OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Financial Statements

Years Ended December 31, 2025 and 2024

(Together With Independent Auditor's Report)

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

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Years Ended December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Osborne County Memorial Hospital
Osborne, Kansas:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Osborne County Memorial Hospital, a component unit of Osborne County, Kansas, as of and for the years ended December 31, 2025 and 2024 and the related notes to the financial statements which collectively comprise Osborne County Memorial Hospital'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 financial position of Osborne County Memorial Hospital 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 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 Osborne County Memorial Hospital 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 the 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.

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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 Osborne County Memorial Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that raise substantial doubt shortly thereafter.

Auditors' Responsibility 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 and the *Kansas Municipal Audit and Accounting Guide* 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 generally accepted auditing standards and the *Kansas Municipal Audit and Accounting Guide*, 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 Osborne County Memorial Hospital'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 Osborne County Memorial Hospital'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.

(Continued)

Required Supplementary Information

Osborne County Memorial Hospital has omitted a 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.

Dohman, Akerlund & Eddy, LLC

Aurora, Nebraska
July 27, 2026

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Statements of Financial Position

December 31, 2025 and 2024

Assets	2025	2024
Current assets:		
Cash	$ 6,002,427	5,730,098
Certicates of deposit	1,041,111	1,000,000
Patient accounts receivable, net of contractual adjustments and estimated uncollectibles of $1,587,700 in 2025 and $1,477,800 in 2024	1,286,465	1,631,138
Other receivables	82,409	57,298
Taxes receivable	59,211	195,157
Supplies inventory	133,617	133,619
Prepaid expenses	203,528	206,499
Estimated third-party payor settlements	423,787	-
Total current assets	9,232,555	8,953,809
Assets whose use is limited or restricted:		
Restricted by donors or grantors	191,907	238,676
Board designated for debt payments	1,964,760	1,438,021
Interest in assets at Greater Salina Community Foundation	-	18,387
Total assets whose use is limited or restricted	2,156,667	1,695,084
Capital assets	19,445,987	19,323,026
Less accumulated depreciation	6,999,267	6,037,906
Net capital assets	12,446,720	13,285,120
Subscription assets	125,724	1,245,517
Less accumulated amortization	4,122	996,414
Net subscription assets	121,602	249,103
	$ 23,957,544	24,183,116

See accompanying notes to financial statements.

Liabilities and Net Position	2025	2024
Current liabilities:		
Current installments of subscription obligations	$ 23,255	264,244
Accounts payable and payroll withholding	254,497	166,614
Accrued expenses - salaries, wages and benefits	215,611	149,675
Accrued compensated absences and related benefits	418,361	380,740
Estimated third-party payor settlements	37,000	865,000
Total current liabilities	948,724	1,826,273
Accrued compensated absences and related benefits, excluding current portion	210,685	144,016
Subscription obligations, excluding current installments	75,605	-
Total liabilities	1,235,014	1,970,289
Net position:		
Net investment in capital assets	12,469,462	13,269,979
Restricted expendable for:		
Capital assets	55,843	102,612
Operating activities	136,064	136,064
Unrestricted	10,061,161	8,704,172
Total net position	22,722,530	22,212,827
	$ 23,957,544	24,183,116

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues:		
Net patient service revenue	$ 12,156,577	10,033,209
Provision for uncollectible accounts	(435,708)	(417,844)
Net patient service revenue, less provision for uncollectible accounts	11,720,869	9,615,365
Other operating revenue	1,115,645	1,023,348
Total operating revenues	12,836,514	10,638,713
Operating expenses:		
Salaries and wages	5,829,468	5,227,894
Employee benefits	1,077,866	1,020,761
Supplies and other	4,922,661	3,759,724
Depreciation and amortization	1,294,586	1,465,187
Total operating expenses	13,124,581	11,473,566
Operating loss	(288,067)	(834,853)
Nonoperating revenues and expenses:		
Noncapital appropriations - Osborne County	936,277	1,007,359
Investment income	271,700	227,215
Interest expense	(8,480)	(17,212)
Gain on sale of capital assets	8,050	1,000
Noncapital grants and contributions	953	12,409
Total nonoperating revenues and expenses	1,208,500	1,230,771
Revenues in excess of expenses	920,433	395,918
Transfer to County	(448,835)	(448,194)
Capital grants and contributions	38,105	126,690
Increase in net assets	509,703	74,414
Net position, beginning of year	22,212,827	22,138,413
Net position, end of year	$ 22,722,530	22,212,827

See accompanying notes to financial statements.

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

Change in Cash	2025	2024
Cash flows from operating activities:		
Cash received:		
Patients and third-party payors	$ 10,813,755	9,962,648
Other receipts, net	1,115,645	1,023,348
Cash paid to employees	(6,737,108)	(6,143,210)
Cash paid to suppliers and contractors	(4,882,246)	(3,725,012)
Net cash provided by operating activities	310,046	1,117,774
Cash flows from noncapital financing activities:		
Noncapital appropriations - Osborne County	1,072,223	908,306
Noncapital grants and contributions received	953	12,409
Net cash provided by noncapital financing activities	1,073,176	920,715
Cash flows from capital and related financing activities:		
Capital grants and contributions	38,105	126,690
Capital expenditures	(177,631)	(282,536)
Transfer to Osborne County	(448,835)	(448,194)
Principal payments on subscription obligation	(291,108)	(340,236)
Proceeds from sale of capital assets	8,050	1,000
Interest paid	(8,480)	(17,212)
Net cash used by capital and related financing activities	(879,899)	(960,488)
Cash flows from investing activities:		
Certificates of deposit purchased	(567,850)	(1,511,530)
Proceeds from investments sold	18,387	-
Interest income received	271,700	224,982
Net cash used by investing activities	(277,763)	(1,286,548)
Net increase (decrease) in cash and cash equivalents	225,560	(208,547)
Cash, beginning of year	5,968,774	6,177,321
Cash, end of year	$ 6,194,334	5,968,774
Reconciliation of cash to the statements of financial position:		
Cash	$ 6,002,427	5,730,098
Cash in noncurrent assets	191,907	238,676
Total cash	$ 6,194,334	5,968,774

(Continued)

OSBORNE COUNTY MEMORIAL HOSPITAL
A Component Unit of Osborne County, Kansas

Statements of Cash Flows
(Continued)
Years Ended December 31, 2025 and 2024

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	2025	2024
Operating loss	$ (288,067)	(834,853)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	1,294,586	1,465,187
Provision for uncollectible accounts	435,708	417,844
Decrease (increase) in:		
Patient accounts receivable	(91,035)	(770,561)
Other receivables	(25,111)	(20,755)
Supplies inventories	2	(15,065)
Prepaid expenses	2,971	27,904
Estimated third-party payor settlements	(1,251,787)	700,000
Increase (decrease) in:		
Accounts payable and payroll withholding	62,553	42,628
Accrued expenses - salaries, wages and benefits	65,936	85,905
Accrued compensated absences and related benefits	104,290	19,540
Net cash provided by operating activities	$ 310,046	1,117,774

Supplemental Disclosures of Cash Flows Information

Noncash change in assets at Greater Salina Community Foundation	$ -	(2,233)
Capital asset additions included in accounts payable	$ 25,330	-
Subscription asset additions	$ 125,724	-

See accompanying notes to financial statements.

(1) Nature of Operations and Summary of Significant Accounting Policies

Nature of operations and reporting entity

Osborne County Memorial Hospital (the Hospital) is located in Osborne, Kansas. The Hospital is a component unit of Osborne County, Kansas (the County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Osborne County area.

Basis of accounting and presentation

The financial statements of the Hospital 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 County appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as County appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses.

Income taxes

As an essential government entity, the Hospital is generally exempt from federal and state taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Hospital has also been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code.

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, liabilities and deferred inflows and outflows 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.

(Continued)

Cash and cash equivalents and statements of cash flows

For purposes of the statements of cash flows, the Hospital considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Patient accounts receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with uninsured/self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Supplies inventory

Supply inventories are stated at the lower of cost determined using the first-in, first-out method, or net realizable value.

Assets whose use is limited or restricted

Assets whose use is limited or restricted include assets restricted by donors for capital acquisitions and specific operating activities, board designated funds set aside for future debt payments. Assets whose use is limited or restricted consist primarily of money market accounts and certificates of deposit.

(Continued)

Capital assets

Capital assets in excess of $5,000 are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Major renewals and improvements are capitalized, while replacements, maintenance, and repairs, which do not improve or extend the useful life of the respective assets are charged to expense as incurred. All capital assets other than land are depreciated or amortized over the estimated useful lives of the respective assets on the straight-line method. Capital assets under lease obligations are amortized on the straight-line method over the shorter period of the contract term or the estimated useful life of the capital asset. Amortization is included in depreciation and amortization in the financial statements. Useful lives are determined using the general guidelines set forth in the American Hospital Association Guide for Estimated Useful lives of Depreciable Hospital Assets. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is recognized. The following estimated useful lives are being used by the Hospital:

	Life in Years
Land improvements	10-25
Buildings	20-40
Fixed equipment	5-20
Moveable equipment	5-20

Subscription assets

Subscription assets are recorded at the initial measurement of the subscription 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 assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital and subscription asset impairment

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

(Continued)

Compensated absences

Hospital policies permit most employees to accumulate vacation and sick leave 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. The Hospital accrues a liability for estimated sick leave benefits expected to be realized as paid time off. Any sick leave benefits earned and unused by employees are not paid out when the employee terminates employment with the Hospital. Compensated absence liabilities are computed using the regular pay 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.

Net position

Net position of the Hospital is classified in three components on its balance sheets.

- *Net investment in capital assets* consists of capital, lease and subscription assets net of accumulated depreciation and amortization reduced by the outstanding balances of borrowings and liabilities used to finance the purchase, construction or lease of those assets.
- *Restricted expendable* net position consists of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital.
- *Unrestricted* net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Restricted resources

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

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors 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.

(Continued)

Charity care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital estimates the cost associated with providing services under its charity care policy were approximately $153,000 and $0 for the years ended December 31, 2025 and 2024, respectively. The Hospital computes its estimated charity care costs by applying its overall cost to charge ratio (total operating costs plus interest expense divided by gross operating revenue) to the gross charges forgone under its charity care policy.

Noncapital appropriations - Osborne County

The Hospital received approximately 7% and 9% of its financial support in 2025 and 2024, respectively, from noncapital appropriations from the County's property tax levy and 1% sales tax revenue.

Property taxes are assessed on a calendar basis and are received beginning January 1 of each year. Revenue from property taxes and the 1% sales tax is recognized in the year for which the taxes are levied.

Investment income

Investment income is reported as nonoperating income. Investment income on donor-restricted assets which is not donor-restricted is recorded as nonoperating income. Investment income on donor-restricted assets which is donor-restricted is added to restricted net position balances.

Risk management

The Hospital 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 other than medical malpractice and employee health and dental claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

(Continued)

(2) Net Patient Service Revenue

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

- **Medicare:** The Hospital is recognized as a Critical Access Hospital (CAH). Under CAH rules, inpatient acute care and skilled swing-bed and most outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of actual cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on fee schedules. The Hospital is reimbursed for most services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audit thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through December 31, 2023.

  The "Budget Control Act of 2011" requires, among other things, mandatory across-the-board reductions in federal spending, also known as sequestration. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013 incur a 2% reduction in Medicare payments.

- **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. That add-on percentage may be rebased at some time in the future.

The Hospital participates in a Medicaid Direct Payor Payment Program (the Program) administered by the State Medicaid Agency and approved by the Centers for Medicare & Medicaid Services (CMS). Under the Program, the Hospital receives supplemental Medicaid payments in addition to standard Medicaid reimbursement for covered services provided to eligible Medicaid beneficiaries.

Program payments are funded through a combination of state and federal Medicaid funds and are contingent upon the Hospital meeting eligibility requirements established by the State, which may include participation agreements, reporting requirements, and compliance with applicable Medicaid regulations. Program payments are subject to CMS approval and may be modified, delayed, or discontinued at the discretion of the State or CMS.

The Hospital recognizes Program payments as patient service revenue in the period in which the related services are rendered and the amounts are reasonably estimable and realizable. During the year ended December 31, 2025, the Hospital recognized approximately $152,625 in revenue related to the Program.

(Continued)

Approximately 76% and 73% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2025 and 2024, respectively. Laws and regulations governing 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 Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined case rates and discounts from established charges.

Net patient service revenue consists of the following for the years ended December 31:

	2025	2024
Net patient service revenue:		
Gross patient service revenue:		
Medicare	$ 11,892,588	9,216,963
Medicaid	873,142	870,412
Commercial insurance and other	3,751,386	3,790,665
Uninsured/self-pay	329,372	363,616
Charity care deductions	(209,652)	-
Gross patient service revenue (after charity care)	16,636,836	14,241,656
Contractual adjustments:		
Medicare	(3,358,732)	(2,307,335)
Medicaid	(148,979)	(494,724)
Commercial insurance and other	(972,548)	(1,406,388)
Total contractual adjustments	(4,480,259)	(4,208,447)
Net patient service revenue	12,156,577	10,033,209
Provision for uncollectible accounts	(435,708)	(417,844)
Net patient service revenue, less provision for uncollectible accounts	$ 11,720,869	9,615,365

(Continued)

(3) 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 Hospital'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, $8,789,093 and $7,496,245 of the Hospital's bank balances of $9,789,093 and $8,514,631, respectively, were exposed to custodial credit risk as follows:

	2025	2024
Uninsured but collateralized with securities held by pledging financial institution's trust department or agent in the Hospital's name	$ 8,789,093	7,496,245

The carrying amounts of deposits shown above are included in the statements of financial position as follows:

	2025	2024
Carrying value, deposits	$ 9,200,205	8,406,795
Included in the following balance sheet captions:		
Cash in current assets	$ 6,002,427	5,730,098
Certificates of deposit	1,041,111	1,000,000
Restricted by donors of grantors - cash	191,907	238,676
Board designated for debt payments - certificates of deposit	1,964,760	1,438,021
	$ 9,200,205	8,406,795

(4) Patient Accounts Receivable and Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, many of whom are area residents and insured under third-party payor agreements.

(Continued)

Patient accounts receivable at December 31 consisted of the following:

	2025	2024
Receivable from:		
Medicare	$ 1,768,965	1,668,680
Medicaid	123,678	206,599
Self-pay	361,344	601,541
Blue Cross	274,008	353,701
Other third-party payers	346,170	278,417
Total patient accounts receivable	2,874,165	3,108,938
Allowances for:		
Contractual adjustments	1,314,500	1,023,800
Uncollectible accounts	273,200	454,000
Total allowances	1,587,700	1,477,800
Net patient accounts receivable	$ 1,286,465	1,631,138

(5) Capital and Subscription Assets

Capital asset activity for the years ended December 31, 2025 and 2024 was:

	2024	Additions	Transfers/ Retirements	2025
Historical costs				
Land improvements	$ 1,006,445	6,200	-	1,012,645
Buildings	11,567,334	-	-	11,567,334
Fixed equipment	3,282,635	-	-	3,282,635
Moveable equipment	3,451,688	166,459	(80,000)	3,538,147
Construction in progress - not depreciated	14,924	45,226	(14,924)	45,226
Total historical costs	19,323,026	217,885	(94,924)	19,445,987
Less accumulated depreciation				
Land improvements	(303,988)	(70,561)	-	(374,549)
Buildings	(2,194,529)	(454,217)	-	(2,648,746)
Fixed equipment	(1,047,352)	(220,085)	-	(1,267,437)
Moveable equipment	(2,492,037)	(296,498)	80,000	(2,708,535)
Total accumulated depreciation	(6,037,906)	(1,041,361)	80,000	(6,999,267)
Net capital assets	$ 13,285,120	(823,476)	(14,924)	12,446,720

(Continued)

	2023	Additions	Transfers/ Retirements	2024
Historical costs				
Land improvements	$ 889,499	116,946	-	1,006,445
Buildings	11,567,334	-	-	11,567,334
Fixed equipment	3,273,310	9,325	-	3,282,635
Moveable equipment	3,328,838	141,341	(18,491)	3,451,688
Construction in progress - not depreciated	-	14,924	-	14,924
Total historical costs	19,058,981	282,536	(18,491)	19,323,026
Less accumulated depreciation				
Land improvements	(237,497)	(66,491)	-	(303,988)
Buildings	(1,736,628)	(457,901)	-	(2,194,529)
Fixed equipment	(828,043)	(219,309)	-	(1,047,352)
Moveable equipment	(2,121,180)	(389,348)	18,491	(2,492,037)
Total accumulated depreciation	(4,923,348)	(1,133,049)	18,491	(6,037,906)
Net capital assets	$ 14,135,633	(850,513)	-	13,285,120

Construction in progress at December 31, 2025 consisted of various assets purchased not yet placed in service with no significant contractual commitments associated with them.

Subscription assets activity for the years ended December 31, 2025 and 2024 was:

	2024	Additions	Transfers/ Retirements	2025
Historical costs				
Subscriptions	$ 1,245,517	125,724	(1,245,517)	125,724
Less accumulated amortization				
Subscriptions	(996,414)	(253,225)	1,245,517	(4,122)
Net subscription asset	$ 249,103	(127,501)	-	121,602

(Continued)

	2023	Additions	Transfers/ Retirements	2024
Historical costs				
Subscriptions	$ 1,245,517	-	-	1,245,517
Less accumulated amortization				
Subscriptions	(664,276)	(332,138)	-	(996,414)
Net subscription asset	$ 581,241	(332,138)	-	249,103

Construction in progress as of December 31, 2025 primarily related to minor improvement projects that had not been completed and placed in service. The projects had no significant contractual commitments at year-end.

(6) Replacement Facility

A new hospital and physicians' clinic building (the Replacement Facility) was completed during 2020 and all Hospital operations were moved from the existing building to it during March of 2020. During 2017, the voters of the County approved a tax levy (general obligation of the County) to support and fund the repayment of a United States Department of Agriculture (USDA) direct loan of up to $18,735,000 to fund the construction. Since the underlying USDA direct loan amounts were issued as general obligation bonds of the County, the debt is being reported as an obligation of the County and not the Hospital.

Although the tax levy was approved in an amount to cover the entire potential annual principal and interest payments required to service the USDA direct loan, the County anticipates requesting funds annually from the Hospital to cover the required annual debt service requirements. The Hospital anticipates using a combination of funds generated from its on-going operations and existing annual tax levy amounts to fund the County's annual required debt repayments. The Hospital has internally designated certificates of deposit for future debt payments. During 2025 and 2024, the Hospital transferred $448,835 and $448,194, respectively, to the County for debt repayment.

(Continued)

The County's general obligation bonds issued in January 2020 for the USDA direct loan carry a fixed interest rate of 2.75% and a 30-year amortization period. Repayments of principal and interest are due annually with the final payment due January 22, 2050. The final total costs of the project were less than originally estimated resulting in $1,011,018 of excess funds at the close of the project. The County repaid the excess funds in January 2021 when it made the first required installment of principal and interest. The following schedule presents the County's repayment requirements under the USDA direct loan:

Year Ending	Principal	Interest	Total
2026	$ 469,782	427,888	897,670
2027	482,701	414,969	897,670
2028	495,975	401,695	897,670
2029	508,475	388,056	896,531
2030	523,597	374,072	897,669
2031 to 2035	2,841,020	1,646,349	4,487,369
2036 to 2040	3,253,909	1,233,638	4,487,547
2041 to 2045	3,726,432	660,932	4,387,364
2046 to 2050	3,257,678	236,857	3,494,535
Total	$ 15,559,569	5,784,456	21,344,025

(7) Subscription Obligations

The Hospital has subscription-based information technology arrangements (SBITAs).

Subscription obligation activity of the Hospital for the years ended December 31, 2025 and 2024 consisted of the following:

	2024	Additions	Reductions	2025	Due Within One Year
Subscription obligation	$ 264,244	125,724	(291,108)	98,860	23,255
Less current installments	264,244			23,255	
Subscription obligation, excluding current installments	$ -			75,605	

(Continued)

	2023	Additions	Reductions	2024	Due Within One Year
Subscription obligation	$ 604,480	-	(340,236)	264,244	264,244
Less current installments	340,236			264,244	
Subscription obligation, excluding current installments	$ 264,244			-	

The Hospital has the following SBITAs as of December 31, 2025:

- Electronic health records software subscription requiring monthly payments of $29,753. The original agreement was for a ten-year period which ended during 2025. The agreement is now under an annual renewal arrangement and can be terminated at any time.
- Accounting software subscription requiring annual payments of $27,192 through November 2029. The Hospital established the subscription asset and liability using an imputed interest rate of 4.0%.

Scheduled principal and interest payments on subscription obligations are as follows:

Year Ending December 31,	Principal	Interest
2026	$ 23,255	3,937
2027	24,202	2,990
2028	25,188	2,004
2029	26,215	977
Total	$ 98,860	9,908

(8) Compensated Absences

The Hospital offers compensated absences to eligible employees in the form of paid vacation and sick leave. The Hospital will pay earned and unused vacation leave benefits upon termination. Paid sick leave benefits vest to the employee, but any vested benefits earned and unused by the employee will not be paid out when the employee terminates employment with the Hospital. The Hospital accrues a liability for the vested vacation leave and an estimate of the vested sick leave benefits to be used by employees prior to separating employment with the Hospital.

(Continued)

The following table provides compensated absences as of December 31:

	2025	2024
Accrued compensated absences and related benefits	$ 629,046	524,756
Current portion of accrued compensated absences and related benefits	(418,361)	(380,740)
Noncurrent portion of accrued compensated absences and related benefits	$ 210,685	144,016

The following table is a summary of the changes in compensated absences for the years ended December 31:

Accrued compensated absences and related benefits at January 1, 2024	$ 505,216
Change in accrued compensated absences and related benefits	19,540
Accrued compensated absences and related benefits at December 31, 2024	524,756
Change in accrued compensated absences and related benefits	104,290
Accrued compensated absences and related benefits at December 31, 2025	$ 629,046

(9) Medical Malpractice and Liability Coverage and Claims

The Hospital is insured for 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 Hospital 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. In addition, the Hospital carries an umbrella policy which also provides $1,000,000 per occurrence and $3,000,000 aggregate coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while coverage is in force. The Hospital accrues the expense of its share of asserted and unasserted claims occurring during the year by estimating the probable ultimate cost of any such claim. Based upon the Hospital's claim experience, no such accrual has been made. However, because of the risks involved in providing healthcare services, it is possible that an event has occurred which will be the basis of a future material claim.

(Continued)

(10) Pension Plan

The Hospital maintains a 401(a) money purchase pension plan for eligible employees. Eligibility is established by all employees 21 years of age or older who have completed one year of service and have been paid for 1,000 hours of service for the year. For any plan year in which the employee makes an elective deferral, the Hospital will make a 100% matching contribution, up to 3% of a participant's annual compensation. Benefits are funded by a money purchase annuity with an insurance company. The plan is funded for past service on an installment basis over the estimated remaining duration of employment from the effective date of the plan to the employee's normal retirement date. For all employees who terminated from the Hospital prior to April 1, 2009, benefits vested after two years of service with full vesting after six years of service. All employees who contribute at least one hour of service on or after April 1, 2009 vest after one year of service with full vesting after four years of service. Contributions actually made by plan members totaled $139,308 and $146,897 in 2025 and 2024, respectively. Hospital contributions totaled $88,753 and $82,907 in 2025 and 2024, respectively.

(11) 340B Drug Pricing Program

The Hospital began participating in the 340B Drug Pricing Program (340B Program) during 2015 enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $1,032,482 and $973,826 for the years ended December 31, 2025 and 2024, respectively, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. The Hospital recorded expenses of $816,550 and $753,559 for the years ended December 31, 2025 and 2024, respectively, which is included in supplies and other in the accompanying statements of revenues, expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. 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 changes to financial statement amounts related to the 340B Program could occur in the near term.