Independent Auditor's Report and Financial Statements

Attica Hospital District No. 1
of Harper County, Kansas

December 31, 2021 and 2020

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Attica Hospital District No. 1
Management's Discussion and Analysis

Our discussion and analysis of the financial performance of Attica Hospital District No. 1 (District) provides a narrative overview of the District's financial activities for the years ended December 31, 2021 and 2020. Please read it in conjunction with the accompanying financial statements.

Financial highlights

The District reported operating losses of $878,241 in 2021 and $1,060,265 in 2020 compared to an operating income of $7,684 in 2019.

The District had nonoperating revenues which consisted primarily of District tax proceeds, CARES Act grant revenues, noncapital contributions, interest income, and rental income of $1,107,935 in 2021, $1,363,132 in 2020, and $434,911 in 2019. The District received $487,445 and $399,039 in CARES Act grant revenues in 2021 and 2020, respectively. In 2021, the District received a supplemental Medicaid payment in the amount of $212,100. The significant increase in nonoperating revenues in 2020 compared to 2019 is due to $891,487 in noncapital contributions received. The $891,487 consisted primarily of $457,026 from the forgiveness of a Paycheck Protection Program loan from the Small Business Administration, $277,250 from CARES Act grants from the federal government, and $108,281 federal pass-through funds in the SPARK program.

After the inclusion of nonoperating revenues and expenses and capital grants and contributions, the District's net position increased by $266,512 or 8.9 percent in 2021, increased by $348,143 or 13.1 percent in 2020, and increased by $442,595 or 19.9 percent in 2019.

Using these financial statements

The District's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District and resources restricted for specific purposes by contributors.

One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. For purposes of these two statements, revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and its changes. The District's net position - the difference between assets and liabilities - may be thought of as one way to measure its financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. Consideration must also be given to other nonfinancial indicators, such as changes in the District's physical plant and measures of the quality of services it provides to the community, as well as local economic factors, to assess the overall health of the District.

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

Assets, liabilities, and net assets

The District's statements of net position as of the end of each of the last three years are summarized as follows:

	2021	2020	2019
Assets			
Current assets	$ 3,425,478	$ 3,139,044	$ 3,188,684
Assets limited as to use	128,377	128,349	144,720
Capital assets, net	1,523,864	1,660,463	1,709,216
Total assets	5,077,719	4,927,856	5,042,620
Deferred outflows of resources	419,634	500,436	225,828
Total assets and deferred outflows of resources	$ 5,497,353	$ 5,428,292	$ 5,268,448
Liabilities			
Current liabilities	$ 246,867	$ 296,960	$ 800,849
Net pension liability	1,112,491	1,587,056	1,205,080
Nonrefundable fees	6,184	16,059	30,833
Total liabilities	$ 1,365,542	$ 1,900,075	$ 2,036,762
Deferred inflows of resources	$ 854,758	$ 517,676	$ 569,288
Net position			
Invested in capital assets, net of related debt	$ 1,523,864	$ 1,660,463	$ 1,309,116
Restricted expendable net position	103,377	103,349	119,720
Unrestricted	1,649,812	1,246,729	1,233,562
Total net position	$ 3,277,053	$ 3,010,541	$ 2,662,398

In aggregate, the District's unrestricted cash and invested cash totaled $2,586,111 and $2,073,436 as of December 31, 2021 and 2020, respectively. These represent 262 days and 170 days, respectively, of average cash expenses during each of the years then ended.

Capital asset acquisitions were funded from operating cash flow, a line of credit, and capital grants during 2021 and 2020. Net capital assets (after depreciation) decreased by $136,599 during the 2021 fiscal year due to depreciation expense exceeding capital asset acquisitions during 2021 and decreased by $48,753 during the 2020 fiscal year due to depreciation expense exceeding capital acquisitions during 2020.

The District's net resident accounts receivable was 9 percent of current assets as of December 31, 2021, and 18 percent as of December 31, 2020. The average number of days of net resident revenue in accounts receivable was 40 days as of December 31, 2021, and 57 days as of December 31, 2020.

The District's net position increased by $266,512 or 8.9 percent in 2021 and increased by $348,143 or 13.08 percent in 2020.

Operating results and changes in net assets

The District's operating results and changes in net position for each of the last three years are summarized as follows:

	2021	2020	2019
Operating revenues	$ 2,942,207	$ 3,591,604	$ 3,830,277
Operating expenses	(3,820,448)	(4,651,869)	(3,822,593)
Operating income (loss)	(878,241)	(1,060,265)	7,684
Nonoperating income	1,107,935	1,363,132	434,911
Capital contributions and grants	36,818	45,276	
Increase in net position	$ 266,512	$ 348,143	$ 442,595

The most significant components of the overall change in the District's increase in net position in 2021 were a decrease in nonoperating income of $255,197, a decrease in net resident service revenue of $662,485, and a decrease in salaries and wages of $384,007, employee benefits of $185,627 and supplies and other expenses of $260,857.

Gross and net resident service revenue for the past three years are analyzed as follows:

	2021	2020	2019
Daily resident care	$ 2,474,905	$ 3,135,196	$ 3,235,977
Independent living units	19,590	21,000	18,653
Gross resident service revenue	2,494,495	3,156,196	3,254,630
Contractual adjustments	402,306	428,261	533,370
Provision for bad debt		(25,171)	
Net resident service revenue	$ 2,896,801	$ 3,559,286	$ 3,788,000

Employee salaries and wages, including benefits, decreased by $569,634 or 21.0 percent during 2021; and increased by $394,604 or 17.0 percent during 2020. These changes are functions of changes in the number of employees, the number of resident days, pay rates, and benefits. The District incurred some additional salary costs in 2021 and 2020 due to the COVID-19 pandemic.

Supplies and other expenses decreased by $260,857 or 15.17 percent during 2021, and increased during 2020 by $405,072 or 30.82 percent. The decrease in 2021 was attributable primarily to the decrease in the number of resident days from 17,542 in 2020 to 14,024 in 2021, a decrease of 20.1 percent. The increase in 2020 was attributable primarily to an increase in contract nurse aide services and COVID-19 pandemic expenditures.

Budgetary information

Actual expenditures for the year ended December 31, 2021, on the modified accrual basis of accounting and encumbrances were $3,605,557 as compared to the legally adopted budgeted expenditures of $4,873,000. Actual expenditures for the year ended December 31, 2020, on the modified accrual basis of accounting and encumbrances were $4,440,462 as compared to the legally adopted budgeted expenditures of $5,522,000.

Wendling Noe Nelson & Johnson LLC

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Independent Auditor's Report

Board of Trustees
Attica Hospital District No. 1
of Harper County, Kansas

Opinion

We have audited the accompanying financial statements of Attica Hospital District No. 1 of Harper County, Kansas (District) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District'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 the business-type activities of the District as of December 31, 2021 and 2020, and the changes in financial position and 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. 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 District 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 audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 3 and the schedules of the District's proportionate share of net pension liability and District contributions to the defined pension plan on pages 24 and 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information on pages 27 through 29 is for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of mangagement and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
April 6, 2022

Financial Statements

Attica Hospital District No. 1 of Harper County, Kansas
Statements of Net Position
December 31,

Assets and Deferred Outflows of Resources

	2021	2020
Current assets		
Cash and cash equivalents	$ 2,586,111	$ 2,073,436
Resident accounts receivable, net of allowance for doubtful accounts of $50,000 in 2021 and $50,000 in 2020	316,365	560,300
Property taxes receivable	425,654	432,746
Other receivables	33,878	10,108
Inventories	22,708	22,708
Prepaid expenses	40,762	39,746
Total current assets	3,425,478	3,139,044
Assets limited as to use		
By donor for capital acquisitions	85,598	85,598
By contributors and grantors for capital acquisitions	17,779	17,751
By escrow agreement for unemployment benefits	25,000	25,000
	128,377	128,349
Other investment	-	-
Capital assets, net	1,523,864	1,660,463
Total assets	5,077,719	4,927,856
Deferred outflows of resources		
Pension contributions remitted subsequent to the measurement date	78,349	91,518
Changes in proportion related to pension	341,285	408,918
Total deferred outflows of resources	419,634	500,436
Total assets and deferred outflows of resources	$ 5,497,353	$ 5,428,292

The accompanying notes are an integral part of these statements.

Liabilities, Deferred Inflows of Resources, and Net Position

	2021	2020
Current liabilities		
Accounts payable	$ 82,399	$ 113,545
Accrued salaries and related taxes	77,140	84,619
Accrued compensated time off	76,080	87,548
Medicaid tax payable	11,248	11,248
Total current liabilities	246,867	296,960
Net pension liability	1,112,491	1,587,056
Other liabilities		
Nonrefundable fees	6,184	16,059
Total liabilities	1,365,542	1,900,075
Deferred inflows of resources		
Property taxes	425,654	432,746
Other	1,000	1,000
Estimated differences between expected and actual pension investment earnings and pension experience	428,104	83,930
Total deferred inflows of resources	854,758	517,676
Net position		
Invested in capital assets, net of related debt	1,523,864	1,660,463
Restricted expendable net position	103,377	103,349
Unrestricted	1,649,812	1,246,729
Total net position	3,277,053	3,010,541
Total liabilities, deferred inflows of resources, and net position	$ 5,497,353	$ 5,428,292

Attica Hospital District No. 1 of Harper County, Kansas
Statements of Revenues, Expenses, and
Changes in Net Position
Year ended December 31,

	2021	2020
Operating revenues		
Net resident service revenue	$ 2,896,801	$ 3,559,286
Other revenue	45,406	32,318
Total operating revenues	2,942,207	3,591,604
Operating expenses		
Salaries and wages	1,739,619	2,123,626
Employee benefits	404,451	590,078
Supplies and other	1,458,392	1,719,249
Depreciation	217,986	218,916
Total operating expenses	3,820,448	4,651,869
Operating loss	(878,241)	(1,060,265)
Nonoperating revenues (expenses)		
District tax proceeds	456,484	471,009
Interest income	6,395	10,416
Gain (loss) on disposal of assets	10	(1,517)
Rental income, net of expenses	5,172	549
Gas well income	1,217	1,199
CARES Act grant revenues	487,445	399,039
PPP loan forgiveness		457,026
Noncapital contributions	196,627	35,422
Loss on hospice investment	(45,000)	
Interest expense	(415)	(10,011)
Total nonoperating revenues, net of expenses	1,107,935	1,363,132
Excess of revenues over expenses before capital grants and contributions	229,694	302,867
Capital grants and contributions	36,818	45,276
Change in net position	266,512	348,143
Net position at beginning of year	3,010,541	2,662,398
Net position at end of year	$ 3,277,053	$ 3,010,541

The accompanying notes are an integral part of these statements.

Attica Hospital District No. 1 of Harper County, Kansas
Statements of Cash Flows
Year ended December 31,

	2021	2020
Cash flows from operating activities		
Receipts from and on behalf of residents	$ 3,107,091	$ 3,289,039
Payments to or on behalf of employees	(2,212,606)	(2,677,608)
Payments for supplies and services	(1,490,554)	(1,803,767)
Other receipts and payments	45,406	18,898
Net cash used by operating activities	(550,663)	(1,173,438)
Cash flows from noncapital financing activities		
District tax proceeds	456,484	471,009
Proceeds from noncapital contributions	196,627	891,487
Proceeds from CARES Act funding	487,445	
Proceeds from sale of capital assets	10	
Interest paid	(415)	
Net cash provided by noncapital financing activities	1,140,151	1,362,496
Cash flows from capital and related financing activities		
Purchase of capital assets	(81,387)	(171,680)
Payments on line of credit		(400,100)
Capital grants and contributions	36,818	45,276
Net cash used by capital and related financing activities	(44,569)	(526,504)
Cash flows from investing activities		
(Increase) decrease in assets limited as to use	(28)	16,371
Investment in hospice	(45,000)	
Interest received	6,395	10,416
Gas well income	1,217	1,199
Rental income, net	5,172	549
Net cash provided (used) by investing activities	(32,244)	28,535
Change in cash and cash equivalents	512,675	(308,911)
Cash and cash equivalents at beginning of year	2,073,436	2,382,347
Cash and cash equivalents at end of year	$ 2,586,111	$ 2,073,436

The accompanying notes are an integral part of these statements.

Attica Hospital District No. 1 of Harper County, Kansas
Statements of Cash Flows - Continued
Year ended December 31,

	2021	2020
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$ (878,241)	$ (1,060,265)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	217,986	218,916
Amortization of nonrefundable fees	(9,875)	(14,774)
Provision for bad debts		25,171
Changes in		
Resident accounts receivable	243,935	(288,256)
Other receivables	(23,770)	7,612
Inventory		(3,101)
Prepaid expenses	(1,016)	615
Accounts payable and accrued expenses	(50,093)	(113,800)
Net pension liability, deferred inflows, and deferred outflows related to defined benefit pension plan	(49,589)	54,444
Net cash used by operating activities	$ (550,663)	$ (1,173,438)

The accompanying notes are an integral part of these statements.

Attica Hospital District No. 1 of Harper County, Kansas
Notes to Financial Statements
December 31, 2021 and 2020

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

1. Reporting entity

Attica Hospital District No. 1 of Harper County, Kansas, (hereinafter referred to as the District) was created under K.S.A. 80-2178, et seq., as a Kansas political body and entity, for the purpose of owning and operating a health care facility in Attica, Kansas, for the benefit of the community. Until July 1, 1991, the District operated a 12-bed acute care hospital, a long-term care unit, and a clinic. On July 1, 1991, inpatient acute care services were discontinued. The District continues to operate a long-term care unit licensed as a freestanding nursing facility that includes a 7-bed Alzheimer's unit that opened on December 13, 2010. On June 1, 2021, the District decreased the long-term care unit licensed beds from 55 to 46. In 2013, the District opened a 5-unit independent living complex in Attica, Kansas. The District is governed by an elected five-member Board of Trustees of Attica Hospital District No. 1 of Harper County, Kansas.

2. 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.

3. Basis of accounting

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

4. Allowance for uncollectible accounts

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

5. Inventories

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

6. Investment income

Investment income on proceeds of borrowing, to the extent not capitalized, is reported as other revenue. Investment income from all other investments is reported as nonoperating revenue.

7. Capital assets

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

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.

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

8. Nonrefundable private room contract fees

The District allows residents to enter into a nonrefundable fee contract for private rooms during their time at the facility. The fees are recorded as other liabilities when received and are amortized to income over the life expectancy of the resident.

9. Income taxes

The District is exempt from federal income taxes under Section 115 of the Internal Revenue Code.

10. Operating revenues and expenses

The District's 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 District's principal activity. Nonexchange revenues, including noncapital grants, District tax proceeds, and contributions, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

11. Grants and contributions

From time to time, the District receives grants and contributions from individuals and private 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 a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

12. Pension plan, deferred outflows, and inflows of resources

The District participates in the Kansas Public Employees Retirement System Plan (KPERS), a cost-sharing multiple-employer defined benefit pension plan. The District uses information provided by KPERS to measure the net pension liability, deferred outflows of resources, and deferred inflows of resources of the KPERS pension plan.

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. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

13. Net position

Net position of the District 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 expendable net position" is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. "Unrestricted net position" is the remaining net position that does not meet the definitions of the other two components of net position.

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

14. Net resident service revenue

Net resident service revenue is reported at established charges with adjustments for discounts, charity care, contractual adjustments, and provision for bad debts, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

15. Charity care

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

16. Cash and cash equivalents

Cash and cash equivalents include all cash and invested cash other than amounts included in assets limited as to use.

Note B - Assets Limited as to Use

Assets limited as to use consist of assets whose use by the District has been limited by grant guidelines or donors to a specific time period or purpose, assets restricted by the donor for capital acquisitions, and assets limited by an escrow agreement for self-funded unemployment benefits. Assets whose use is limited are invested as follows:

	2021	2020
Certificates of deposit	$ 25,000	$ 25,000
Cash	103,377	103,349
Total assets limited as to use	$ 128,377	$ 128,349

Note C - Charity Care

The amounts of charges foregone for services and supplies furnished by the District under its charity care policy and the related cost during the years ended December 31, 2021 and 2020, were not significant.

Note D - Reimbursement Programs

The District has an agreement with a third-party payor that provides for payments at amounts different from its established charge rates. A summary of the payment arrangements with the third-party payor follows:

Medicaid - Services rendered to Medicaid residents in the long-term care unit are generally reimbursed at prospectively determined rates based upon costs of previous years adjusted for inflation, statewide limits, and other factors. Revenues from Medicaid accounted for approximately 83 percent and 84 percent of the District's net resident service revenue for the years ended December 31, 2021 and 2020, respectively.

Note D - Reimbursement Programs - Continued

Management estimates that there are no amounts due to or from Medicaid at either December 31, 2021 or 2020, related to potential settlements of cost reports.

Note E - Property Taxes

The District's property tax is levied and a lien attaches each November 1 on the assessed value as of the prior January 1 for all property located in the District. Assessed values are established by the County Assessor. The assessed values for property located in the District as of January 1, 2021 and 2020, on which the 2021 and 2020 levies were based were $16,174,908 and $18,390,417, respectively.

Property taxes are due in total by December 31 following the levy date, or may be paid in equal installments if paid by December 20 (first installment) and the following May 10 (second installment). The taxes are collected by the County Treasurer and subsequently remitted to the District.

Collection of current year property tax by the County Treasurer is not completed, apportioned, nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing State statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the District and, therefore, are recorded as a deferred inflow of resources in the year levied and recognized as revenue when they become available to pay liabilities.

Note F - Other Investment

In 2021, the District invested $45,000 for a 25 percent share in the formation of Country Care Hospice, Inc. (Hospice). The Hospice was established by four nursing facilities in south central Kansas, each having an equal 25 percent interest in its operations. The District's share in undistributed net equity of the Hospice was ($16,022) as of December 31, 2021. Under generally accepted accounting principles, an investment accounted for under the equity method is not recorded as a negative amount, therefore, the District has a carrying value of the Hospice investment of $0 at December 31, 2021.

The District has also advanced $20,000 to the Hospice which is included in other receivables at December 31, 2021.

Note G - Capital Assets

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

	2021			
	Beginning balance	Additions	Retirements	Ending balance
Land - nondepreciable	$ 51,715	$ 263	$ -	$ 51,978
Land improvements	50,546			50,546
Buildings	3,534,503			3,534,503
Fixed equipment	978,937	59,276		1,038,213
Major movable equipment	701,176		(35,040)	666,136
Totals at historical cost	5,316,877	59,539	(35,040)	5,341,376
Less accumulated depreciation and amortization				
Land improvements	36,524	1,997		38,521
Buildings	2,867,237	111,772		2,979,009
Fixed equipment	158,529	77,601		236,130
Major movable equipment	594,124	26,616	(35,040)	585,700
	3,656,414	217,986	(35,040)	3,839,360
Projects in progress	-	21,848	-	21,848
Capital assets, net	$ 1,660,463	$ (136,599)	$ -	$ 1,523,864

	2020			
	Beginning balance	Additions	Retirements	Ending balance
Land - nondepreciable	$ 51,715	$ -	$ -	$ 51,715
Land improvements	50,546			50,546
Buildings	3,512,212	22,291		3,534,503
Fixed equipment	848,176	130,761		978,937
Major movable equipment	669,285	31,891		701,176
Totals at historical cost	5,131,934	184,943	-	5,316,877
Less accumulated depreciation and amortization				
Land improvements	33,835	2,689		36,524
Buildings	2,752,737	114,500		2,867,237
Fixed equipment	91,007	67,522		158,529
Major movable equipment	559,919	34,205		594,124
	3,437,498	218,916	-	3,656,414
Projects in progress	14,781	(14,781)	-	-
Capital assets, net	$ 1,709,217	$ (48,754)	$ -	$ 1,660,463

Note H - Nonrefundable Fees

	2021	2020
Beginning of period	$ 16,059	$ 30,833
Amortization	(9,875)	(14,774)
End of period	$ 6,184	$ 16,059

Note I - Line of Credit

On September 23, 2019, the District entered into a line of credit agreement with a local bank in the amount of $700,100 with a maturity date of September 23, 2020. The line was collateralized by the District's money market bank account funds on deposit at the bank. Interest was 4.00 percent and was payable along with the total principal drawn on the line of credit on the maturity date. The District paid off the line of credit in 2020 and it was not renewed after it matured on September 30, 2020.

Note J - CARES Act Grants Received

The Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, resulted in several programs to assist businesses and organizations. Included in the CARES Act were advances under the Small Business Administration (SBA) Paycheck Protection Program (PPP). The District received a SBA PPP loan under this program. The loan was issued on April 30, 2020, in the amount of $457,026 and had an interest rate of 1.00 percent. The loan was fully guaranteed by the Federal Government and was subject to forgiveness based on employee full-time equivalent counts during the covered period of the loan as compared to predetermined dates as defined by the SBA. The District submitted an application for forgiveness of the loan and received notification on December 24, 2020, that it had been forgiven in its entirety. The District recognized the $457,026 forgiveness in nonoperating revenues in 2020.

Another component of the CARES Act was grants provided to health care providers. The purpose of these grants is to pay for health care related expenses and cover lost revenues that are attributable to coronavirus. The amount for which the District will be eligible to recognize as revenue is subject to the terms and conditions of the grant agreements issued with the disbursements. The District has recognized $487,445 and $399,039 of these funds as nonoperating revenues at December 31, 2021 and 2020, respectively.

Note K- Deposits with Financial Institutions

Kansas statutes authorize the District, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury bills and notes, and the State Treasurer's investment pool. 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 the securities pledged be deposited with a Kansas state or national bank or trust company, the Federal Reserve Bank, or the Federal Home Loan Bank.

Note K - Deposits with Financial Institutions - Continued

The carrying amount of the District's deposits with financial institutions was $2,714,188 and the bank balance was $2,754,264 at December 31, 2021. The bank balance is categorized as follows at December 31, 2021:

Amount insured by the F.D.I.C.	$ 500,000
Amount insured by the N.C.U.S.I.F. $250,000 - limited to bank balance	2,324
Uncollateralized (collateralized with securities held in safekeeping under joint custody receipt by an authorized depository other than the pledging financial institution's trust department, but not in the District's name)	2,251,940
	$ 2,754,264

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

Cash and cash equivalents	$ 2,585,811
Assets limited as to use	128,377
Total bank deposits	$ 2,714,188

Note L - Defined Benefit Pension Plan

Plan description

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Substantially all employees of the District are eligible to participate in KPERS. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. Substantially all public employees in Kansas are covered by KPERS. Participation by local political subdivisions and entities is optional, but irrevocable once elected. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

Benefits

Benefits are established by statute and may only be changed by the Kansas Legislature. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points."

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Note L - Defined Benefit Pension Plan - Continued

Members choose one of seven payment options for their monthly retirement benefits. At retirement, a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation for each of the three state-wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

KPERS has three benefit structures and funding depends on whether the employee is a Tier 1, Tier 2, or Tier 3 member. Tier 1 members were hired before July 1, 2009, Tier 2 members were first employed on or after July 1, 2009, and Tier 3 members were first employed on or after January 1, 2015. Kansas law established the KPERS member-employee contribution rate at 6 percent of covered salary for all members for 2021 and 2020, respectively. The employer rates established by statute at December 31, 2021 and 2020, are 8.87 percent and 8.61 percent, respectively. The District employer contributions to KPERS for the years ended December 31, 2021 and 2020, were $142,776 and $167,786, respectively, equal to the statutory required contributions for each year.

Employer and nonemployer allocations

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

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

To facilitate the separate (sub) actuarial valuations, the System maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The District is included in the local group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The allocation percentages for the District's share of the collective pension amounts as of December 31, 2021 and 2020, are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the years ended June 30, 2021 and 2020, respectively. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. As of December 31, 2021, the District's proportion was 0.093 percent which was an increase of 0.001 percent from its share at December 31, 2020.

Note L - Defined Benefit Pension Plan - Continued

Net pension liability

At December 31, 2021 and 2020, the District reported a liability of $1,112,491 and $1,587,056, respectively, for its proportionate share of the net pension liability.

Actuarial assumptions

The total pension liability was determined by actuarial valuations as of December 31, 2020 and 2019, which were then rolled forward to June 30, 2021 and 2020, using the following actuarial assumptions:

Actuarial assumptions	2020	2019
Price inflation	2.75%	2.75%
Salary increases, including wage increases	3.25% - 11.75%	3.50% - 11.75%
Long-term rate of return net of investment expense and including price inflation	7.25%	7.50%

For 2020 and 2019, mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using scale MP-2016.

The actuarial assumptions used in the December 31, 2020 and 2019 valuations were based on the results of an actuarial experience study conducted for the three-year period ended December 31, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2021 are summarized in the following table:

Asset class	Long-term target allocation	Long-term expected real rate of return
U.S. Equities	23.50 %	5.20 %
Non-U.S. Equities	23.50	6.40
Private Equity	8.00	9.50
Private Real Estate	11.00	4.45
Yield driven	8.00	4.70
Real return	11.00	3.25
Fixed Income	11.00	1.55
Short-term investments	4.00	0.25
Total	100.00 %	

Note L - Defined Benefit Pension Plan - Continued

Discount rate

The discount rates used to measure the total pension liability as of December 31, 2020 and 2019, were 7.50 and 7.75 percent, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School, and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The statutory cap for the year ended June 30, 2021, was 1.2 percent.

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the net pension liability of the pension plan as of June 30, 2021, calculated using the discount rate of 7.25 percent, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% decrease (6.25%)	Current discount rate (7.25%)	1% increase (8.25%)
District's share of net pension liability	$ 1,829,940	$ 1,112,491	$ 510,820

Pension expense

For the years ended December 31, 2021 and 2020, the District recognized pension expense of $94,451 and $215,665, respectively, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Deferred outflows of resources and deferred inflows of resources

A summary of the collective deferred outflows of resources and deferred inflows of resources at December 31, 2021 and 2020, are included in the tables below. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period.

Note L - Defined Benefit Pension Plan - Continued

	2021	2020
Deferred outflows of resources		
Differences between expected and actual experience	$ 43,913	$ 26,499
Change of assumptions	218,995	95,593
Net difference between projected and actual earnings on pension plan investments		185,170
Changes in proportion and differences between Hospital District contributions and proportionate share of contributions	78,377	101,656
Employer contributions subsequent to the measurement date	78,349	91,518
Total deferred outflows of resources	$ 419,634	$ 500,436
Deferred inflows of resources		
Differences between expected and actual experience	$ 10,073	$ 20,404
Net difference between projected and actual earnings on pension plan investments	395,042	
Changes in proportion and differences between Hospital District contributions and proportionate share of contributions	22,989	63,526
Total deferred inflows of resources	$ 428,104	$ 83,930

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2021, that will be recognized in pension expense in future years:

Year ended December 31,	Employer contributions subsequent to the measurement date	Recognition of net deferred outflows/(inflows) of resources by year	Total
2022	$ 78,349	$ (1,308)	$ 77,041
2023		1,476	1,476
2024		(7,832)	(7,832)
2025		(87,514)	(87,514)
2026		8,359	8,359
	$ 78,349	$ (86,819)	$ (8,470)

Note M - Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the District. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the budget for the years ended December 31, 2021 and 2020.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Actual expenditures for the year ended December 31, 2021, on the modified accrual basis of accounting and encumbrances were $3,605,557 as compared to the legally adopted budgeted expenditures of $4,873,000. Actual expenditures for the year ended December 31, 2020, on the modified accrual basis of accounting and encumbrances were $4,440,462 as compared to the legally adopted budgeted expenditures of $5,552,000.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations lapse at year-end.

A legal operating budget is not required for capital projects funds. Spending of funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Note N - Risk Management

The District is insured with respect to professional and general liability risks under an insurance policy issued by commercial insurers on a claims-made basis with a limit of $1,000,000 per occurrence up to an annual aggregate of $3,000,000 for all claims made during the policy year. Coverage is currently in effect through November 1, 2022. The District intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time. Management believes that if any claims are asserted for incidents occurring through December 31, 2021, such claims would be settled within the limits of insurance coverage.

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the District 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 District purchases commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note O - Risks and Uncertainties

On March 11, 2020, the World Health Organization designated coronavirus (COVID-19) as a global pandemic. Resident volumes and revenues for the District's services have been negatively impacted by the pandemic. While many restrictions have eased and operations are beginning to return to normal, the pandemic continues to affect operations. The impact on future operations will be driven by several factors many of which are uncertain at this time. Management is focused on managing this uncertainty as it works to reopen its campus to the public. The CARES Act and subsequent legislation enacted by the federal government has provided much needed funding during these uncertain times. See Note J pertaining to the SBA PPP loan and CARES grant funds.

Note P - Subsequent Events

The District has evaluated subsequent events through April 6, 2022, which is the date the financial statements were available to be issued.

Required Supplementary Information

Attica Hospital District No. 1 of Harper County, Kansas
Schedule of District's Proportionate Share of
the Net Defined Pension Plan Liability
December 31,

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0927%	0.0915%	0.0862%	0.0876%	0.0811%	0.0954%	0.0916%	0.0851%
District's proportionate share of the net pension liability	$ 1,112,491	$ 1,587,056	$ 1,205,080	$ 1,220,793	$ 1,174,234	$ 1,476,036	$ 1,202,328	$ 1,047,410
District's covered-employee payroll	$ 1,609,651	$ 1,948,734	$ 1,617,728	$ 1,594,136	$ 1,446,785	$ 1,546,721	$ 1,579,156	$ 1,477,048
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.11%	81.44%	74.49%	76.58%	81.16%	95.43%	76.14%	70.91%
Plan fiduciary net position as a percentage of the total pension liability	81.14%	70.77%	75.02%	74.22%	72.16%	68.55%	71.98%	72.56%

Attica Hospital District No. 1 of Harper County, Kansas
Schedule of District Contributions to
Defined Pension Plan
December 31,

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 142,776	$ 167,786	$ 143,816	$ 133,748	$ 122,398	$ 141,989	$ 149,704	$ 130,571
Contributions in relation to the contractually required contribution	(142,776)	(167,786)	(143,816)	(133,748)	(122,398)	(141,989)	(149,704)	(130,571)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,609,651	$ 1,948,734	$ 1,617,728	$ 1,594,136	$ 1,446,785	$ 1,546,721	$ 1,579,156	$ 1,477,048
Contributions as a percentage of covered-employee payroll	8.87%	8.61%	8.89%	8.39%	8.46%	9.18%	9.48%	8.84%

Supplementary Information

Attica Hospital District No. 1 of Harper County, Kansas
Resident Service Revenue
Year ended December 31,

	2021	2020
Daily resident care - Geriatric and Alzheimer's	$ 2,474,905	$ 3,135,196
Independent living units	19,590	21,000
Gross resident service revenue	2,494,495	3,156,196
Contractual adjustments	402,306	428,261
Provision for bad debt		(25,171)
Net resident service revenue	$ 2,896,801	$ 3,559,286

Attica Hospital District No. 1 of Harper County, Kansas
Operating Expenses
Year ended December 31,

	2021			2020		
	Salary expense	Supplies and other expenses	Total expenses	Salary expense	Supplies and other expenses	Total expenses
Geriatric nursing services	$ 963,898	$ 818,547	$ 1,782,445	$ 1,229,038	$ 965,304	$ 2,194,342
Alzheimer's nursing services	-	-	-	53,227	304	53,531
	963,898	818,547	1,782,445	1,282,265	965,608	2,247,873
General services						
Operation of plant	116,714	173,584	290,298	143,974	234,034	378,008
Housekeeping	124,331	30,396	154,727	136,986	41,805	178,791
Laundry	56,870	6,517	63,387	65,025	16,747	81,772
Dietary	246,578	194,312	440,890	267,806	235,633	503,439
Administration	231,228	191,885	423,113	227,570	180,430	408,000
Medicaid tax		43,151	43,151		44,992	44,992
Employee health and welfare		404,451	404,451		590,078	590,078
	775,721	1,044,296	1,820,017	841,361	1,343,719	2,185,080
	$ 1,739,619	$ 1,862,843	3,602,462	$ 2,123,626	$ 2,309,327	4,432,953
Depreciation			217,986			218,916
			$ 3,820,448			$ 4,651,869

Attica Hospital District No. 1 of Harper County, Kansas
Balance in Depository Compared with Depository Security
Year ended December 31, 2021

	Wheat State Credit Union	Heartland Tri-State Bank	Total
Bank balance, December 31, 2021			
Debit card	$ 2,324	$ -	$ 2,324
General checking		430,692	430,692
Savings		594,999	594,999
Money market		1,701,096	1,701,096
Certificate of deposit		25,153	25,153
Total deposits	2,324	2,751,940	2,754,264
Less N.C.U.S.I.F. coverage of $250,000 - limited to bank balance	2,324		2,324
Less F.D.I.C. coverage		500,000	500,000
Balance subject to pledging of securities	$ -	2,251,940	2,251,940
Market value of securities pledged at December 31, 2021		2,292,051	2,292,051
Market value of securities pledged in excess of required depository securities		$ 40,111	$ 40,111

At December 31, 2021, deposits with a financial institution were adequately secured under K.S.A. 9-1402, which requires the market value of certain types of securities pledged to be equal to total deposits in excess of F.D.I.C. coverage.