Independent Auditor's Report and Financial Statements

Clay County Medical Center

December 31, 2025 and 2024

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Independent Auditor's Report

Board of Trustees
Clay County Medical Center

Qualified Opinion

We have audited the accompanying financial statements of the business-type activities of Clay County Medical Center (Medical Center) as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

In our opinion, except for the effects on the financial statements of the omission described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Medical Center as of December 31, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

The 2025 and 2024 financial statements referred to above do not include financial data of the Clay County Hospital Foundation (Foundation), a component unit of the Medical Center based on the nature and significance of the relationship between the Medical Center and the Foundation. Although the Medical Center does not have ownership of the assets of the Foundation, the financial data of the Foundation should be included in order to conform with accounting principles generally accepted in the United States of America. If the omitted component unit had been included for the years ended December 31, 2025 and 2024, the component unit's assets and net assets would be approximately $1,641,000 and $1,800,000, respectively; and there would be a decrease in component unit net assets of approximately $159,000 in 2025 and an increase in component unit net assets of approximately $400,000 in 2024.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 Medical Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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.

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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 the Medical Center'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.

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 Medical Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

The Medical Center 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.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information presented on pages 22 through 26 is for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole, except that no opinion is expressed as to the adequacy of insurance coverage.

The statistical data shown on page 26 is presented as supplementary information for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and has been summarized from Medical Center records. The statistical data was not subjected to the audit procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion on the statistical data.

Wendling Noe Nelson : Johnson LLC

Topeka, Kansas
June 23, 2026

Financial Statements

Clay County Medical Center
Statements of Net Position
December 31, 2025 and 2024

Assets and Deferred Outflows of Resources

	2025	2024
Current assets		
Cash and cash equivalents	$ 17,427,895	$ 16,805,794
Assets limited as to use	119,307	134,815
Patient accounts receivable, net of allowance for uncollectible accounts of $2,036,236 in 2025 and $3,170,000 in 2024	5,569,392	4,074,839
Other receivables	562,823	497,613
Inventories	298,273	263,051
Estimated settlements due from third-party payors	537,516	329,353
Prepaid expenses	498,389	536,949
Total current assets	25,013,595	22,642,414
Assets limited as to use		
By Board of Trustees	4,120,768	6,504,244
By grantor for capital assets		1,062,381
By agreement held by trustee	119,307	134,815
	4,240,075	7,701,440
Less amounts required to meet current liabilities	119,307	134,815
Noncurrent assets limited as to use	4,120,768	7,566,625
Capital assets		
Capital assets not being depreciated	1,911,364	2,067,466
Depreciable capital assets, net	23,788,656	20,956,843
Subscription IT assets, net	318,290	612,096
Capital assets, net	26,018,310	23,636,405
Other investments	300,965	260,183
Total assets	55,453,638	54,105,627
Deferred outflows of resources		
Deferred outflows on advance refunding	244,980	288,311
Total deferred outflows of resources	244,980	288,311
Total assets and deferred outflows of resources	$ 55,698,618	$ 54,393,938

The accompanying notes are an integral part of these statements.

Liabilities and Net Position

	2025	2024
Current liabilities		
Current portion of long-term debt	$ 750,000	$ 735,000
Current portion of subscription IT obligations	306,196	294,041
Accounts payable and other accrued liabilities	1,962,343	1,542,937
Salaries and wages payable	1,150,348	958,603
Accrued compensated absences	1,129,600	929,198
Estimated settlements due to third-party payors	237,649	
Accrued interest payable	72,119	78,592
Total current liabilities	5,608,255	4,538,371
Long-term liabilities excluding current portion		
Accrued compensated absences	365,000	399,000
Subscription IT obligations		212,242
Long-term debt	12,219,503	12,994,269
Total long-term liabilities	12,584,503	13,605,511
Total liabilities	18,192,758	18,143,882
Net position		
Invested in capital assets - net of related debt	12,742,611	9,400,853
Restricted		
For debt service	119,307	134,815
By grantor for capital assets		1,062,381
Unrestricted	24,643,942	25,652,007
Total net position	37,505,860	36,250,056
Total liabilities and net position	$ 55,698,618	$ 54,393,938

Clay County Medical Center
Statements of Revenue, Expenses, and Changes in Net Position
Years ended December 31, 2025 and 2024

	2025	2024
Operating revenues		
Net patient service revenue	$38,366,234	$34,180,683
Other	3,202,370	2,962,965
Total operating revenue	41,568,604	37,143,648
Operating expenses		
Salaries and wages	18,788,988	17,636,623
Employee benefits	4,542,702	3,993,084
Supplies and other	15,266,765	12,584,909
Depreciation and amortization	3,291,285	3,215,660
Total operating expenses	41,889,740	37,430,276
Operating loss	(321,136)	(286,628)
Nonoperating revenues (expenses)		
Tax levy	1,023,485	1,008,992
Interest expense	(330,762)	(356,060)
Investment income	590,277	822,261
Noncapital grants and contributions	38,885	50,750
Other	(14,282)	22,756
Total nonoperating revenues (expenses)	1,307,603	1,548,699
Revenues in excess of expenses before capital grants and contributions	986,467	1,262,071
Capital grants and contributions	269,337	
Change in net position	1,255,804	1,262,071
Net position at beginning of year	36,250,056	34,987,985
Net position at end of year	$37,505,860	$36,250,056

The accompanying notes are an integral part of these statements.

Clay County Medical Center
Statements of Cash Flows
Years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 36,901,167	$ 32,029,009
Payments to or on behalf of employees	(23,072,172)	(21,134,741)
Payments for suppliers and services	(14,745,392)	(12,823,998)
Other receipts and payments	3,137,160	3,752,691
Net cash provided by operating activities	2,220,763	1,822,961
Cash flows from noncapital financing activities		
Tax levy	1,023,485	1,008,992
Noncapital grants and contributions	38,885	50,750
Net cash provided by noncapital financing activities	1,062,370	1,059,742
Cash flows from capital and related financing activities		
Acquisition of capital assets	(5,739,920)	(2,310,572)
Proceeds from sale of capital assets	52,448	41,488
Principal payments on subscription IT obligations	(200,087)	(195,075)
Principal payments on long-term debt	(735,000)	(725,000)
Capital contributions received	269,337	
Interest paid	(318,670)	(338,009)
Net cash used by capital and related financing activities	(6,671,892)	(3,527,168)
Cash flows from investing activities		
Change in assets limited as to use held by trustee	15,508	(91,721)
Change in other investments	(40,782)	(79,265)
Investment income received	590,277	822,261
Net cash provided by investing activities	565,003	651,275
Change in cash and cash equivalents	(2,823,756)	6,810
Cash and cash equivalents at beginning of year	24,372,419	24,365,609
Cash and cash equivalents at end of year	$ 21,548,663	$ 24,372,419
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 17,427,895	$ 16,805,794
Cash included in assets whose use is limited		
By Board of Trustees	4,120,768	6,504,244
By grantor for capital assets		1,062,381
	$ 21,548,663	$ 24,372,419

Clay County Medical Center
Statements of Cash Flows - Continued
Years ended December 31, 2025 and 2024

	2025	2024
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	$ (321,136)	$ (286,628)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	3,291,285	3,215,660
Provision for bad debts	2,668,013	1,815,065
Changes in		
Accounts receivable	(4,162,566)	(2,772,654)
Other receivables	(65,210)	794,517
Estimated settlements with third-party payors	29,486	(1,194,085)
Inventories and prepaid expenses	3,338	(184,315)
Accounts payable and accrued expenses	777,553	435,401
Net cash provided by operating activities	$ 2,220,763	$ 1,822,961

The accompanying notes are an integral part of these statements.

Clay County Medical Center
Notes to Financial Statements
December 31, 2025 and 2024

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

Clay County Medical Center (Medical Center) is located in Clay Center, Kansas, and operates a 25-bed hospital and five rural health clinics. The Medical Center is owned by Clay County, Kansas (County), and governed by an elected five-member Board of Trustees. The Medical Center is a component unit of the County.

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

1. Blended component unit

Liberty Square, Inc. (LSI), is a not-for-profit corporation that was established for the basic purpose of leasing a nursing home and extended care facility to another party. The nursing home is owned by the City of Clay Center, Kansas. LSI is governed by a Board of Trustees who hold their positions as a result of being elected members of the Medical Center's Board. For financial reporting purposes, LSI is reported as if it were a part of the Medical Center. The net assets of LSI, if any, are to be distributed to the Medical Center upon dissolution. LSI has no assets or liabilities and does not conduct any operating activities. The Medical Center was paid rental income by the nursing home operator as part of a sublease agreement through September 2025. The rental income is included in other operating revenues. As of September 2025, the nursing home is vacant and the Medical Center and other interested parties are discussing options for the property.

2. Basis of accounting

The Medical Center uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

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. Cash equivalents

The Medical Center considers all cash and invested cash, excluding assets limited as to use by agreement held by trustee, to be cash equivalents for purposes of the cash flow statement.

5. Patient accounts receivable

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

6. Inventories

Inventories are stated at the lower of cost or market with cost determined by the first-in, first-out method.

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

7. 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.

8. Assets limited as to use

Assets limited as to use include assets set aside by the Board of Trustees over which the Board retains control and may at its discretion, subsequently use for other purposes; assets held by a trustee under bond agreements, and assets restricted by contributors for capital acquisition or a particular purpose. Assets limited as to use that are required for obligations classified liabilities are reported in current assets.

Assets set aside by the Board of Trustees are for the replacement of capital assets or for the purchase of additional capital assets, future bond principal and interest payments, and for deductible amounts under the Medical Center's health plan. The assets may be used for other purposes by action of the Board of Trustees.

9. Capital assets

Capital assets excluding subscription IT assets are stated at historical cost. Depreciation and amortization of capital assets excluding subscription IT assets is provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

Subscription assets are recognized at the subscription commencement date and represent the Medical Center's right to use an underlying IT asset for the subscription term. Subscription assets are measured at the initial value 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 IT assets are amortized over the shorter of the subscription terms or useful life of the underlying asset using the straight-line method or the same method amortizing the subscription liability.

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 estimated useful lives of the item or the properties. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

10. 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 SBITA payments are discounted based on the rate implicit in the SBITA or the Medical Center's incremental borrowing rate.

11. Costs of borrowing

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

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

12. Accrued compensated absences

Medical Center employees earn paid time off at varying rates depending on years of service. Paid time off benefits vest to the employee and are paid at the time of termination, providing certain requirements are met. The Medical Center provides conversion privileges, which allow eligible employees to sell-back paid time off to the Medical Center to satisfy medical debts, as a donation to the Foundation, or as a lump-sum cash distribution to the employee, net of applicable federal and state withholdings. Paid time off benefits are expensed and accrued as earned under the Medical Center's policy with the vested amounts recorded as a current liability.

In the event of an employee's extended illness or injury, the Medical Center also offers extended medical leave (EML) benefits to eligible employees based on hours worked. EML amounts vest to the employee, but are not paid out if an employee terminates employment at the Medical Center. Employees are required to utilize 24 paid time off hours and provide documentation from a medical provider of illness prior to being eligible for EML. The Medical Center accrues a current and noncurrent estimate for vested EML based on historical usage by employees.

13. Other investments

The Medical Center's investments in Mobile Clinical Services, Inc., Clay County Assisted Living, LLC, and Legend Holdings LLC are stated at cost plus equity in undistributed net earnings (loss) since the date of acquisition.

14. Deferred outflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then.

15. Net position

The net position of the Medical Center is classified in three components. *Net position invested in capital assets net of related debt* consists of capital assets net of accumulated depreciation and 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 Medical Center, including amounts deposited with trustees as required by indenture agreements. *Unrestricted net position* is the remaining net position that does not meet the definitions of the other two components of net position.

16. Operating revenues and expenses

The statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Medical Center's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

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

17. Net patient service revenue

Net patient service revenue is reported at established charges with deductions for discounts, the provision for bad debts and contractual adjustments, 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.

18. Grants and contributions

From time to time, the Medical Center receives grants and contributions from individuals and other organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for specific operating purposes are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

19. Charity care

The Medical Center 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 Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

20. Income taxes

The Medical Center is exempt from federal income taxes pursuant to Sections 115 and 501(c)(3) of the Internal Revenue Code.

21. Reclassifications

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 presentation.

Note B - Reimbursement Programs

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established charge rates. The amounts reported on the statements of net position as estimated settlements due to/from third-party payors 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 - Inpatient and outpatient services rendered to Medicare program beneficiaries are paid under the provisions applicable to critical access hospitals. Payments to the Medical Center under the critical access provisions are primarily based on various cost reimbursement methodologies. Rural Health Clinic services are also paid on a cost reimbursement methodology. Physician and hospice services rendered to Medicare beneficiaries are paid based on a prospectively determined fee schedule.

The Medical Center is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits or reviews thereof by the Medicare administrative contractor. The Medical Center'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 Medical Center's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2023.

Note B - Reimbursement Programs - Continued

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Medical Center receives a hospital-specific add-on percentage to each claim based on previously filed cost reports. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or fee-for-service basis and are not subject to retroactive adjustment.

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 Medical Center has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payments to the Medical Center 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:

	2025	2024
Gross patient service revenue	$ 70,514,070	$ 60,903,939
Adjustments to patient revenue		
Third-party contractual adjustments, discounts, and allowances	(30,343,311)	(24,956,307)
Medicaid DSH payments	432,587	273,452
Medicaid provider assessment payments	947,776	256,227
Provision for bad debts	(2,668,013)	(1,815,065)
Charity care	(516,875)	(481,563)
Net patient service revenue	$ 38,366,234	$ 34,180,683

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 could change by a material amount in the near term.

The Medical Center maintains records to identify and monitor the level of charity care it provides. The amount of charges forgone for services and supplies furnished under its charity care policy for 2025 and 2024, was $516,875 and $481,563, respectively. The Medical Center estimates that the cost of providing charity care, based on overall cost-to-charge ratios obtained from the Medical Center's cost reports, was $302,353 and $281,948 for 2025 and 2024, respectively.

Note C - Deposits with Financial Institutions

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 Medical Center's deposit policy of custodial credit risk requires compliance with the provisions of state law.

Note C - Deposits with Financial Institutions - Continued

Kansas statutes authorize the Medical Center, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, the State Treasurer's municipal investment pool, and U.S. Treasury bills and notes. Also, statutes require that financial institutions pledge securities with a market value equal to total deposits in excess of F.D.I.C. coverage at any given time and that the securities pledged be deposited with a Kansas state or national bank or trust company, the Federal Reserve Bank, the Federal Home Loan Bank, or the Kansas State Treasurer.

The carrying amount of the Medical Center's deposits with financial institutions was $21,547,100 and the bank balance was $22,315,839 at December 31, 2025. The bank balance is categorized as follows at December 31, 2025:

Amount insured by the F.D.I.C., or collateralized with securities held by the Medical Center or by its agent in the Medical Center's name	$ 750,000
Uncollateralized (amount collateralized with securities held in safekeeping by an authorized depository other than the pledging financial institution's trust department, but not in the Medical Center's name)	21,565,839
	$ 22,315,839

Note D - Assets Limited as to Use

The composition of the Medical Center's assets limited as to use is as follows:

	2025	2024
By Board of Trustees		
Cash and cash equivalents	$ 4,120,768	$ 6,504,244
By grantor for capital assets		
Cash	$ -	$ 1,062,381
By agreement held by Trustee		
Cash	$ 119,307	$ 134,815

The funds held by the Trustee are as follows:

Debt Service Account	$ 119,307	$ 134,815

The Debt Service Account is to be used to pay interest and principal payments on the bonds. Funds in these accounts that are required for obligations classified as current liabilities are reported in current assets.

Note E - Capital Assets

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

	2025			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 411,201	$ -	$ -	$ 411,201
Projects in progress	1,656,265	(156,102)		1,500,163
Total capital assets not being depreciated	2,067,466	(156,102)	-	1,911,364
Capital assets being depreciated				
Land improvements	2,400,440	399,398		2,799,838
Buildings and fixed equipment	39,413,298	4,691,439		44,104,737
Major movable equipment	11,324,344	805,225	156,062	11,973,507
Total capital assets being depreciated	53,138,082	5,896,062	156,062	58,878,082
Less accumulated depreciation				
Land improvements	1,058,307	156,934		1,215,241
Buildings and fixed equipment	22,854,654	2,012,271		24,866,925
Major movable equipment	8,268,278	828,274	89,292	9,007,260
Total accumulated depreciation	32,181,239	2,997,479	89,292	35,089,426
Total capital assets being depreciated, net	20,956,843	2,898,583	66,770	23,788,656
Subscription IT assets being amortized	1,689,385			1,689,385
Less accumulated amortization	1,077,289	293,806		1,371,095
Total subscription IT assets being amortized, net	612,096	(293,806)	-	318,290
Capital assets, net	$ 23,636,405	$ 2,448,675	$ 66,770	$ 26,018,310

Note E - Capital Assets - Continued

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

	2024			
	Beginning balance	Transfers and additions	Retirements	Ending balance
Capital assets not being depreciated				
Land	$ 411,201	$ -	$ -	$ 411,201
Projects in progress	22,765	1,633,500		1,656,265
Total capital assets not being depreciated	433,966	1,633,500	-	2,067,466
Capital assets being depreciated				
Land improvements	2,362,736	37,704		2,400,440
Buildings and fixed equipment	39,397,893	15,405		39,413,298
Major movable equipment	11,170,530	623,963	470,149	11,324,344
Total capital assets being depreciated	52,931,159	677,072	470,149	53,138,082
Less accumulated depreciation				
Land improvements	918,330	139,977		1,058,307
Buildings and fixed equipment	20,896,245	1,958,409		22,854,654
Major movable equipment	7,896,227	823,468	451,417	8,268,278
Total accumulated depreciation	29,710,802	2,921,854	451,417	32,181,239
Total capital assets being depreciated, net	23,220,357	(2,244,782)	18,732	20,956,843
Subscription IT assets being amortized	1,689,385			1,689,385
Less accumulated amortization	783,483	293,806		1,077,289
Total subscription IT assets being amortized, net	905,902	(293,806)	-	612,096
Capital assets, net	$ 24,560,225	$ (905,088)	$ 18,732	$ 23,636,405

The Medical Center's projects in progress include renovation of the physical therapy department and expansion of the rural health clinic location in Riley, Kansas, which were committed to during 2025. In addition, during 2025, the Medical Center has committed to the purchase of a mammography machine. Total remaining commitments for these items as of December 31, 2025, was approximately $400,000.

Note F - Other Investments

Other investments consist of 5,000 shares (25 percent) of the common stock of Mobile Clinical Services, Inc. (MCS), and two units (22.2 percent) of the ownership units of Clay County Assisted Living, LLC (CCAL). The Medical Center's equity in undistributed net earnings of MCS since acquisition is $192,522. The Medical Center's equity in the undistributed net loss of CCAL since acquisition is $100,000. The carrying values of MCS and CCAL are $197,522 and $(17,538) at December 31, 2025, respectively.

Other investments also consist of an equity interest in Legend Holdings LLC (LH). The Medical Center previously had an 8.83 percent equity in Community Holdings LLC (CH). Effective August 16, 2023, the membership of Community Holdings agreed to dissolve the Captive and liquidate the holdings. The Medical Center received a member distribution of $173,781. The remaining capital at the time of dissolution was used as the Medical Center's initial contribution to LH. Total carrying value of LH investment is $120,981 at December 31, 2025.

Note F - Other Investments - Continued

Nuclear medicine and ultrasound services are provided to the Medical Center through arrangements with MCS. Total fees charged to operating expense for these services were approximately $134,000 in 2025 and $141,000 in 2024. Amounts payable to MCS for these services were insignificant at December 31, 2025 and 2024. The Medical Center paid LH and CH approximately $825,000 and $804,000 in 2025 and 2024, respectively, for premiums under its partially self-insured health insurance plan (see Note G).

Note G - Employee Health Insurance

The Medical Center is partially self-insured for health insurance claims of its employees. The Medical Center has a reinsurance agreement that provides individual stop-loss coverage for incurred claims expense in excess of $100,000 and $90,000 for individual subscribers during the 2025 and 2024 plan years, respectively. In addition, the reinsurance company contracts with another insurance company to provide catastrophic stop-loss insurance coverage for incurred claims expense in excess of $250,000 for individual subscribers. Covered employees also provide part of the funds to pay claims through monthly contributions at predetermined rates. The Medical Center has retained an insurance company as its agent to process and settle claims.

The Medical Center has an equity interest in the company that provides individual stop-loss coverage during 2025 and 2024, respectively. The detail of this investment is included in Note F.

The following is a summary of the activity under this arrangement:

	2025	2024
Estimated employee health insurance claims payable at beginning of period	$ 450,000	$ 201,000
Provision for employer's share of incurred claims expenses for the period, net of any reinsurance proceeds	2,415,896	1,968,847
Employee contributions	696,677	656,746
Payments made for claims, expenses, and reinsurance premiums	(3,211,202)	(2,376,593)
Estimated employee health insurance claims payable at end of period	$ 351,371	$ 450,000

Note H - Compensated Absences

Accrued compensated absences consist of the following:

	2025	2024
Estimated accrued compensated absences	$ 1,494,600	$ 1,328,198
Less current portion	1,129,600	929,198
Noncurrent portion of accrued compensated absences	$ 365,000	$ 399,000

The following is a summary of the changes in accrued compensated absences:

Accrued compensated absences at January 1, 2024	$ 1,241,094
Net change	87,104
Accrued compensated absences at December 31, 2024	1,328,198
Net change	166,402
Accrued compensated absences at December 31, 2025	$ 1,494,600

Note I - Long-Term Debt

Long-term debt consists of the following:

	2025	2024
3.00% to 4.00% Clay County, Kansas General Obligation Refunding and Improvement Bonds, Series 2016, issued on October 4, 2016, in the original amount of $16,775,000	$ 5,245,000	$ 5,865,000
0.45% to 2.35% Clay County, Kansas Taxable General Obligation Refunding Bonds, Series 2021-B, issued on October 5, 2021, in the original amount of $7,940,000	7,480,000	7,595,000
	12,725,000	13,460,000
Net unamortized premium on 2016 bonds	244,503	269,269
Less current maturities of long-term debt	(750,000)	(735,000)
	$ 12,219,503	$ 12,994,269

On October 4, 2016, Clay County, Kansas, issued $16,775,000 in General Obligation Refunding and Improvement bonds (the 2016 bonds). The proceeds of the 2016 bonds were used to refund the remaining principal of the Series 2006-A bond issue, and to pay for certain costs related to the issuance of the bonds, as well as to finance the expansion and renovation of the Medical Center. The 2016 bonds are due in annual installments of varying amounts with final maturity on October 1, 2046. Interest is payable on April 1 and October 1 of each year. In connection with the issuance of these bonds, the Medical Center signed a pledge of revenues agreement with the County. In this agreement, the Medical Center pledged to provide payments sufficient to make all debt service payments related to the bonds when they come due.

Note I - Long-Term Debt - Continued

On October 5, 2021, Clay County, Kansas, issued $7,940,000 in Taxable General Obligation Refunding Bonds, Series 2021-B, (the 2021 bonds) on behalf of the Medical Center. The proceeds of the 2021 bonds were used to (1) pay the costs related to issuance of the 2021 bonds, and (2) advance refund $7,045,000 of the 2016 bonds maturing during the years from 2026 through 2036 by making an irrevocable deposit with a trustee. The trustee used that deposit to purchase direct obligations of the United States of America to provide for payment of interest on the refunded 2016 bonds through October 1, 2024, and to redeem and pay the $7,045,000 of refunded 2016 bonds on that date at redemption prices of 100 percent. The 2021 bonds are due in annual installments of varying amounts with final maturity on October 1, 2036. Interest is payable on April 1 and October 1 of each year.

The refunding transaction decreased the total amount of future debt service requirements by $569,751. This resulted in an economic gain of $501,323. As a result of the transaction, a deferred refunding loss of $422,239 was recognized for the difference between the book value of the refunded debt and the amount required to extinguish the debt. This deferred loss is reported as a deferred outflow of resources on the statement of net position.

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

	Principal	Interest	Total
2026	$ 750,000	$ 284,685	$ 1,034,685
2027	745,000	276,810	1,021,810
2028	710,000	267,870	977,870
2029	705,000	258,072	963,072
2030	705,000	246,933	951,933
2031 - 2035	3,310,000	1,048,476	4,358,476
2036 - 2040	2,815,000	692,393	3,507,393
2041 - 2045	2,480,000	298,500	2,778,500
2046	505,000	15,150	520,150
	$ 12,725,000	$ 3,388,889	$ 16,113,889

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

Principal outstanding at January 1, 2024	$ 14,185,000
Principal payments	(725,000)
Principal outstanding at December 31, 2024	13,460,000
Principal payments	(735,000)
Principal outstanding at December 31, 2025	$ 12,725,000

Total interest costs are summarized as follows:

	2025	2024
Total interest incurred	$ 355,528	$ 381,996
Amortization of bond premium	(24,766)	(25,936)
Interest expense	$ 330,762	$ 356,060

Note J - Subscription IT Obligations

The Medical Center's subscription IT obligations are for its patient accounting, electronic medical records, and supporting modules.

The following is a summary of subscription IT obligations:

	2025	2024
Current portion of subscription IT obligations	$ 306,196	$ 294,041
Noncurrent portion of subscription IT obligations		212,242
Total subscription IT obligations	$ 306,196	$ 506,283

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

Balance outstanding at January 1, 2024	$ 701,358
Principal payments	(195,075)
Balance outstanding at December 31, 2024	506,283
Principal payments	(200,087)
Balance outstanding at December 31, 2025	$ 306,196

Scheduled principal and interest requirements to maturity for subscription IT obligations are as follows:

	Principal	Interest	Total
2026	$ 306,196	$ 7,309	$ 313,505

Note K - Risk Management

The Medical Center 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 Medical Center 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 Medical Center 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. All coverage is on a claims-made basis. The above policies are currently in effect through December 31, 2026. The Medical Center intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time.

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the Medical Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Medical Center purchases commercial insurance for these risks.

Note L - Pension Plan

The Medical Center sponsors the Clay County Medical Center Employees' Pension Plan (Plan), which is a defined contribution pension plan. Substantially all employees of the Medical Center are eligible to participate in the Plan after one year of employment. The Hospital contributes 3.5 percent of all eligible employee salaries toward each employee's respective retirement account. An eligible employee must be employed by the Hospital for no less than 12 months, work a minimum of 1,000 hours per year, and be at least 21 years old. Employees can voluntarily contribute up to the maximum allowed by the Internal Revenue Service. Contributions to the Plan made by an employee vest immediately and contributions to the Plan made by the Medical Center vest based upon the Plan's vesting schedule and the employee's years of service with the Medical Center.

For the years ended December 31, 2025 and 2024, the Hospital and covered employees' contributions to the Plan were as follows:

	2025	2024
Hospital contributions	$ 549,867	$ 529,649
Employee contributions	910,234	845,646
	$ 1,460,101	$ 1,375,295

Note M - Other Related Parties

Clay County Medical Center Foundation (Foundation) was established in April 1987 and its Articles of Incorporation provide that its funds are for the benefit of the Medical Center. The Foundation's Board is independent of the Medical Center. The Medical Center received $269,337 in capital contributions from the Foundation in 2025.

Note N - Contingencies

The Medical Center is involved in litigation arising in the normal course of business. The Medical Center is vigorously defending asserted claims. After consulting with legal counsel, it is management's opinion that these matters will be resolved within the Medical Center's malpractice coverage limits and will not have a material adverse effect to the Medical Center's financial statement.

Note O - Subsequent Events

The Medical Center 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.

Supplementary Information

Clay County Medical Center
Net Patient Service Revenue
Years ended December 31, 2025 and 2024

	2025			2024
	Inpatient	Outpatient	Total	Total
Routine nursing care	$ 2,959,578	$ 691,114	$ 3,650,692	$ 3,500,028
Nursery	105,756	940	106,696	94,125
Surgery, recovery, and treatment room	2,688	3,770,945	3,773,633	2,524,875
Labor and delivery	230,132	51,030	281,162	266,945
Medical and surgical supplies	197,048	1,254,288	1,451,336	809,705
Emergency room	1,149	5,813,331	5,814,480	5,509,833
Laboratory	352,459	7,228,109	7,580,568	7,125,846
Blood administration	65,265	191,030	256,295	138,180
Radiology	157,483	6,917,460	7,074,943	5,187,261
Nuclear medicine	10,123	830,282	840,405	733,460
Sonograms	26,684	969,418	996,102	580,664
Computerized tomography	320,807	11,226,171	11,546,978	8,521,811
Mammography		839,270	839,270	489,647
Vascular studies and cardiology	55,536	1,629,712	1,685,248	1,729,920
Clinics	6,490	1,083,819	1,090,309	976,655
Pharmacy	291,893	5,632,498	5,924,391	5,861,464
Intravenous therapy	50,333	363,196	413,529	332,053
Anesthesiology	77,807	1,663,599	1,741,406	1,432,497
Respiratory therapy	308,898	693,162	1,002,060	1,195,310
Physical therapy	106,092	2,228,584	2,334,676	2,058,371
Occupational therapy	89,819	443,022	532,841	599,068
Speech therapy	128,832	366,663	495,495	555,114
Hospice	41,304	1,982,152	2,023,456	2,473,337
Rural health clinic	581,434	8,476,665	9,058,099	8,207,770
Gross patient service revenue	$ 6,167,610	$ 64,346,460	70,514,070	60,903,939
Adjustments to gross patient service revenue				
Contractual adjustments, discounts, and allowances			(28,962,948)	(24,426,628)
Provision for bad debts			(2,668,013)	(1,815,065)
Charity care			(516,875)	(481,563)
Net patient service revenue			$ 38,366,234	$ 34,180,683

Clay County Medical Center
Operating Expenses
Years ended December 31, 2025 and 2024

	2025			2024
	Salaries and wages	Other	Total	Total
Routine nursing care	$ 1,234,687	$ 335,703	$ 1,570,390	$ 1,520,169
Nursing administration	305,354	47,802	353,156	346,684
Nursery	51,289	183	51,472	38,628
Surgery, recovery, and treatment room	789,649	829,406	1,619,055	1,378,372
Labor and delivery	183,284	31,710	214,994	182,562
Medical and surgical supplies		582,124	582,124	215,564
Emergency room	1,661,981	204,788	1,866,769	1,901,181
Laboratory	632,700	1,092,779	1,725,479	1,428,732
Blood administration		69,895	69,895	38,508
Radiology	502,183	544,588	1,046,771	813,035
Nuclear medicine		158,667	158,667	164,476
Sonogram	50,194	84,722	134,916	80,685
Computerized tomography	151,431	367,465	518,896	148,718
Mammography	56,086	136,959	193,045	93,704
Vascular studies and cardiology	220,431	25,578	246,009	230,950
Clinics	216,728	749,111	965,839	1,069,617
Pharmacy	94,261	2,381,836	2,476,097	1,899,121
Intravenous therapy	9,435	10,134	19,569	21,577
Anesthesiology	488,210	135,828	624,038	499,327
Respiratory therapy	233,392	20,839	254,231	325,102
Physical, occupational, and speech therapy	1,103,493	44,860	1,148,353	1,059,532
Wellness	60,130	34,834	94,964	79,758
Hospice	963,846	927,484	1,891,330	1,838,775
Dietary	305,497	222,723	528,220	528,619
Operation of plant	174,468	960,501	1,134,969	1,056,587
Housekeeping	298,518	109,158	407,676	344,951
Laundry	83,735	33,052	116,787	115,777
Medical records	338,448	153,843	492,291	446,209
Fiscal services	1,273,541	614,851	1,888,392	1,811,530
Purchasing	110,011	3,966	113,977	94,732
Administrative services	1,369,154	1,775,637	3,144,791	3,005,735
Employee benefits		4,542,702	4,542,702	3,993,084
Depreciation and amortization		3,291,285	3,291,285	3,215,660
Rural health clinic	5,826,608	801,708	6,628,316	5,747,819
Pulmonary rehabilitation				3,150
340B	244	1,774,031	1,774,275	1,691,646
	$ 18,788,988	$ 23,100,752	$ 41,889,740	$ 37,430,276

Clay County Medical Center
Summary of Insurance Coverage
December 31, 2025

	Policy number	Policy expiration date	Amount
Property - All locations including Medical Arts Bldg	35978042	01/01/2026	$54,882,341
Workmen's compensation	Certificate #8	01/01/2026	Statutory
Employer liability			1,000,000/1,000,000
Crime - Employee Theft	EPP 0367804	01/01/2026	250,000
Crime - Forgery/Alteration	EPP 0367804	01/01/2026	10,000
Crime - Computer Fraud	EPP 0367804	01/01/2026	100,000
Crime - Funds Transfer Fraud	EPP 0367804	01/01/2026	100,000
Medical Center liability	HPL0021603	12/31/2025	
Professional liability			500,000/1,500,000
Medical Center premises and operations			1,000,000/3,000,000
Professional employees other than physicians and residents			1,000,000/3,000,000
Employee benefits liability			250,000/250,000
Cyber liability			100,000/100,000
Professional liability - Kansas Health Care Stabilization Fund	HPL0021603	12/31/2025	500,000/1,500,000
Employed providers	MP11623	12/31/2025	500,000/1,500,000
Health Care Stabilization Fund			500,000/1,500,000
Cyber liability			50,000/150,000
Trustees and officers' liability	EPP4917655	01/27/2026	1,000,000/1,000,000
Auto	EPP 0367804	01/01/2026	
Comprehensive and collision			Full coverage
Liability			1,000,000
Employment Practices Liability	EPP4917655	01/27/2026	1,000,000/1,000,000

Clay County Medical Center
Patient Accounts Receivable
December 31, 2025 and 2024

	2025	2024
Age of patients' accounts		
0 - 30 days	$ 5,533,470	$ 4,289,916
31 - 60 days	1,435,190	957,977
61 - 90 days	928,745	684,884
Over 90 days	3,340,223	4,941,447
	11,237,628	10,874,224
Less		
Allowance for doubtful accounts	(2,036,236)	(3,170,000)
Allowance for contractual adjustments	(3,632,000)	(3,629,385)
	$ 5,569,392	$ 4,074,839

Clay County Medical Center
Balance in Depository Compared with Depository Security
December 31, 2025

	Farmers & Merchants State Bank Wakefield, Kansas	Union State Bank Clay Center, Kansas	United Bank & Trust Clay Center, Kansas
Bank balances December 31, 2025	$ 2,568,477	$ 17,547,996	$ 2,199,366
Less F.D.I.C. coverage	250,000	250,000	250,000
Balance in excess of F.D.I.C. coverage	$ 2,318,477	$ 17,297,996	$ 1,949,366
Market value of securities pledged	$ 2,523,862	$ 17,500,542	$ 2,922,353

Clay County Medical Center
Statistical Data
(Unaudited)
Years ended December 31, 2025 and 2024

	2025	2024
Patient days		
Routine nursing care		
Acute care	1,398	1,367
Swing-bed care		
Skilled	652	586
Nursery	109	96
Discharges (excluding newborn)	496	490
Admissions (excluding newborn)	491	481
Number of licensed beds (excluding nursery)	25	25
Total patient days (excluding nursery)	2,050	1,953
Percent of occupancy (excluding nursery)	22.47%	21.40%
Medicare patient days		
Routine nursing care		
Acute care	842	839
Swing-bed care	644	558
Total	1,486	1,397
Medicaid patient days		
Routine nursing care		
Acute care	162	66
Nursery	44	32
Total	206	98
Rural health clinic visits	34,637	32,622