Independent Auditor's Report and Financial Statements
Mitchell County Hospital Health Systems
March 31, 2026 and 2025

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Independent Auditor's Report

Board of Trustees
Mitchell County Hospital Health Systems

Opinion

We have audited the accompanying financial statements of the business-type activities of Mitchell County Hospital Health Systems (the Health System) a component unit of Mitchell County, Kansas, as of and for the years ended March 31, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Health System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Mitchell County Hospital Health Systems as of March 31, 2026 and 2025, and the respective changes in financial position and its cash flows thereof 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 and the Kansas Municipal Audit and Accounting Guide. 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 the Health System 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 these 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 the Health System's ability to continue as a going concern for twelve 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 generally accepted 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.

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In performing an audit in accordance with generally accepted 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 the Health System'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 the Health System'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.

Other Matters

The Health System has omitted 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
September 16, 2026

Financial Statements

Mitchell County Hospital Health Systems
Statements of Net Position
March 31, 2026 and 2025

Assets

	2026	2025
Current assets		
Cash and cash equivalents	$ 10,272,579	$ 5,460,868
Assets limited as to use	319,238	276,957
Patient accounts receivable, net of allowance for uncollectible accounts of $1,365,729 in 2026 and $1,183,019 in 2025	3,202,510	4,626,162
Other receivables	40,892	81,716
Inventories	502,563	528,922
Prepaid expenses	278,337	278,445
Estimated third-party payor settlements	2,271,559	
Total current assets	16,887,678	11,253,070
Assets limited as to use		
Internally designated		
For specific operating activities	698,544	677,690
For capital assets	10,049,982	9,626,767
Endowment Fund investments	5,985,324	5,399,589
Under bond agreements	1,215,551	1,173,270
By contributors		
For specific operating activities	13,088	12,790
For capital asset acquisitions	844,533	509,879
	18,807,022	17,399,985
Less amounts required to meet current obligations	319,238	276,957
Total assets limited as to use	18,487,784	17,123,028
Capital assets		
Capital assets not being depreciated	62,014	686,123
Depreciable capital assets, net	9,256,910	8,361,437
Lease assets, net	275,750	366,507
Subscription IT assets, net	2,133,688	2,392,301
Total capital assets	11,728,362	11,806,368
Total assets	$ 47,103,824	$ 40,182,466

The accompanying notes are an integral part of these statements.

Liabilities and Net Position

	2026	2025
Current liabilities		
Current maturities of long-term debt	$ 825,000	$ 795,000
Current maturities of lease liabilities	63,579	66,869
Current maturities of subscription IT liabilities	391,627	332,442
Accounts payable	888,769	481,434
Accrued salaries and benefits	1,476,191	1,258,946
Accrued compensated absences	1,322,729	1,242,105
Accrued interest payable	5,241	10,428
Estimated third-party payor settlements	150,000	914,000
Total current liabilities	5,123,136	5,101,224
Long-term liabilities		
Long-term debt less current maturities	1,081,846	1,926,304
Lease liabilities less current maturities	230,139	287,757
Subscription IT liabilities less current maturities	1,781,988	2,075,329
Accrued compensated absences, net of current portion	474,000	409,000
Total long-term liabilities	3,567,973	4,698,390
Total liabilities	8,691,109	9,799,614
Net position		
Net investment in capital assets	7,354,182	6,322,667
Restricted		
For debt service	1,215,551	1,173,270
For specific operating activities	13,088	12,790
For capital asset acquisitions	844,533	509,879
Mitchell County Community Hospital Endowment Fund	5,985,324	5,399,589
Unrestricted	23,000,037	16,964,657
Total net position	38,412,715	30,382,852
Total liabilities and net position	$ 47,103,824	$ 40,182,466

Mitchell County Hospital Health Systems
Statements of Revenues, Expenses, and
Changes in Net Position
Years ended March 31, 2026 and 2025

	2026	2025
Operating revenues		
Net patient service revenue	$ 33,805,893	$ 30,860,132
Other	345,414	323,412
Total operating revenues	34,151,307	31,183,544
Operating expenses		
Salaries and wages	15,789,488	14,582,085
Employee benefits	3,341,434	3,137,369
Supplies and other expenses	13,330,536	11,176,946
Depreciation and amortization	1,727,414	1,800,673
Total operating expenses	34,188,872	30,697,073
Operating income (loss)	(37,565)	486,471
Nonoperating revenues and (expenses)		
County tax appropriations	164,000	221,365
Investment income	1,515,069	1,297,754
Interest expense	(202,277)	(243,226)
Noncapital grants and contributions	73,032	101,839
Employee retention credits	6,084,169	
Other	(1,219)	(51,570)
Total nonoperating revenues and (expenses)	7,632,774	1,326,162
Excess of revenues over expenses before capital grants and contributions	7,595,209	1,812,633
Capital grants and contributions	434,654	105,875
Change in net position	8,029,863	1,918,508
Net position at beginning of year	30,382,852	28,464,344
Net position end of year	$ 38,412,715	$ 30,382,852

The accompanying notes are an integral part of these statements.

Mitchell County Hospital Health Systems
Statements of Cash Flows
Years ended March 31, 2026 and 2025

	2026	2025
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 32,249,273	$ 29,951,367
Payments to or on behalf of employees	(18,782,516)	(17,709,255)
Payments for supplies and services	(13,011,722)	(10,987,421)
Other receipts and payments	345,414	323,412
Net cash provided by operating activities	800,449	1,578,103
Cash flows from noncapital financing activities		
County tax appropriations	164,000	221,365
Noncapital grants and contributions	6,157,201	101,839
Other	(1,219)	(51,570)
Net cash provided by noncapital financing activities	6,319,982	271,634
Cash flows from capital and related financing activities		
Acquisition of capital assets	(1,399,503)	(1,128,257)
Grants and contributions for capital	434,654	
Principal payments on long-term debt	(795,000)	(765,000)
Principal payments on lease liabilities	(60,908)	(81,121)
Principal payments on subscription IT liabilities	(369,073)	(282,967)
Interest paid	(226,922)	(267,066)
Net cash used by capital and related financing activities	(2,416,752)	(2,524,411)
Cash flows from investing activities		
Changes in endowment fund investments	(865,978)	(438,373)
Changes in assets limited as to use for capital acquisitions by contributors	(334,654)	
Investment income received	1,794,552	1,426,664
Net cash provided by investing activities	593,920	988,291
Net change in cash and cash equivalents	5,297,599	313,617
Cash and cash equivalents at beginning of year	16,957,284	16,643,667
Cash and cash equivalents at end of year	$ 22,254,883	$ 16,957,284

The accompanying notes are an integral part of these statements.

Mitchell County Hospital Health Systems
Statements of Cash Flows - Continued
Years ended March 31, 2026 and 2025

	2026	2025
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 10,272,579	$ 5,460,868
Cash included in assets limited as to use		
Internally designated for specific operating activities	698,544	677,690
Internally designated capital assets	10,048,136	9,624,920
Under bond agreements	1,215,487	1,173,206
Endowment Fund investments	7,049	7,810
By contributors		
For specific operating activities	13,088	12,790
Total cash and cash equivalents	$ 22,254,883	$ 16,957,284
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (37,565)	$ 486,471
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	1,727,414	1,800,673
Provision for bad debts	1,567,261	1,173,274
Changes in		
Patient accounts receivable	(143,609)	(2,973,236)
Other receivables	40,824	(37,039)
Estimated third-party payor settlements	(3,035,559)	904,000
Inventories	26,359	42,574
Prepaid expenses	108	19,475
Accounts payable and accrued expenses	655,216	161,911
Net cash provided by operating activities	$ 800,449	$ 1,578,103
Supplemental schedule on noncash investing and financing activities		
Net change in unrealized gains and (losses) on investments	$ (279,482)	$ (128,911)
Noncash subscription IT liabilities incurred	134,917	156,659

The accompanying notes are an integral part of these statements.

Mitchell County Hospital Health Systems
Notes to Financial Statements
March 31, 2026 and 2025

Note A - Description of Reporting Entity and Summary of Significant Accounting Policies

1. Reporting entity

Mitchell County Hospital Health Systems (the Health System) is owned by Mitchell County, Kansas (the County), and governed by a seven-member Board of Trustees appointed by the Board of County Commissioners of the County. The Health System is located in Beloit, Kansas, and provides acute care, swing-bed, skilled nursing, and long-term care services. The Health System can sue and be sued and can buy, sell, or lease real property. Bond issuances must be approved by the County. The Health System is a component unit of the County.

The component unit discussed in Note A2 is included in the Health System's reporting entity because of the nature and significance of its relationship with the Health System.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

2. Component unit

Mitchell County Community Hospital Endowment Fund (the Endowment Fund) is a legally separate not-for-profit membership corporation organized to endow the Mitchell County Community Hospital and its successors and to otherwise provide charitable support of health care, hospital, and related services in Mitchell County, Kansas. The sole member of the Endowment Fund is the Health System. The Endowment Fund is governed by a five-member Board of Directors, of which two members are also members of the Health System's Board of Trustees, and the other three members are the members of the Endowment Management Committee (the Committee). The day-to-day operating and investing decisions of the Endowment Fund are carried out by the Committee. Members of the Committee are appointed by the Board of County Commissioners of the County. Principal distributions from the Endowment Fund can only be made with approval of all members of the Committee and a majority of the Board of Directors. The Endowment Fund's bylaws restrict principal distributions to 10 percent of unrestricted net position in one calendar year and 30 percent of unrestricted net position in any period of ten consecutive calendar years.

The Health System includes the Endowment Fund as a component unit in its financial statements using the blended method. All significant intercompany accounts and transactions have been eliminated in the accompanying financial statements.

Financial data of the Endowment Fund are presented as of December 31, 2025 and 2024, and for the years then ended.

3. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 these estimates.

4. Basis of accounting

The Health System uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Note A - Description of Reporting Entity and Summary of Significant Accounting Policies - Continued

5. Cash and cash equivalents

The Health System considers all cash and invested cash to be cash equivalents, excluding any items classified as investments by the Endowment Fund.

6. Allowance for uncollectible accounts

The Health System provides for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. The Health System estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each type of payor.

7. Inventories

Inventories are stated at cost as determined using the first-in, first-out method.

8. Investments and investment income

Investments in debt and equity securities are reported at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

9. Assets limited as to use

Assets limited as to use include assets set aside by the Board of Trustees for specific operating activities, employee health insurance expenses, and replacement of capital assets or for purchase of additional capital assets, over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets whose use is limited under bond agreements; and assets restricted by contributors for a particular purpose. Amounts that are required for obligations classified as current liabilities are reported in current assets.

10. Capital assets

Capital assets excluding lease assets and subscription IT assets are stated at cost. Depreciation of capital assets excluding lease assets and subscription IT assets are provided on the straight-line method over the estimated useful lives of the assets which are substantially in conformity with the guidelines established by the American Hospital Association.

Lease assets are recognized at the lease commencement date and represent the right-to-use an underlying asset for the lease term. Leased assets are measured at the initial value of the lease liability at the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus any initial direct costs necessary to place the lease asset into service. Leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method or the same method amortizing the lease liability.

Subscription IT assets are recognized at the subscription commencement date and represent the Health System's right to use an underlying IT asset for the subscription term. Subscription IT assets are measured at the initial value of the subscription IT liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method or the same method amortizing the subscription liability.

Note A - Description of Reporting Entity and Summary of Significant Accounting Policies - Continued

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended useful lives of the item or the properties. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

11. Lease liabilities

Lease liabilities represent obligations to make payments arising from lease arrangements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on the rate implicit in the lease or the Health System's incremental borrowing rate.

12. Subscription IT liabilities

Subscription IT liabilities represent obligations to make payments arising from SBITAs. Subscription IT liabilities are recognized at the SBITA commencement date based on the present value of future SBITA payments expected to be made during the SBITA term. The present value of the SBITA payments are discounted based on the rate implicit in the SBITA or the Health System's incremental borrowing rate.

13. Costs of borrowing

Other costs incurred to issue long-term debt are expensed in the period incurred. Original issue premiums and discounts associated with issuance of long-term debt are amortized using the interest method over the term of the related debt.

14. Grants and contributions

From time to time, the Health System receives grants and contributions from individuals and private organizations. Revenues from grants and contributions, including contributions of capital assets, are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

15. Restricted resources

When the Health System has both restricted and unrestricted resources available to finance a particular program, it is the Health System's policy to use restricted resources before unrestricted resources.

16. Compensated absences

Employees are entitled to paid personal leave (PPL) depending on length of service and whether they are full-time or part-time. PPL vests and may be carried forward by an employee in an amount not to exceed hourly limits based on length of employment. Upon retirement, resignation, or termination from service, employees who have been employed a minimum of one year are entitled to payment of accrued unused PPL. PPL benefits are expensed and accrued as earned under the Health System's PPL policy, with the vested amount recorded as a current accrued liability.

Employees are also entitled to extended illness benefits depending on whether they are full-time or part-time. Upon retirement, resignation, or termination from service, employees are not entitled to payment for accrued extended illness. The Health System accrues a current and noncurrent estimate of vested extended illness benefits that are expected to be used based on historical usage.

Note A - Description of Reporting Entity and Summary of Significant Accounting Policies - Continued

17. Net position

Net position of the Health System is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Health System, including amounts deposited with trustees as required by bond agreements. *Unrestricted net position* is the remaining net position that does not meet the definitions of the other two components of net position.

18. Operating revenues and expenses

The Health System's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Health System's principal activity. Nonexchange revenues, including noncapital grants and contributions and the county tax appropriations, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

19. Net patient service revenue

Net patient service revenue is reported at established charges with deductions for discounts, charity care, contractual adjustments, and provision for bad debts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

20. Charity care

The Health System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

21. Income taxes

The Health System is exempt from federal income taxes pursuant to Sections 115 and 501(a) of the Internal Revenue Code.

The Endowment Fund is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its related income pursuant to Section 501(a) of the Code. Management of the Endowment Fund is not aware of any uncertainties in income tax positions. Tax years ended on or before December 31, 2021, are not subject to examination by taxing authorities.

22. Subsequent events

The Health System has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued. See Note R for subsequent events disclosed.

Note B - Net Patient Service Revenue

The Health System has agreements with third-party payors that provide for payments to it at amounts different from its established charge rates. The amounts reported on the statements of net position as estimated third-party payor settlements consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - Services rendered to Medicare program beneficiaries are paid under the provisions applicable to critical access hospitals. Payments to the Health System under critical access provisions for inpatient, outpatient, and swing-bed patient services are determined on the basis of allowable costs. The Health System is paid for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Health System and audits or reviews thereof by the Medicare administrative contractor. The Health System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Health System's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through March 31, 2024.

Medicaid - Hospital services rendered to all Medicaid beneficiaries are paid at prospectively determined rates. The Health System receives a hospital-specific add-on percentage to each claim based on previously filed cost reports. Nursing facility services are paid at prospectively determined per diem rates set annually on the basis of cost information supplied by nursing facilities for preceding calendar years.

Blue Cross and Blue Shield - All services rendered to patients who are insured by Blue Cross and Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

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

A summary of gross and net patient service revenue follows:

	2026	2025
Gross patient service revenue	$ 59,974,723	$ 56,009,531
Contractual adjustments	(24,235,958)	(23,774,191)
Provision for bad debts	(1,567,261)	(1,173,274)
Charity care	(365,611)	(201,934)
Net patient service revenue	$ 33,805,893	$ 30,860,132

Revenue from the Medicare and Medicaid programs accounted for approximately 52 percent and 12 percent, respectively, of the Health System's net patient service revenue during 2026, and 54 percent and 8 percent, respectively, of the Health System's net patient service revenue during 2025. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note C - Deposits with Financial Institutions

Custodial credit risk is the risk that in an event of a bank failure, a government's deposits may not be returned to it. The Health System's deposit policy of custodial credit risk requires compliance with the provisions of State law. In addition, the Health System maintains its cash in banks which are insured by the Federal Deposit Insurance Corporation (FDIC).

Kansas statutes authorize the Health System, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury bills and notes, and the State Treasurer's investment pool. Kansas statutes also require that collateral be pledged for bank deposits with a fair value equal to 100 percent of the uninsured amounts and must be assigned for the benefit of the Health System.

At March 31, 2026, the carrying amount of the Health System's bank deposits (excluding those of the Endowment Fund), including certificates of deposit, was $22,247,734 and the bank balances were $22,627,690. Of the bank balances, $8,324,923 was covered by federal depository insurance and $14,302,767 was covered by collateral held by a third-party bank, but not registered in the Health System's name.

The Health System's bank deposits are included in the financial statements under the following categories:

Cash and cash equivalents	$ 10,272,479
Assets limited as to use	
Internally designated	
For specific operating activities	698,544
For capital assets	10,048,136
Under bond agreements	1,215,487
By contributors	13,088
	$ 22,247,734

Note D - Assets Limited as to Use

The composition of assets limited as to use is as follows:

	2026	2025
Internally designated for specific operating activities		
Cash	$ 698,544	$ 677,690
Internally designated for capital assets		
Cash	$ 3,248,187	$ 2,876,054
Certificates of deposit	6,799,949	6,748,866
Accrued interest receivable	1,846	1,847
	$ 10,049,982	$ 9,626,767
Under bond agreements		
Cash	$ 319,237	$ 276,956
Certificates of deposit	896,250	896,250
Accrued interest receivable	64	64
	$ 1,215,551	$ 1,173,270
By contributors for specific operating activities		
Certificates of deposit	$ 13,088	$ 12,790
By contributors for capital asset acquisitions		
Cash held by Mitchell County Regional Medical Foundation	$ 586,663	$ 509,879
Pledges receivable for Health System capital acquisitions made to Mitchell County Regional Medical Foundation	257,870	
	$ 844,533	$ 509,879

The Endowment Fund's investments in common stocks and mutual funds are stated at fair value based upon quoted prices in active markets for identical assets. The Endowment invested in two $250,000 annuities in October 2025. These annuities are carried at current annuity value. One annuity can be redeemed without surrender charges after two years and the other after three years. The composition of its investments is as follows at December 31:

	2025	2024
Cash and cash equivalents	$ 11,385	$ 319,715
Certificates of deposit	659,028	
Annuities	504,613	
Common stocks	2,182,488	2,477,377
Mutual funds (equity and fixed income)	2,627,810	2,602,497
Total Endowment Fund investments	$ 5,985,324	$ 5,399,589

Note E - Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined according to a hierarchy that gives highest priority to use of observable inputs and lowest priority to use of unobservable inputs. These inputs are described as follows:

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable, supported by little or no market activity, and are significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Common stocks and mutual funds are valued at unadjusted quoted prices for identical securities in active markets.

The following tables set forth, by level, the Endowment Fund's assets measured at fair value on a recurring basis:

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
Common stocks	$ 2,182,488	$ -	$ -	$ 2,182,488
Mutual funds	2,627,810			2,627,810
	$ 4,810,298	$ -	$ -	$ 4,810,298

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Common stocks	$ 2,477,377	$ -	$ -	$ 2,477,377
Mutual funds	2,602,497			2,602,497
	$ 5,079,874	$ -	$ -	$ 5,079,874

Note F - Capital Assets

Capital asset additions, retirements, and balances are as follows:

	2026			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 42,774	$ -	$ -	$ 42,774
Construction in progress	643,349	(624,109)		19,240
Total capital assets not being depreciated	686,123	(624,109)	-	62,014
Capital assets being depreciated				
Land improvements	751,400	35,018		786,418
Buildings	20,498,085	1,325,811		21,823,896
Fixed equipment	7,386,556			7,386,556
Major movable equipment	16,775,000	817,288		17,592,288
Total capital assets being depreciated	45,411,041	2,178,117	-	47,589,158
Less accumulated depreciation				
Land improvements	683,727	11,557		695,284
Buildings	16,005,266	445,024		16,450,290
Fixed equipment	5,583,996	163,249		5,747,245
Major movable equipment	14,776,615	662,814		15,439,429
Total accumulated depreciation	37,049,604	1,282,644	-	38,332,248
Total capital assets being depreciated, net	8,361,437	895,473	-	9,256,910
Lease assets being amortized				
Major movable equipment	493,694	(39,516)		454,178
Less accumulated amortization				
Major movable equipment	127,187	51,241		178,428
Total lease assets being amortized, net	366,507	(90,757)	-	275,750
Subscription IT assets being amortized	3,432,503	134,916		3,567,419
Less accumulated amortization	1,040,202	393,529		1,433,731
Total subscription IT assets being amortized, net	2,392,301	(258,613)	-	2,133,688
Capital assets, net	$ 11,806,368	$ (78,006)	$ -	$ 11,728,362

Note F - Capital Assets - Continued

	2025			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 42,774	$ -	$ -	$ 42,774
Construction in progress	399,906	243,443		643,349
Total capital assets not being depreciated	442,680	243,443	-	686,123
Capital assets being depreciated				
Land improvements	751,400			751,400
Buildings	20,413,984	84,101		20,498,085
Fixed equipment	7,227,707	158,849		7,386,556
Major movable equipment	16,086,681	815,146	(126,827)	16,775,000
Total capital assets being depreciated	44,479,772	1,058,096	(126,827)	45,411,041
Less accumulated depreciation				
Land improvements	670,938	12,789		683,727
Buildings	15,518,147	487,119		16,005,266
Fixed equipment	5,429,680	154,316		5,583,996
Major movable equipment	14,092,184	811,258	(126,827)	14,776,615
Total accumulated depreciation	35,710,949	1,465,482	(126,827)	37,049,604
Total capital assets being depreciated, net	8,768,823	(407,386)	-	8,361,437
Lease assets being amortized				
Major movable equipment	642,650	(148,956)		493,694
Less accumulated amortization				
Major movable equipment	149,758	(22,571)		127,187
Total lease assets being amortized, net	492,892	(126,385)	-	366,507
Subscription IT assets being amortized	3,269,544	162,959		3,432,503
Less accumulated amortization	682,440	357,762		1,040,202
Total subscription IT assets being amortized, net	2,587,104	(194,803)	-	2,392,301
Capital assets, net	$ 12,291,499	$ (485,131)	$ -	$ 11,806,368

Note G - Long-Term Debt

Long-term debt obligations are summarized as follows:

	2026	2025
3.00% - 3.75% Mitchell County, Kansas Public Building Commission Refunding Revenue Bonds, Series 2014; issued on June 10, 2014, in the original amount of $6,015,000; due serially through March 1, 2029; net of unamortized premium of $7,043 in 2026 and $12,554 in 2025	$ 987,043	$ 1,377,554
3.00% Mitchell County, Kansas Public Building Commission Refunding Revenue Bonds, Series 2016; issued on August 1, 2016, in the original amount of $3,815,000; due serially through March 1, 2029; net of unamortized premium of $14,803 in 2026 and $28,750 in 2025	919,803	1,343,750
	1,906,846	2,721,304
Less current maturities	825,000	795,000
Long-term debt obligations net of current maturities	$ 1,081,846	$ 1,926,304

The following is a summary of changes in long-term debt obligations:

Outstanding at April 1, 2024	$ 3,511,351
Principal payments	(765,000)
Amortization of bond premium	(25,047)
Outstanding at March 31, 2025	2,721,304
Principal payments	(795,000)
Amortization of bond premium	(19,458)
Outstanding at March 31, 2026	$ 1,906,846

On June 10, 2014, the Mitchell County, Kansas, Public Building Commission (PBC) issued its Refunding Revenue Bonds, Series 2014 (the 2014 Bonds), in the amount of $6,015,000, on behalf of the Health System pursuant to a bond resolution dated May 19, 2014. The proceeds of the 2014 Bonds were used, together with available funds of the Health System for the purpose of providing funds to (1) immediately refund the 2009-2 Bonds, and (2) pay certain costs related to the issuance of the 2014 Bonds.

On August 1, 2016, the PBC issued its Refunding Revenue Bonds, Series 2016 (the 2016 Bonds), in the amount of $3,815,000, on behalf of the Health System. The proceeds of the 2016 Bonds were used, together with available funds of the Health System, for the purpose of providing funds to (1) pay the costs related to issuance of the 2016 Bonds, and (2) make an irrevocable deposit into an escrow fund held by a trustee. The escrow fund was used, together with other available funds of the Health System, to pay interest on the 2009 Bonds due on September 1, 2017, and on March 1, 2017, and to redeem the outstanding principal balance of the 2009 Bonds when they were called on March 1, 2018.

Note G - Long-Term Debt - Continued

The PBC is a municipal corporation created by the County during 2002 whose principal functions are acquiring land, and constructing, reconstructing, equipping, and furnishing buildings for lease to governmental entities, and to issue revenue bonds to finance those functions. The PBC, the County, and the Health System have entered into lease agreements in which the PBC leases the 2002 Project and the 2009 Project to the County and the Health System for rental payments sufficient to provide for the payment of principal and interest on all outstanding bonds related to the financing of those two projects. The leases contain a covenant by the County to make all rental payments required under the leases from whatever source of revenue is legally available and to levy ad valorem taxes without limit, if necessary, to make such payments.

The 2014 Bonds and the 2016 Bonds are secured by a guaranty agreement between the Endowment Fund (see Note A2) and the PBC. Under the guaranty agreement, the Endowment Fund has guaranteed the payment of principal and interest on those bonds, not to exceed $100,000 in any one twelve-month period.

The Health System and the County have also entered into a pledge of revenues agreement in which the Health System has pledged its net revenues to the County to secure the payment of principal and interest on the 2014 Bonds and the 2016 Bonds. The pledge of revenues agreement requires the Health System to make monthly deposits to a debt service account that are sufficient to pay principal and interest on those bonds as payments are due. Such deposits were maintained and are included with assets limited as to use in the financial statements.

The pledge of revenues agreement includes a rate covenant that requires the level of rates, fees, and charges for services to be sufficient to produce net revenues, as defined, for each fiscal year equal to 100 percent of the debt service requirements for all bonds outstanding during that fiscal year.

Scheduled annual debt service requirements on long-term debt are as follows:

	Principal	Interest	Total
2027	$ 825,000	$ 62,888	$ 887,888
2028	855,000	36,113	891,113
2029	205,000	7,350	212,350
	$ 1,885,000	$ 106,351	$ 1,991,351

Note H - Leases

The Health System leases certain equipment, the terms of which expire in various years through 2031. Payments are based on each specific lease agreement. The Health System's leases do not contain variable lease payments or residual value guarantees.

The following is a summary of lease liabilities as of March 31:

	2026	2025
Current portion of lease liabilities	$ 63,579	$ 66,869
Noncurrent portion of lease liabilities	230,139	287,757
Total lease liabilities	$ 293,718	$ 354,626

The following is a summary of changes in lease liabilities:

	2026	2025
Beginning balance at beginning of year	$ 354,626	$ 435,747
Principal payments	(60,908)	(81,121)
Outstanding at end of year	$ 293,718	$ 354,626

Scheduled future lease payments are as follows:

	Principal	Interest	Total
2027	$ 63,579	$ 12,513	$ 76,092
2028	66,666	9,426	76,092
2029	69,902	6,190	76,092
2030	73,296	2,796	76,092
2031	20,275	150	20,425
	$ 293,718	$ 31,075	$ 324,793

Note I - Subscription IT Liabilities

The Health System's subscription IT liabilities primarily relate to subscription software for its patient accounting and electronic medical records system and supporting modules. Payments are based on each underlying contract and vary between monthly, quarterly, semi-annual, and annual payments. In certain situations, the vendor is allowed to increase the subscription payment annually. Differences between the original payment schedules and the current payment schedules is considered variable consideration. The variable consideration was not significant for the years ended March 31, 2026 and 2025.

The following is a summary of subscription IT liabilities as of March 31:

	2026	2025
Current portion of subscription IT liabilities	$ 391,627	$ 332,442
Noncurrent portion of subscription IT liabilities	1,781,988	2,075,329
Total lease subscription IT liabilities	$ 2,173,615	$ 2,407,771

The following is a summary of changes in subscription IT liabilities:

	2026	2025
Beginning balance at beginning of year	$ 2,407,771	$ 2,534,079
Obligations incurred	134,917	156,659
Principal payments	(369,073)	(282,967)
Outstanding at end of year	$ 2,173,615	$ 2,407,771

Scheduled subscription IT liability payments are as follows:

	Principal	Interest	Total
2027	$ 391,627	$ 119,781	$ 511,408
2028	397,137	93,094	490,231
2029	372,254	69,718	441,972
2030	393,409	48,563	441,972
2031	411,857	26,203	438,060
2032	207,331	4,386	211,717
Total minimum subscription IT liability payments	$ 2,173,615	$ 361,745	$ 2,535,360

Note J - Interest Expense

Total interest costs incurred are as follows:

	2026	2025
Total interest incurred	$ 221,735	$ 268,273
Amortization of bond premium	(19,458)	(25,047)
Interest expense	$ 202,277	$ 243,226

Note K - Accrued Compensated Absences

The following is a summary of accrued compensated absences:

	2026	2025
Current portion of compensated absences	$ 1,322,729	$ 1,242,105
Noncurrent portion of compensated absences	474,000	409,000
Total accrued compensated absences	$ 1,796,729	$ 1,651,105

The following is a summary of changes in compensated absences:

	2026	2025
Beginning balance at April 1,	$ 1,651,105	$ 1,630,175
Net change	145,624	20,930
Ending balance at March 31,	$ 1,796,729	$ 1,651,105

Note L - Pension Plans

The Health System sponsors two defined contribution pension plans that provide pension benefits for all of its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The plans are administered by a third-party insurance company and can be amended by the Board of Trustees. The provisions of the plans are as follows:

An Internal Revenue Code Section 414 plan requires mandatory participation upon employment. Concurrent with the establishment of this plan, the Health System ceased to participate in the Federal Social Security System. Both employees and the Health System contribute 6.2 percent of participant compensation to the plan, subject to certain limitations. Employees are 100 percent vested in all contributions upon participation in the plan.

An Internal Revenue Code Section 457(b) tax sheltered annuity plan permits voluntary participation. Employees who are 18 years of age or older become eligible for employer contributions upon their date of hire. Employees may make contributions to the plan subject to maximum limits established by the Internal Revenue Service (IRS). The Health System makes matching contributions at a specified percentage of participant contributions up to a maximum of 4 percent of each participant's compensation. Employer contributions vest 20 percent per year of service and are fully vested at the end of five years of service.

Total expense incurred for these plans during the years ended March 31, 2026 and 2025, was $1,479,276 and $1,358,439, respectively.

Note M - Employee Retention Credits

The CARES Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes for eligible employers. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70 percent of qualified wages with quarterly caps. During the year ended March 31, 2026, the Health System's employee retention credit application was approved by the Internal Revenue Service (IRS). The Health System recognized income of $6,084,169 related to the credits, which is presented as nonoperating revenues and expenses in the statement of revenues, expenses, and changes in net position. The employee retention credit filings remain open for potential examination by the IRS through the statute of limitations, which has expiration dates extending into the future. Any disallowed claims resulting from such examination could be subject to repayment to the federal government.

Note N - Concentration of Credit Risk

The Health System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors at March 31, is as follows:

	2026		2025	
Medicare	43.0	%	52.6	%
Medicaid	8.2		7.1	
Blue Cross	13.1		15.3	
Other insurers	15.6		11.7	
Patients	20.1		13.3	
	100.0	%	100.0	%

Note O - Risk Management

For the years ended March 31, 2026 and 2025, the Health System was insured for hospital professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $500,000 per occurrence up to an annual aggregate of $1,500,000 for all claims made during the policy year. The Health System is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to $500,000 pursuant to any one judgment or settlement against the hospital for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of $1,500,000. The policy provided by the independent insurance carrier provides for umbrella liability in excess of the underlying limits set forth above in the amount of $1,000,000 per occurrence with an aggregate amount in any policy period of $3,000,000. All coverage is on a claims-made basis. The above policies were renewed on January 1, 2026, for the policy period from January 1, 2026 to January 1, 2027.

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the Health System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Health System purchases commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note P - Commitments and Contingencies

The Health System purchases professional and general liability insurance to cover medical malpractice and other liability claims (see Note O). There are no known claims or incidents that have been asserted. No accrual for loss contingencies related to unasserted claims, if any, has been made in the financial statements as the amount of ultimate settlement, if any, cannot be reasonably estimated.

The Health System has entered into an agreement with a local financial institution under which the Health System transfers to the financial institution its interest in certain self-pay accounts receivable. The accounts are assumed with full recourse, and the Health System is contingently liable for any uncollected accounts. Approximately $286,000 and $341,000 of these accounts were uncollected at March 31, 2026 and 2025, respectively. Management considers this contingency in estimating its allowance for uncollectible accounts.

Note Q - Related-Party Transactions

The County levies ad valorem taxes for the benefit of the Health System and remits these taxes as they are collected.

The Mitchell County Regional Medical Foundation (the Foundation) was incorporated in December 2008, and its purpose is to foster medical needs of Mitchell County and the surrounding region, including those of the Health System. The Foundation's Board of Directors consists of eleven members, including the Health System's chief executive officer, chief financial officer, and one member of the Health System's board of trustees. The Foundation is assisting with the Health System's efforts to raise funds to help pay for renovations and additions to the facilities. The Health System incurred expenses of $4,723 and $7,812 in connection with the fundraising campaign and received contributions of $101,308 and $68,716 during the years ended March 31, 2026 and 2025, respectively.

A member of the Health System's Board of Trustees is also a shareholder of a physician group that provides emergency room coverage for the Health System. Total amounts expensed related to this agreement were approximately $538,000 in 2026 and $526,000 in 2025.

Note R - Subsequent Events

Subsequent to year end the Health System signed a contract for architectural services with a total commitment of approximately $1,500,000.

Note S - Condensed Combining Information

The following tables are condensed statements of net position for the Health System and its blended component unit:

	2026			
	Health System	Component unit	Eliminations	Blended
Assets				
Current assets	$ 16,887,678	$ -	$ -	$ 16,887,678
Other assets	12,502,460	5,985,324		18,487,784
Capital assets, net	11,728,362			11,728,362
Total assets	$ 41,118,500	$ 5,985,324	$ -	$ 47,103,824
Liabilities				
Current liabilities	$ 5,123,136	$ -	$ -	$ 5,123,136
Noncurrent liabilities	3,567,973			3,567,973
Total liabilities	8,691,109	-	-	8,691,109
Net position				
Net investment in capital assets	7,354,182			7,354,182
Restricted				
For debt service	1,215,551			1,215,551
For specific operating activities	13,088			13,088
For capital asset acquisitions	844,533			844,533
Endowment Fund		5,985,324		5,985,324
Unrestricted	23,000,037			23,000,037
Total net position	32,427,391	5,985,324	-	38,412,715
Total liabilities and net position	$ 41,118,500	$ 5,985,324	$ -	$ 47,103,824

Note S - Condensed Combining Information - Continued

	2025			
	Health System	Component unit	Eliminations	Blended
Assets				
Current assets	$ 11,253,070	$ -	$ -	$ 11,253,070
Other assets	11,723,439	5,399,589		17,123,028
Capital assets, net	11,806,368			11,806,368
Total assets	$ 34,782,877	$ 5,399,589	$ -	$ 40,182,466
Liabilities				
Current liabilities	$ 5,101,224	$ -	$ -	$ 5,101,224
Noncurrent liabilities	4,698,390			4,698,390
Total liabilities	9,799,614	-	-	9,799,614
Net position				
Net investment in capital assets	6,322,667			6,322,667
Restricted				
For debt service	1,173,270			1,173,270
For specific operating activities	12,790			12,790
For capital asset acquisitions	509,879			509,879
Endowment Fund		5,399,589		5,399,589
Unrestricted	16,964,657			16,964,657
Total net position	24,983,263	5,399,589	-	30,382,852
Total liabilities and net position	$ 34,782,877	$ 5,399,589	$ -	$ 40,182,466

Note S - Condensed Combining Information - Continued

The following tables are condensed statements of revenues, expenses, and changes in net position for the Health System and its blended component unit:

	2026			
	Health System	Component unit	Eliminations	Blended
Net patient service revenue	$ 33,805,893	$ -	$ -	$ 33,805,893
Other	345,414			345,414
Total operating revenues	34,151,307	-	-	34,151,307
Salaries and wages	15,789,488			15,789,488
Employee benefits	3,341,434			3,341,434
Supplies and other expenses	13,330,536			13,330,536
Depreciation and amortization	1,727,414			1,727,414
Total operating expenses	34,188,872	-	-	34,188,872
Operating loss	(37,565)	-	-	(37,565)
Nonoperating revenues (expenses)				
Investment income	728,115	786,954		1,515,069
Interest expense	(202,277)			(202,277)
Other	6,521,201	(201,219)		6,319,982
Total nonoperating revenues (expenses)	7,047,039	585,735	-	7,632,774
Excess of revenues over expenses	7,009,474	585,735		7,595,209
Capital grants and contributions	434,654			434,654
Change in net position	7,444,128	585,735		8,029,863
Net position beginning of year	24,983,263	5,399,589		30,382,852
Ending net position	$ 32,427,391	$ 5,985,324	$ -	$ 38,412,715

Note S - Condensed Combining Information - Continued

	2025			
	Health System	Component unit	Eliminations	Blended
Total operating revenues	$ 30,860,132	$ -	$ -	$ 30,860,132
Other	323,412			323,412
Total operating revenues	31,183,544	-	-	31,183,544
Salaries and wages	14,582,085			14,582,085
Employee benefits	3,137,369			3,137,369
Supplies and other expenses	11,176,946			11,176,946
Depreciation and amortization	1,800,673			1,800,673
Total operating expenses	30,697,073	-	-	30,697,073
Operating income	486,471	-	-	486,471
Nonoperating revenues (expenses)				
Investment income	734,395	563,359		1,297,754
Interest expense	(243,226)			(243,226)
Other	523,204	(251,570)		271,634
Total nonoperating revenues (expenses)	1,014,373	311,789	-	1,326,162
Excess of revenues over expenses	1,500,844	311,789		1,812,633
Capital grants and contributions	105,875			105,875
Change in net position	1,606,719	311,789		1,918,508
Net position beginning of year	23,376,544	5,087,800		28,464,344
Ending net position	$ 24,983,263	$ 5,399,589	$ -	$ 30,382,852

Note S - Condensed Combining Information - Continued

The following tables are condensed statements of cash flows for the Health System and its blended component unit:

	2026			
	Health System	Component unit	Eliminations	Blended
Net cash provided (used) by				
Operating activities	$ 800,449	$ -	$ -	$ 800,449
Noncapital financing activities	6,521,201	(201,219)		6,319,982
Capital and related financing activities	(2,416,752)			(2,416,752)
Investing activities	393,462	200,458		593,920
Net change in cash and cash equivalents	5,298,360	(761)		5,297,599
Cash and cash equivalents at beginning of year	16,949,474	7,810		16,957,284
Cash and cash equivalents at end of year	$ 22,247,834	$ 7,049	$ -	$ 22,254,883

	2025			
	Health System	Component unit	Eliminations	Blended
Net cash provided (used) by				
Operating activities	$ 1,578,103	$ -	$ -	$ 1,578,103
Noncapital financing activities	523,204	(251,570)		271,634
Capital and related financing activities	(2,524,411)			(2,524,411)
Investing activities	734,394	253,897		988,291
Net change in cash and cash equivalents	311,290	2,327		313,617
Cash and cash equivalents at beginning of year	16,638,184	5,483		16,643,667
Cash and cash equivalents at end of year	$ 16,949,474	$ 7,810	$ -	$ 16,957,284