources	1,793,394	2,205,950
Total Assets and Deferred Outflows of Resources	$ 37,610,632	$ 39,180,826

	2025	2024
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	$ 695,832	$ 655,055
Current portion of lease liabilities	58,376	55,570
Accounts payable	296,878	362,970
Accrued expenses	1,227,429	1,171,366
Unearned revenue	398,867	39,022
Total Current Liabilities	2,677,382	2,283,983
Long-term Debt	2,841,263	3,436,869
Long-term Lease Liabilities	96,809	155,185
Net Pension Liability	7,725,449	8,189,202
Total Other Postemployment Benefits Liability	163,734	199,385
Total Liabilities	13,504,637	14,264,624
Deferred Inflows of Resources		
Pension	493,294	353,595
Other postemployment benefits	156,688	158,653
Property taxes	1,744,473	1,655,146
Total Deferred Inflows of Resources	2,394,455	2,167,394
Net Position		
Net investment in capital assets	15,811,761	17,559,933
Restricted – expendable for		
Debt service	163,746	28,606
Capital acquisitions	397,040	-
Specific operating activities	10,365	12,835
Unrestricted	5,328,628	5,147,434
Total Net Position	21,711,540	22,748,808
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 37,610,632	$ 39,180,826

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2025 - $690,465, 2024 - $779,701	$ 19,315,796	$ 17,710,452
340B drug pricing program	3,359,964	3,338,736
Other operating revenues	317,673	724,748
Total Operating Revenues	22,993,433	21,773,936
Operating Expenses		
Salaries and wages	9,858,334	9,688,156
Employee benefits	3,606,921	3,196,112
Purchased services and professional fees	2,981,757	2,741,628
Supplies and other	6,985,237	6,968,014
Depreciation	2,569,074	2,796,436
Amortization	31,608	71,584
Total Operating Expenses	26,032,931	25,461,930
Operating Loss	(3,039,498)	(3,687,994)
Nonoperating Revenues (Expenses)		
Interest income	179,250	169,773
Interest expense	(126,933)	(161,279)
Noncapital contributions	81	1,332
Property tax appropriations	1,524,727	1,659,476
Other	-	140,520
Total Nonoperating Revenues	1,577,125	1,809,822
Deficiency of Revenue Over Expenses Before Capital Grants and Gifts	(1,462,373)	(1,878,172)
Capital Grants and Gifts	425,105	246,540
Decrease in Net Position	(1,037,268)	(1,631,632)
Net Position, Beginning of Year	22,748,808	24,380,440
Net Position, End of Year	$ 21,711,540	$ 22,748,808

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 20,310,704	$ 15,564,842
Payments to suppliers and contractors	(10,036,547)	(9,536,316)
Payments to employees	(13,358,306)	(12,379,666)
Other receipts, net	4,037,482	4,039,745
Net Cash Provided by (used in) Operating Activities	953,333	(2,311,395)
Cash Flows From Noncapital Financing Activities		
Noncapital grants and gifts	81	1,332
Other	140,520	-
Property taxes supporting operations	1,524,727	1,659,476
Net Cash Provided by Noncapital Financing Activities	1,665,328	1,660,808
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(654,829)	(632,575)
Principal paid on leases payable	(55,570)	(95,757)
Capital grants and gifts	425,105	246,540
Interest paid on long-term debt	(118,058)	(149,054)
Interest paid on leases payable	(8,875)	(12,225)
Purchase of capital assets	(142,111)	(248,346)
Net Cash Used in Capital and Related Financing Activities	(554,338)	(891,417)
Cash Flows From Investing Activities		
Purchase of certificates of deposit	(2,678,164)	(1,065,767)
Proceeds from maturities of certificates of deposit	2,588,386	1,048,802
Interest on deposits	179,250	169,773
Net Cash Provided by Investing Activities	89,472	152,808
Increase (Decrease) in Cash	2,153,795	(1,389,196)
Cash, Beginning of Year	7,199,510	8,588,706
Cash, End of Year	$ 9,353,305	$ 7,199,510

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Statements of Cash Flows
Years Ended December 31, 2025 and 2024 **(Continued)**

	2025	2024
Reconciliation of Cash to the Balance Sheets		
Cash	$ 9,129,684	$ 7,158,069
Restricted cash	223,621	41,441
	$ 9,353,305	$ 7,199,510
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (3,039,498)	$ (3,687,994)
Depreciation	2,569,074	2,796,436
Amortization	31,608	71,584
Provision for uncollectible accounts	690,465	779,701
Changes in operating assets and liabilities		
Patient accounts receivable	(464,359)	(1,241,430)
Supplies	11,051	32,471
Prepaid expenses and other assets	(14,512)	(22,198)
Accounts payable and accrued liabilities	(10,029)	332,064
Estimated third-party payer settlements	768,802	(1,683,881)
Unearned revenue	359,845	(23,739)
Net pension liability	(463,753)	(245,928)
Total other postemployment benefits liability	(35,651)	(40,333)
Deferred outflows of resources - pension and OPEB	412,556	597,507
Deferred inflows of resources - pension and OPEB	137,734	24,345
Net Cash Provided by (Used in) Operating Activities	$ 953,333	$ (2,311,395)
Noncash Investing, Capital and Financing Activities		
Long-term debt incurred for purchase of capital assets	$ 100,000	$ -

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center, (the Health Center), was organized for the purpose of providing health care services to patients in Harper County, Kansas and the surrounding area. The Health Center is governed by a Board of Directors elected by the registered voters of the District. The Health Center primarily earns revenues by providing inpatient and outpatient services to patients in south central Kansas.

Basis of Accounting and Presentation

The financial statements of the Health Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and property and sales taxes) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific such as property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Health Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Budgetary Principles

The Health Center is required by state statutes to adopt annual budgets on or before August 25th for the ensuing calendar year. The Board may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of individual funds.

For budget purposes, the general and debt service funds utilize the modified accrual basis of accounting. The modification in such method from the accrual basis is that revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the calendar year. There were no material encumbrances at December 31, 2025 and 2024. Budgeted revenue and expenditure amounts represent the original budget adopted by the Board.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2025 and 2024, there were no cash equivalents.

Noncurrent Deposits

Noncurrent deposits include assets consisting of certificates of deposit set aside by the Board of Directors for future capital improvements over which the Board of Directors retains control and may at its direction subsequently use for other purposes.

Property Tax Revenues

The Health Center received approximately 6% in 2025 and 7% in 2024 of its financial support from property taxes. One hundred percent of those funds were used to support operations of the Health Center in both years.

Property taxes are levied in November and are received beginning in January of the following year. Revenue from property taxes is recognized in the year for which the taxes are levied.

Risk Management

The Health Center is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters, except workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Workers' compensation coverage is provided through a fund managed by the Kansas Hospital Association. The workers' compensation premiums are subject to retrospective adjustment based upon the overall performance of the fund. Management believes adequate reserves are in place within the plan to cover claims incurred but not reported and no additional amounts have been accrued related to claims for this plan.

The Health Center is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Patient Accounts Receivable

The Health Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients, and others. The Health Center provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation, if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Health Center:

Land improvements	3 - 20 years
Buildings and leasehold improvements	5 - 40 years
Equipment	3 - 20 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The Health Center evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2025 and 2024.

Compensated Absences

Health Center policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Deferred Outflows of Resources

The Health Center reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheets.

Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

The Health Center participates in a cost-sharing multiple-employer defined benefit pension plan, the Kansas Public Employees Retirement Savings Plan (KPERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS's fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefit Plan

The Health Center participates in a single-employer defined benefit other postemployment benefit (OPEB) plan, Long-term Disability Plan (the OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

The Health Center reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheets.

Net Position

Net position of the Health Center is classified in two components on its balance sheets.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Health Center, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

Net Patient Service Revenue

The Health Center has agreements with third-party payers that provide for payments to the Health Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Uncompensated Care

The Health Center provides care at amounts less than its established rates to patients meeting certain criteria under its uncompensated care policy. Because the Health Center does not pursue collection of amounts determined to qualify as uncompensated care, these amounts are not reported as net patient service revenue.

Income Taxes

As a Hospital District (a political subdivision of Harper County and the state of Kansas), the Health Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Health Center has also obtained 501(c)(3) status with the IRS.

Revisions

Certain immaterial revisions have been made to the 2024 financial statements for errors in classification of certain accounts. The financial statement line items that were affected by the revision include unearned revenue, property taxes (deferred inflows of resources), net investment in capital assets, restricted expendable net position and unrestricted net position. The revisions were isolated to the balance sheet and had no impact on the statement of revenues, expenses and changes in net position or the change in net position for 2024.

Note 2. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Health Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas; bonds of any city, county, school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2025 and 2024, $11,041,676 and $8,670,289 of the Health Center's bank balances of $11,791,676 and $9,410,289, respectively, were exposed to custodial credit risk as follows:

	2025	2024
Uninsured and collateral held by pledging financial institution	$ 11,041,676	$ 8,670,289

Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets as follows:

	2025	2024
Carrying value		
Deposits	$ 11,340,750	$ 9,097,177
Petty cash	900	900
	$ 11,341,650	$ 9,098,077
Included in the following balance sheet captions		
Cash	$ 9,129,684	$ 7,158,069
Restricted cash	223,621	41,441
Noncurrent deposits - certificates of deposit	1,988,345	1,898,567
	$ 11,341,650	$ 9,098,077

Note 3. Patient Accounts Receivable

The Health Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

	2025	2024
Medicare	$ 932,286	$ 1,089,522
Medicaid	95,083	94,889
Other third-party payers	581,658	690,498
Patients	1,000,740	1,027,964
	2,609,767	2,902,873
Less allowance for uncollectible accounts	766,000	833,000
	$ 1,843,767	$ 2,069,873

Note 4. Capital and Lease Assets

Capital asset activity for the years ended December 31 was:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 10,000	$ -	$ -	$ -	$ 10,000
Land improvements	284,608	-	-	-	284,608
Buildings	30,812,097	37,157	-	-	30,849,254
Equipment	6,945,342	204,954	-	-	7,150,296
	38,052,047	242,111	-	-	38,294,158
Less accumulated depreciation					
Land improvements	8,506,351	1,883,004	-	-	10,389,355
Buildings	2,968,471	30,745	-	-	2,999,216
Equipment	4,942,842	655,325	-	-	5,598,167
	16,417,664	2,569,074	-	-	18,986,738
Capital assets, net	$ 21,634,383	$ (2,326,963)	$ -	$ -	$ 19,307,420

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 10,000	$ -	$ -	$ -	$ 10,000
Land improvements	284,608	-	-	-	284,608
Buildings	30,812,097	-	-	-	30,812,097
Equipment	6,696,996	248,346	-	-	6,945,342
	37,803,701	248,346	-	-	38,052,047
Less accumulated depreciation					
Land improvements	6,494,599	2,011,752	-	-	8,506,351
Buildings	2,937,639	30,832	-	-	2,968,471
Equipment	4,188,990	753,852	-	-	4,942,842
	13,621,228	2,796,436	-	-	16,417,664
Capital assets, net	$ 24,182,473	$ (2,548,090)	$ -	$ -	$ 21,634,383

Lease asset activity for the years ended December 31 was:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Equipment	$ 655,983	$ -	$ (141,326)	$ -	$ 514,657
	655,983	-	(141,326)	-	514,657
Less accumulated amortization					
Equipment	427,754	31,608	(141,326)	-	318,036
	427,754	31,608	(141,326)	-	318,036
Lease assets, net	$ 228,229	$ (31,608)	$ -	$ -	$ 196,621

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Equipment	$ 655,983	$ -	$ -	$ -	$ 655,983
	655,983	-	-	-	655,983
Less accumulated amortization					
Equipment	356,170	71,584	-	-	427,754
	356,170	71,584	-	-	427,754
Lease assets, net	$ 299,813	$ (71,584)	$ -	$ -	$ 228,229

Note 5. Long-term Obligations

The following is a summary of long-term obligation transactions for the Health Center for the years ended December 31:

	2025				
	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Long-term debt					
Hospital revenue bonds					
Series 2014	$ 190,191	$ -	$ 35,114	$ 155,077	$ 36,519
Series 2017	1,493,878	-	49,581	1,444,297	50,758
Series 2018	2,164,114	-	513,439	1,650,675	531,409
Financed capital purchases	243,741	100,000	56,695	287,046	77,146
Total long-term debt	4,091,924	100,000	654,829	3,537,095	695,832
Long-term liabilities					
Lease liabilities	210,755	-	55,570	155,185	58,376
Total long-term liabilities	210,755	-	55,570	155,185	58,376
Total long-term obligations	$ 4,302,679	$ 100,000	$ 710,399	$ 3,692,280	$ 754,208

	2024				
	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Long-term debt					
Hospital revenue bonds					
Series 2014	$ 223,955	$ -	$ 33,764	$ 190,191	$ 35,114
Series 2017	1,542,211	-	48,333	1,493,878	49,581
Series 2018	2,660,190	-	496,076	2,164,114	513,439
Financed capital purchases	298,143	-	54,402	243,741	56,921
Total long-term debt	4,724,499	-	632,575	4,091,924	655,055
Long-term liabilities					
Lease liabilities	306,512	-	95,757	210,755	55,570
Total long-term liabilities	306,512	-	95,757	210,755	55,570
Total long-term obligations	$ 5,031,011	$ -	$ 728,332	$ 4,302,679	$ 710,625

Hospital District No. 6 of Harper County, Kansas, Hospital Revenue Bond – Series 2014

Effective July 14, 2014, the Health Center entered into the Hospital District No. 6 of Harper County, Kansas, Revenue Bond, Series 2014, issued under the United States Department of Agriculture (USDA), Rural Development program in the amount of $475,000 and bearing interest at 4.00% for the radiology department remodeling project. Principal and interest payments under this series began July 25, 2015 and extend through July 25, 2029.

The Health Center's debt service requirements for the Series 2014 bonds as of December 31, 2025, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2026	$ 42,722	$ 36,519	$ 6,203
2027	42,722	37,980	4,742
2028	42,722	39,499	3,223
2029	42,722	41,079	1,643
	$ 170,888	$ 155,077	$ 15,811

Hospital District No. 6 of Harper County, Kansas, Hospital Revenue Bond – Series 2017

Effective November 1, 2017, the Health Center entered into the Hospital District No. 6 of Harper County, Kansas, Revenue Bond, Series 2017, issued under the United States Department of Agriculture (USDA), Rural Development program in the amount of $1,810,000 and bearing interest at 2.35% for refunding of debt. Principal and interest payments under this series began October 26, 2018 and extend through October 26, 2047.

The indenture agreement requires the Health Center to comply with certain restrictive covenants including minimum insurance coverage, maintaining a debt-service coverage ratio of at least 1.10 to 1 and restrictions on incurring additional debt. The Health Center met the debt service coverage ratio for the years ended December 31, 2025 and 2024.

The Health Center's debt service requirements for the Series 2017 bonds as of December 31, 2025, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2026	$ 85,060	$ 50,758	$ 34,302
2027	85,060	51,964	33,096
2028	85,061	53,111	31,950
2029	85,060	54,459	30,601
2030	85,061	55,753	29,308
2031-2035	425,303	299,189	126,114
2036-2040	425,302	336,420	88,882
2041-2045	425,304	378,396	46,908
2046-2047	170,121	164,247	5,874
	$ 1,871,332	$ 1,444,297	$ 427,035

Hospital District No. 6 of Harper County, Kansas, Hospital Revenue Bond – Series 2018

Effective December 20, 2018, the Health Center entered into the Hospital District No. 6 of Harper County, Kansas, Revenue Bond, Series 2018, issued under the United States Department of Agriculture (USDA), Rural Development program in the amount of $4,900,000 and bearing interest at 3.50% for the purchase of equipment. Principal and interest payments under this series began December 20, 2019 and extend through December 20, 2028.

The Health Center's debt service requirements for the Series 2018 bonds as of December 31, 2025, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2026	$ 589,183	$ 531,409	$ 57,774
2027	589,182	550,008	39,174
2028	589,182	569,258	19,924
	$ 1,767,547	$ 1,650,675	$ 116,872

Financed Capital Purchases

Financed capital purchases are in the form of notes payable to bank, with varying maturities through December 15, 2030. Principal and interest is payable annually and monthly, respectively. Interest rates range from 4.50% and 6.15%. The notes are secured by certain capital assets.

Debt Service Requirements

Debt service requirements on financed capital purchases as of December 31, 2025, is as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2026	$ 91,327	$ 77,146	$ 14,181
2027	91,327	80,976	10,351
2028	91,553	85,209	6,344
2029	23,284	21,187	2,097
2030	23,285	22,528	757
	$ 320,776	$ 287,046	$ 33,730

Lease Liabilities

The Health Center leases equipment, the terms of which expire in various years through 2028. Payments are based on the lease agreements in each specific lease.

The following is a schedule by year of lease payments under the leases as of December 31, 2025:

Year Ending December 31,	Total to be Paid	Principal	Interest
2026	$ 64,445	$ 58,376	$ 6,069
2027	57,447	54,135	3,312
2028	43,373	42,674	699
	$ 165,265	$ 155,185	$ 10,080

Note 6. Medical Malpractice Coverage and Claims

The Health Center purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides $1,000,000 of coverage for each medical incident and $3,000,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Health Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

Note 7. Employee Health Claims

Substantially all of the Health Center's employees and their dependents are eligible to participate in the Health Center's employee health insurance plan. Effective January 1, 2024, the Health Center is self-insured for health claims of participating employees and dependents up to a specified annual aggregate amount. Commercial stop-loss insurance coverage is purchased for claims in excess of the specified annual aggregate amount.

A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Health Center's estimate will change by a material amount in the near term.

Activity in the Health Center's accrued employee health claims liability during 2025 and 2024 is summarized as follows:

	2025	2024
Balance, beginning of year	$ 151,059	$ 98,394
Current year claims incurred and changes in estimates for claims incurred in prior years	1,676,148	1,003,452
Claims and expenses paid	(1,629,207)	(950,787)
	$ 198,000	$ 151,059

Note 8. Net Patient Service Revenue

The Health Center has agreements with third-party payers that provide for payments to the Health Center at amounts different from its established rates. These payment arrangements include:

Medicare. The Health Center is recognized as a CAH and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Health Center is reimbursed for certain services and cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicare Administrative Contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future.

Approximately 66% and 68% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2025 and 2024, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Health Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Health Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 9. Charity Care

The costs of charity care provided under the Health Center's charity care policy were approximately $115,000 and $180,000 for 2025 and 2024, respectively. The cost of charity care is estimated by applying the ratio of gross charges to the gross uncompensated charges.

Note 10. 340B Drug Pricing Program

The Health Center participates in the 340B Drug Pricing Program (340B Program) enabling the Health Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Health Center recorded revenues related to the 340B Program of $3,359,964 and $3,338,736 for the years ending December 31, 2025 and 2024, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Health Center recorded expenses related to the 340B Program of $2,587,088 and $2,454,636 for the years ending December 31, 2025 and 2024, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. The 340B Program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 11. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Plan Description

The Kansas Public Employees Retirement System Plan is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74, Article 49: *Kansas Public Employees Retirement System (KPERS), Kansas Police and Fire Retirement System and Kansas Retirement System for Judges*.

The KPERS plan is a cost-sharing multiple-employer defined benefit pension plan. KPERS is intended to be a qualified retirement plan under Section 401(a) of the Code. Information relating to KPERS, including stand-alone financial statements, is available by writing to KPERS, 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869 or accessing the internet at www.KPERS.org.

KPERS makes separate calculations for pension-related amounts for the following four groups participating in the plan:

- State/School
- Local
- Police and Firemen
- Judges

The Health Center's employees participate in the Local group.

Benefits Provided

Retirement benefits for employees are calculated based on the credited service, final average salary, and a statutory multiplier. KPERS has two levels of benefits depending on retirement age and years of credited service. Tier 1 benefits are for members who are age 65 or age 62 with ten years of credited service or of any age when combined age and years of credited service equal 85 "points." Tier 2 benefits are for members who are age 65 with five years of credited service or age 60 with 30 years of credited service. Tier 1 members receive a participating service credit of 1.75% of the final average salary for years of service prior to January 1, 2014. Participating service credit is 1.85% of final average salary for years of service after December 31, 2013. Tier 2 members retiring on or after January 1, 2012, participating service credit is 1.85% for all years of service.

Early retirement is permitted at the age of 55 and ten years of credited service. Benefits are reduced by 0.2% per month for each month between the ages of 60-62, plus 0.6% for each month between the ages of 55 and 60 for Tier 1 members. For Tier 2 members, benefits are reduced actuarially for each early commencement. The reduction factor is 35% at the age of 60 and 57.5% at age 55. If the member has 30 years of credited service, the early retirement reduction is less (50% of regular reduction). The plan also provides disability and death benefits to plan members and their beneficiaries.

The terms of the plan provide for annual 2% cost-of-living adjustment for Tier 2 members who retired prior to July 1, 2012, beginning the later of age of 65 or the second July 1 after retirement date. Other participants do not receive a cost-of-living adjustment.

Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the statewide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% of their annual pay. Effective January 1, 2014, the rate was raised to 5% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Health Center's contractually required contribution rate for the years ended December 31, 2025 and 2024, was 9.71% and 9.26% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Health Center's contributions to KPERS for the years ended December 31, 2025 and 2024, were $906,352 and $843,531, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2025 and 2024, the Health Center reported a liability of $7,725,449 and $8,189,202, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025 and 2024, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2024 and 2023, respectively, rolled forward to June 30, 2025 and 2024, respectively. The Health Center's proportion of the net pension liability was based on the ratio of the Health Center's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2025, the Health Center's proportion was 0.385454%, which was a decrease of 0.000060% from its proportion measured as of June 30, 2024, of 0.385514%. At June 30, 2023, the proportion was 0.402074%.

For the years ended December 31, 2025 and 2024, the Health Center recognized pension expense of $963,500 and $1,182,081, respectively. At December 31, 2025 and 2024, the Health Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 995,498	$ -
Net difference between projected and actual earnings on pension plan investments	-	265,317
Changes of assumptions	190,969	-
Changes in proportion	17,833	227,977
Health Center's contributions subsequent to the measurement date	449,805	-
Total	$ 1,654,105	$ 493,294

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 996,163	$ -
Net difference between projected and actual earnings on pension plan investments	50,170	-
Changes of assumptions	494,994	-
Changes in proportion	53,738	353,595
Health Center's contributions subsequent to the measurement date	428,333	-
Total	$ 2,023,398	$ 353,595

At December 31, 2025, the Health Center reported $449,805 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2025, related to pensions will be recognized in pension expense as follows:

2026	$ 712,101
2027	92,674
2028	(43,767)
2029	(50,002)
	$ 711,006

Actuarial Assumptions

The total pension liability in the December 31, 2024 and 2023, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2024	2023
Price inflation	2.75%	2.75%
Salary increases, including inflation	3.50% to 15.50%	3.50% to 15.50%
Investment rate of return, net of pension plan investment expense, including inflation	7.00%	7.00%

Mortality rates were based on the PUB 2010 Mortality Tables, with age setbacks and age set forwards based on different membership groups. Future mortality improvements are anticipated using Scale MP-2021.

The actuarial assumptions used in the December 31, 2024 and 2023 valuation were based on the results of an actuarial experience study prepared during 2024 and 2023, respectively.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	2025		2024	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Non-U.S. equities	43.0%	8.20%	43.0%	8.20%
Core fixed income	13.0%	2.20%	13.0%	2.20%
Infrastructure	3.0%	6.80%	3.0%	6.80%
Real estate	15.0%	5.70%	15.0%	5.70%
Alternatives	11.0%	12.00%	11.0%	12.00%
Yield driven	12.0%	5.30%	12.0%	5.30%
Short-term investments	3.0%	0.30%	3.0%	0.30%
	100%		100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for the years ended June 30, 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Health Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Health Center's proportionate share of the net pension liability has been calculated using a discount rate of 7.00%. The following presents the Health Center's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Health Center's proportionate share of the net pension liability	$ 11,400,334	$ 7,725,449	$ 4,639,037

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS' financial report.

Note 12. Other Postemployment Benefit Plan

Plan Description

The Health Center contributes to the KPERS Long-term Disability plan (the OPEB Plan), a single-employer defined benefit other postemployment benefit (OPEB) plan covering substantially all employees. The OPEB Plan is administered by a board of trustees appointed by KPERS. The OPEB Plan's assets are not accumulated in a qualified trust because contributions from the employer to the OPEB Plan and earnings on those contributions are not irrevocable. Benefit provisions are contained in the plan document and were established and can be amended by action of the KPERS's governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The OPEB Plan provides LTD and life insurance benefits to eligible disabled members. Benefits provided are self-funded, and the full cost of the benefits is covered by the OPEB Plan. The monthly benefit is 60% of the member's monthly rate of compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever first occurs. Upon the death of a member who is receiving monthly disability benefits, the plan will pay a lump sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary.

The employees covered by the benefit terms at June 30 (the measurement date), are:

	2025	2024
Active employees	133	125
Disabled employees	3	4
	136	129

Total OPEB Liability

The Health Center's total OPEB liability of $163,734 and $199,385 was measured as of June 30, 2025 and 2024, for the years ended December 31, 2025 and 2024, respectively, and was determined by actuarial valuations as of December 31, 2024 and 2023, respectively, and rolled forward to June 30, 2025 and 2024, respectively.

The total OPEB liability in the December 31, 2024 and 2023, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2025	2024
Inflation	2.75%	2.75%
Discount rate	5.20%	3.93%
Salary increases, including inflation	3.50% to 10.30%	3.50% to 10.30%

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index. The discount rate changed from 3.65% in 2023 to 3.93% in 2024 to 5.20% in 2025.

Mortality rates were based on the PUB 2010 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate with adjustments for mortality improvements based on MP-2021 Mortality Tables for the December 31, 2024 and 2023, actuarial valuations, respectively.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study prepared during 2024 and 2023.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2025	2024
Balance, beginning of year	$ 199,385	$ 239,718
Changes for the year:		
Service cost	19,020	19,628
Interest	7,852	8,682
Differences between expected and actual experience	(16,970)	(24,643)
Changes of assumptions	(7,976)	(678)
Benefit payments	(37,577)	(43,322)
Net changes	(35,651)	(40,333)
Balance, end of year	$ 163,734	$ 199,385

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The total OPEB liability of the Health Center, at December 31, 2025, has been calculated using a discount rate of 5.20%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Health Center's total OPEB liability	$ 170,022	$ 163,734	$ 157,439

The total OPEB liability of the Health Center is not impacted by health care cost trend rates given the nature of the benefits provided by the OPEB plan, as such no sensitivity tables were prepared for the health care trend rates.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2025 and 2024, the Health Center recognized OPEB expense of $43,224 and $47,137, respectively. At December 31, 2025 and 2024, the Health Center reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 128,679	$ 128,477
Changes of assumptions	10,610	28,211
Total	$ 139,289	$ 156,688

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 169,048	$ 133,762
Changes of assumptions	13,504	24,891
Total	$ 182,552	$ 158,653

Amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2025, related to OPEB will be recognized in OPEB expense as follows:

2026	$ 16,474
2027	16,826
2028	8,364
2029	(16,089)
2030	(23,609)
Thereafter	(19,365)
	$ (17,399)

Required Supplementary Information

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of the Health Center's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2025 *	2024 *	2023 *	2022 *
Health Center's proportion of the net pension liability	0.385454%	0.385514%	0.402074%	0.399913%
Health Center's proportionate share of the net pension liability	$ 7,725,449	$ 8,189,202	$ 8,435,130	$ 7,950,448
Health Center's covered employee payroll	$ 9,327,446	$ 8,852,454	$ 8,729,365	$ 8,021,252
Health Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	82.82%	92.51%	96.63%	99.12%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	72.75%	70.70%	69.75%

*The amounts presented for each fiscal year are as of the measurement date (June 30 of the calendar year).

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of the Health Center's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years **(Continued)**

2021 *	2020 *	2019 *	2018 *	2017 *	2016 *
0.423729%	0.412875%	0.446557%	0.446508%	0.449586%	0.226511%
$ 5,084,562	$ 7,157,824	$ 6,240,064	$ 6,223,384	$ 6,512,053	$ 3,504,192
$ 8,131,030	$ 7,684,784	$ 8,125,172	$ 7,747,395	$ 7,841,972	$ 3,948,785
62.53%	93.14%	76.80%	80.33%	83.04%	88.74%
76.40%	66.30%	69.88%	68.88%	67.12%	65.10%

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of the Health Center's Pension Contributions
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2025 *	2024 *	2023 *	2022 *
Contractually required contribution	$ 906,352	$ 843,531	$ 742,906	$ 752,926
Contribution in relation to the contractually required contribution	906,352	843,531	742,906	752,926
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Health Center's covered-employee payroll	$ 9,334,209	$ 9,109,408	$ 8,812,644	$ 8,459,844
Contributions as a percentage of covered-employee payroll	9.71%	9.26%	8.43%	8.90%

*The amounts presented for each fiscal year are as of the fiscal year-end (December 31).

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of the Health Center's Pension Contributions
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years **(Continued)**

2021 *	2020 *	2019 *	2018 *	2017 *	2016 *
$ 696,234	$ 767,330	$ 794,641	$ 735,733	$ 651,880	$ 337,098
696,234	767,330	794,641	735,733	651,880	337,098
$ -	$ -	$ -	$ -	$ -	$ -
$ 7,849,312	$ 7,984,698	$ 8,034,795	$ 7,835,308	$ 7,025,219	$ 3,828,710
8.87%	9.61%	9.89%	9.39%	9.28%	8.80%

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of Changes in the Health Center's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years

	2025 *	2024 *	2023 *
Total OPEB Liability			
Service cost	$ 19,020	$ 19,628	$ 18,097
Interest	7,852	8,682	7,934
Differences between expected and actual experience	(16,970)	(24,643)	25,916
Changes in assumptions	(7,976)	(678)	(796)
Benefit payments	(37,577)	(43,322)	(34,628)
Net Change in Total OPEB Liability	(35,651)	(40,333)	16,523
Health Center's Total OPEB Liability - Beginning	199,385	239,718	223,195
Health Center's Total OPEB Liability - Ending	$ 163,734	$ 199,385	$ 239,718
Health Center's Covered-employee Payroll	$ 8,888,256	$ 8,078,093	$ 8,034,062
Health Center's Total OPEB Liability as a Percentage of Covered-employee Payroll	1.84%	2.47%	2.98%
Changes of Assumptions:			
Discount rate	5.20%	3.93%	3.65%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*The amounts presented for each fiscal year are as of the measurement date (June 30 of each fiscal year)

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of Changes in the Health Center's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years **(Continued)**

2022 *	2021 *	2020 *	2019 *	2018 *
$ 31,057	$ 29,683	$ 31,147	$ 28,859	$ 29,115
6,080	10,010	13,813	7,047	17,442
(22,916)	(157,606)	61,193	(14,313)	19,210
(32,253)	392	257,967	(308,407)	(5,792)
(18,254)	(92,054)	(45,579)	(50,671)	(59,629)
(36,286)	(209,575)	318,541	(337,485)	346
259,481	469,056	150,515	488,000	487,654
$ 223,195	$ 259,481	$ 469,056	$ 150,515	$ 488,000
$ 7,004,386	$ 7,313,883	$ 7,101,931	$ 7,661,795	$ 7,658,048
3.19%	3.55%	6.60%	1.96%	6.37%
3.54%	2.16%	2.21%	3.50%	3.87%

Supplementary Information

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Comparison of Revenues and Expenses (Cash Basis) – Actual and Tax Budget
Year Ended December 31, 2025

	Actual	Budget	Over (Under)
Net patient service revenue	$ 20,310,704	$ 18,023,450	$ 2,287,254
Other	4,306,059	4,195,540	110,519
Total revenue	24,616,763	22,218,990	2,397,773
Operating expenses, less depreciation and amortization including interest expense	23,512,911	28,315,487	(4,802,576)
Operating loss before tax support	$ 1,103,852	$ (6,096,497)	$ 7,200,349

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Community Facilities Loans and Grants				
(Community Facilities Loans and Grants Cluster)	10.766	N/A	$ -	$ 3,848,183

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Federal Loan Programs

Effective July 14, 2014, Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center entered into the Hospital District No. 6 of Harper County, Kansas, Revenue Bond, Series 2014, issued under the United States Department of Agriculture (USDA), Rural Development Program in the amount of $475,000 and bearing interest at 4.00% for the radiology department remodeling project. The balance outstanding at December 31, 2025, of the USDA loan, is $155,077, as reported in Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's balance sheet.

Effective November 1, 2017, Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center entered into the Hospital District No. 6 of Harper County, Kansas, Revenue Bond, Series 2017, issued under the United States Department of Agriculture (USDA), Rural Development Program in the amount of $1,810,000 and bearing interest at 2.35% for refunding of debt. The balance outstanding at December 31, 2025, of the USDA loan, is $1,444,297, as reported in Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's balance sheet.

Effective December 20, 2018, Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center entered into the Hospital District No. 6 of Harper County, Kansas, Revenue Bond, Series 2018, issued under the United States Department of Agriculture (USDA), Rural Development Program in the amount of $4,900,000 and bearing interest at 3.50% for the purchase of equipment. The balance outstanding at December 31, 2025, of the USDA loan, is $1,650,675, as reported in Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's balance sheet.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Anthony, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center, which comprise Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's balance sheet as of December 31, 2025, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2026, which contained an "Other Matter" paragraph regarding omission of required supplementary information.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

Wichita, Kansas
May 12, 2026

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Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Anthony, Kansas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's major federal program for the year ended December 31, 2025. Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Hospital District No. 6 of Harper County, Kansas d/b/a Patterson Health Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Forvis Mazars, LLP

Wichita, Kansas
May 12, 2026

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Schedule of Findings and Questioned Costs
Year Ended December 31, 2025

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

   Material weaknesses identified? ☐ Yes ☒ No

   Significant deficiencies identified? ☐ Yes ☒ None reported

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal programs:

   Material weaknesses identified? ☐ Yes ☒ No

   Significant deficiencies identified? ☐ Yes ☒ None reported

5. Type of auditor's report issued on compliance for the major federal program:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

7. Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants

8. Dollar threshold used to distinguish between Type A and Type B programs: $1,000,000.

9. Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

Hospital District No. 6 of Harper County, Kansas
d/b/a Patterson Health Center
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2025

Reference Number	Summary of Finding	Status
	No matters are reportable.	