Independent Auditor's Report and Financial Statements

Attica Hospital District No. 1
of Harper County, Kansas

December 31, 2025 and 2024

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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, 2025 and 2024. Please read it in conjunction with the accompanying financial statements.

Financial highlights

The District reported operating losses of $188,406 in 2025, $368,083 in 2024, and $278,859 in 2023.

The District had nonoperating revenues which consisted primarily of District tax proceeds, COVID-19 grant revenues, employee retention tax credits, noncapital contributions, capital contributions, gain on impairment of capital assets, interest income, and rental income of $1,301,572 in 2025, $719,837 in 2024, and $668,545 in 2023. The increase in nonoperating revenues in 2025 is primarily due to employee retention tax credits of $657,580.

After the inclusion of nonoperating revenues and expenses and capital grants and contributions, the District's net position increased by $1,146,596 or 34.2 percent in 2025, increased by $371,548 or 12.5 percent in 2024, and increased by $554,293 or 22.8 percent in 2023.

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:

	2025	2024	2023
Assets			
Current assets	$ 4,728,852	$ 3,609,741	$ 3,343,094
Assets limited as to use	43,383	38,374	301,621
Capital assets, net	1,682,432	1,796,854	1,341,805
Total assets	6,454,667	5,444,969	4,986,520
Deferred outflows of resources	482,386	374,085	487,581
Total assets and deferred outflows of resources	$ 6,937,053	$ 5,819,054	$ 5,474,101
Liabilities			
Current liabilities	$ 310,922	$ 345,952	$ 257,705
Long-term liabilities	1,604,272	1,462,610	1,643,486
Nonrefundable fees		1,447	3,026
Total liabilities	$ 1,915,194	$ 1,810,009	$ 1,904,217
Deferred inflows of resources	$ 519,874	$ 653,656	$ 586,043
Net position			
Invested in capital assets, net of related debt	$ 1,682,432	$ 1,796,854	$ 1,341,805
Restricted expendable net position	18,383	13,374	276,621
Unrestricted	2,801,170	1,545,161	1,365,415
Total net position	$ 4,501,985	$ 3,355,389	$ 2,983,841

In aggregate, the District's unrestricted cash and invested cash totaled $3,633,569 and $2,538,603 as of December 31, 2025 and 2024, respectively. These represent 310 days and 226 days, respectively, of average cash expenses during each of the years then ended.

Capital asset acquisitions were funded from operating cash flow, tax credit monies, restricted monies for capital purposes, and capital grants during 2025 and 2024. Net capital assets (after depreciation) decreased by $114,422 during the 2025 fiscal year due to depreciation expense exceeding capital assets acquisitions and increased by $455,049 during the 2024 fiscal year due to capital asset acquisitions exceeding depreciation expense.

The District's net resident accounts receivable was 14 percent of current assets as of December 31, 2025, and 16 percent as of December 31, 2024. The average number of days of net resident revenue in accounts receivable was 58 days as of December 31, 2025, and 52 days as of December 31, 2024.

The District's net position increased by $1,146,596 or 34.2 percent in 2025, and increased by $371,548 or 12.5 percent in 2024.

Operating results and changes in net position

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

	2025	2024	2023
Operating revenues	$ 4,350,435	$ 3,974,581	$ 3,843,350
Operating expenses	(4,538,841)	(4,342,664)	(4,122,209)
Operating loss	(188,406)	(368,083)	(278,859)
Nonoperating income	1,301,572	719,837	668,545
Capital contributions and grants	33,430	19,794	164,607
Increase in net position	$ 1,146,596	$ 371,548	$ 554,293

The most significant components of the overall change in the District's increase in net position in 2025 were an increase in nonoperating income of $581,735, an increase in net resident service revenue of $359,623, a decrease in salaries and wages of $126,305, an increase in employee benefits of $12,993, and an increase in supplies and other expenses of $299,644.

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

	2025	2024	2023
Daily resident care	$ 3,985,059	$ 3,244,757	$ 3,055,332
Independent living units	28,658	22,801	22,916
Gross resident service revenue	4,013,717	3,267,558	3,078,248
Contractual adjustments	360,991	690,687	747,037
Provision for bad debt	(56,840)		(24,893)
Net resident service revenue	$ 4,317,868	$ 3,958,245	$ 3,800,392

Employee salaries and wages, including benefits, decreased by $113,312 or 4.4 percent during 2025, and increased by $215,769 or 9.2 percent during 2024. These changes are functions of changes in the number of employees, the number of resident days, pay rates, and benefits.

Supplies and other expenses increased by $299,644 or 19.6 percent during 2025, and decreased by $71,995 or 4.5 percent during 2024, respectively. The increase in 2025 was attributable primarily to amounts paid for contract nursing services expenditures, plant operation services expenditures, dietary expenditures and administrative services expenditures related to the employee retention tax credit.

Budgetary information

Actual expenditures for the year ended December 31, 2025, on the modified accrual basis of accounting and encumbrances were $4,294,715 as compared to the legally adopted budgeted expenditures of $5,991,868. Actual expenditures for the year ended December 31, 2024, on the modified accrual basis of accounting and encumbrances were $4,095,900 as compared to the legally adopted budgeted expenditures of $5,033,150.

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 the business-type activities of Attica Hospital District No. 1 of Harper County, Kansas (District) as of and for the years ended December 31, 2025 and 2024, 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, 2025 and 2024, 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 and the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 25 and 26 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 28 through 30 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 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 20, 2026

Financial Statements

Attica Hospital District No. 1 of Harper County, Kansas
Statements of Net Position
December 31, 2025 and 2024

Assets and Deferred Outflows of Resources

	2025	2024
Current assets		
Cash and cash equivalents	$ 3,633,569	$ 2,538,603
Resident accounts receivable, net of allowance for uncollectible accounts of $72,280 in 2025 and $72,280 in 2024	681,207	568,887
Property taxes receivable	302,563	422,172
Interest receivable	22,907	
Inventories	14,341	15,634
Prepaid expenses	74,265	64,445
Total current assets	4,728,852	3,609,741
Assets limited as to use		
By contributors and grantors for capital acquisitions	18,383	13,374
By escrow agreement for unemployment benefits	25,000	25,000
	43,383	38,374
Other investment	-	-
Capital assets, net	1,682,432	1,796,854
Total assets	6,454,667	5,444,969
Deferred outflows of resources		
Pension contributions remitted subsequent to the measurement date	87,769	99,215
Changes in proportion related to pension	394,617	274,870
Total deferred outflows of resources	482,386	374,085
Total assets and deferred outflows of resources	$ 6,937,053	$ 5,819,054

The accompanying notes are an integral part of these statements.

Liabilities, Deferred Inflows of Resources, and Net Position

	2025	2024
Current liabilities		
Accounts payable	$ 101,708	$ 109,702
Accrued salaries and related taxes	102,761	129,878
Accrued compensated absences and related taxes	106,453	106,372
Total current liabilities	310,922	345,952
Long-term liabilities		
Accured compensated absences and related taxes, net current portion	31,219	31,219
Net pension liability	1,573,053	1,431,391
Total long-term liabilities	1,604,272	1,462,610
Other liabilities		
Nonrefundable fees	-	1,447
Total liabilities	1,915,194	1,810,009
Deferred inflows of resources		
Property taxes	302,563	422,172
Other	6,443	1,000
Estimated differences between expected and actual pension investment earnings and pension experience	210,868	230,484
Total deferred inflows of resources	519,874	653,656
Net position		
Invested in capital assets, net of related debt	1,682,432	1,796,854
Restricted expendable net position	18,383	13,374
Unrestricted	2,801,170	1,545,161
Total net position	4,501,985	3,355,389
Total liabilities, deferred inflows of resources, and net position	$ 6,937,053	$ 5,819,054

The accompanying notes are an integral part of these statements.

Attica Hospital District No. 1 of Harper County, Kansas
Statements of Revenues, Expenses, and
Changes in Net Position
Years ended December 31, 2025 and 2024

	2025	2024
Operating revenues		
Net resident service revenue	$ 4,317,868	$ 3,958,245
Other revenue	32,567	16,336
Total operating revenues	4,350,435	3,974,581
Operating expenses		
Salaries and wages	1,942,889	2,069,194
Employee benefits	516,545	503,552
Supplies and other	1,825,739	1,526,095
Depreciation	253,668	243,823
Total operating expenses	4,538,841	4,342,664
Operating loss	(188,406)	(368,083)
Nonoperating revenues (expenses)		
District tax proceeds	431,940	443,988
Interest income	132,558	108,752
Rental income, net of expenses	9,503	6,869
Gas well income	1,356	2,034
Gain on impairment of capital assets (Note M)	64,211	29,221
COVID-19 grants (Note O)		114,659
Employee retention tax credits (Note P)	657,580	
Noncapital contributions	4,424	1,500
Other		32,814
Loss on hospice investment		(20,000)
Total nonoperating revenues, net of expenses	1,301,572	719,837
Excess of revenues over expenses before capital grants and contributions	1,113,166	351,754
Capital grants and contributions	33,430	19,794
Change in net position	1,146,596	371,548
Net position at beginning of year	3,355,389	2,983,841
Net position at end of year	$ 4,501,985	$ 3,355,389

The accompanying notes are an integral part of these statements.

Attica Hospital District No. 1 of Harper County, Kansas
Statements of Cash Flows
Years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Receipts from and on behalf of residents	$ 4,204,101	$ 3,991,695
Payments to or on behalf of employees	(2,472,725)	(2,526,029)
Payments for supplies and services	(1,849,902)	(1,473,158)
Other receipts and payments	32,567	49,150
Net cash provided (used) by operating activities	(85,959)	41,658
Cash flows from noncapital financing activities		
District tax proceeds	431,940	443,988
COVID-19 grants received		114,659
Employee retention tax credits	657,580	
Proceeds from noncapital contributions	4,424	1,500
Net cash provided by noncapital financing activities	1,093,944	560,147
Cash flows from capital and related financing activities		
Purchase of capital assets	(143,287)	(698,872)
Insurance proceeds	75,894	138,297
Capital grants and contributions	33,430	19,794
Net cash used by capital and related financing activities	(33,963)	(540,781)
Cash flows from investing activities		
Interest received	109,651	108,752
Gas well income	1,356	2,034
Other deferred inflows	5,443	
Rental income, net	9,503	6,869
Net cash provided by investing activities	125,953	117,655
Change in cash and cash equivalents	1,099,975	178,679
Cash and cash equivalents at beginning of year	2,576,977	2,398,298
Cash and cash equivalents at end of year	$ 3,676,952	$ 2,576,977
Reconciliation of cash and cash equivalents to statement of financial position		
Included in current assets	$ 3,633,569	$ 2,538,603
Included in assets limited as to use	43,383	38,374
	$ 3,676,952	$ 2,576,977

The accompanying notes are an integral part of these statements.

Attica Hospital District No. 1 of Harper County, Kansas
Statements of Cash Flows - Continued
Years ended December 31, 2025 and 2024

	2025	2024
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	$ (188,406)	$ (368,083)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	253,668	243,823
Amortization of nonrefundable fees	(1,447)	(1,579)
Provision for bad debts	56,840	
Other		32,814
Changes in		
Resident accounts receivable	(169,160)	35,029
Inventory	1,293	(2,071)
Prepaid expenses	(9,820)	6,407
Accounts payable and accrued expenses	(42,672)	87,171
Net pension liability, deferred inflows, and deferred outflows related to defined benefit pension plan	13,745	8,147
Net cash provided (used) by operating activities	$ (85,959)	$ 41,658

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, 2025 and 2024

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.

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

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

8. Accrued compensated absences

The District's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. The eligible employees earn vacation leave benefits based on years of service and time worked. Any earned or unused vacation leave benefits will be paid upon termination, provided adequate notice was provided. Sick leave benefits are accrued by eligible employees based on hours worked. Sick leave benefits vest to the employees, but any vested benefits earned and unused by the employee will not be paid out to the employee upon termination. Accrued compensation absences are computed using the regular pay rates in effect at the statement of net position date. Vacation leave benefits are accrued based on the employees' vested balance while the District estimates a liability for vested sick leave benefits based on historical usage by employes.

9. 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.

10. Income taxes

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

11. 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.

12. 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.

13. 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.

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

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.

14. 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 capital 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.

15. Restricted resources

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

16. 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.

17. 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.

Note B - Assets Limited as to Use

Assets limited as to use consist of assets whose use has been limited the donor or grantor for capital acquisitions, and assets limited by an escrow agreement for self-funded unemployment benefits. Assets whose use is limited are invested as follows:

	2025	2024
Certificates of deposit	$ 25,000	$ 25,000
Cash	18,383	13,374
	$ 43,383	$ 38,374

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, 2025 and 2024, 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 64 percent and 69 percent of the District's net resident service revenue for the years ended December 31, 2025 and 2024, respectively.

Management estimates that there are no amounts due to or from Medicaid at either December 31, 2025 or 2024, 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, 2025 and 2024, on which the 2025 and 2024 levies were based were $18,263,617 and $21,688,190, 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 1/3 share in the formation of Country Care Hospice, Inc. (Hospice). The Hospice was established by three nursing facilities in south central Kansas, each having an equal 1/3 interest in its operations. In 2022, the District invested $7,416 in the Hospice. The District's share in undistributed net equity of the Hospice was $(84,060) and $(54,908) for the years ended December 31, 2025 and 2024, respectively. 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, 2025 and 2024.

The District advanced $20,000 to the Hospice which was included in other receivables at December 31, 2023. Due to the continued operating losses the Hospice has experienced, management recognized a $20,000 loss on the Hospice investment for this advance during the year ended December 31, 2024.

Note G - Capital Assets

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

	2025			
	Beginning balance	Additions	Transfers and retirements	Ending balance
Land - nondepreciable	$ 51,978	$ -	$ -	$ 51,978
Land improvements	47,776			47,776
Buildings	4,139,965	45,600	60,570	4,246,135
Fixed equipment	1,188,233			1,188,233
Major movable equipment	613,213	30,654	(14,995)	628,872
Totals at historical cost	6,041,165	76,254	45,575	6,162,994
Less accumulated depreciation and amortization				
Land improvements	41,547	1,217		42,764
Buildings	3,245,362	119,470	(16,554)	3,348,278
Fixed equipment	497,994	94,435		592,429
Major movable equipment	488,164	38,546	(14,095)	512,615
	4,273,067	253,668	(30,649)	4,496,086
Projects in progress	28,756	74,675	(87,907)	15,524
Capital assets, net	$ 1,796,854	$ (102,739)	$ (11,683)	$ 1,682,432

	2024			
	Beginning balance	Additions	Transfers and Retirements	Ending balance
Land - nondepreciable	$ 51,978	$ -	$ -	$ 51,978
Land improvements	47,776			47,776
Buildings	3,517,138	14,397	608,430	4,139,965
Fixed equipment	1,102,723	50,220	35,290	1,188,233
Major movable equipment	568,827	31,623	12,763	613,213
Totals at historical cost	5,288,442	96,240	656,483	6,041,165
Less accumulated depreciation and amortization				
Land improvements	39,579	1,968		41,547
Buildings	3,141,207	104,155		3,245,362
Fixed equipment	396,127	101,867		497,994
Major movable equipment	452,331	35,833		488,164
	4,029,244	243,823	-	4,273,067
Projects in progress	82,607	602,632	(656,483)	28,756
Capital assets, net	$ 1,341,805	$ 455,049	$ -	$ 1,796,854

Note H - Nonrefundable Fees

	2025	2024
Beginning of period	$ 1,447	$ 3,026
Amortization	(1,447)	(1,579)
End of period	$ -	$ 1,447

Note I - Deposits with Financial Institutions

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

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. Kansas statutes also require that collateral be pledged for bank deposits with fair value equal to 100 percent of the uninsured amounts and must be assigned to the benefit of the District.

The carrying amount of the District's deposits with financial institutions was $3,676,652 and the bank balance was $3,726,431 at December 31, 2025. The bank balance is categorized as follows at December 31, 2025:

Amount insured by the F.D.I.C.	$ 3,726,431

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

Cash and cash equivalents	$ 3,633,269
Assets limited as to use	43,383
	$ 3,676,652

Note J - 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

Note J - Defined Benefit Pension Plan - Continued

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.

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 contribution rates 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 statewide 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 2025 and 2024, respectively. The employer rates established by statute at December 31, 2025 and 2024, are 9.71 percent and 9.26 percent, respectively. The District employer contributions to KPERS for the years ended December 31, 2025 and 2024, were $170,940 and $170,883, respectively, equal to the statutory required contributions for each year.

Note J - Defined Benefit Pension Plan - Continued

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, 2025 and 2024, 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, 2025 and 2024, respectively. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. As of December 31, 2025, the District's proportion was 0.0785 percent which was a increase of .011 percent from its share at December 31, 2024.

Net pension liability

At December 31, 2025 and 2024, the District reported a liability of $1,573,053 and $1,431,391, 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, 2024 and 2023, which were then rolled forward to June 30, 2025 and 2024, using the following actuarial assumptions:

Actuarial assumptions	2025	2024
Price inflation	2.75%	2.75%
Salary increases, including wage increases	3.50% - 15.50%	3.50% - 15.50%
Long-term rate of return net of investment expense and including price inflation	7.00%	7.00%

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 morality improvements are anticipated using Scale MP-2016.

Note J - Defined Benefit Pension Plan - Continued

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. 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, 2025, are summarized in the following table:

Asset class	Long-term target allocation	Long-term expected real rate of return
Global equity	43.00 %	8.20 %
Core Fixed Income	13.00	2.20
Yield driven	12.00	5.30
Infrastructure	3.00	6.80
Real Estate	15.00	5.70
Alternatives	11.00	12.00
Short-term investments	3.00	0.30
Total	100.00 %	

Discount rate

The discount rate used to measure the total pension liability as of December 31, 2024 and 2023, was 7.00 percent. The acutuarial assumptions used in the calculation of the total pension liability were based on the results of the most recent actuarial experience study.

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, 2025, calculated using the discount rate of 7.00 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 (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1% decrease (6.00%)	Current discount rate (7.00%)	1% increase (8.00%)
District's share of net pension liability	$ 2,321,332	$ 1,573,053	$ 944,599

Note J - Defined Benefit Pension Plan - Continued

Pension expense

For the years ended December 31, 2025 and 2024, the District recognized pension expense of $190,773 and $177,852, 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, 2025 and 2024, 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.

	2025	2024
Deferred outflows of resources		
Differences between expected and actual experience	$ 202,703	$ 174,119
Change of assumptions	38,885	86,520
Net difference between projected and actual earnings on pension plan investments		8,770
Changes in proportion and differences between Hospital District contributions and proportionate share of contributions	153,029	5,461
Employer contributions subsequent to the measurement date	87,769	99,215
Total deferred outflows of resources	$ 482,386	$ 374,085
Deferred inflows of resources		
Differences between expected and actual experience	$ 54,024	$ -
Net difference between projected and actual earnings Hospital District contributions and proportionate share of contributions	156,844	230,484
Total deferred inflows of resources	$ 210,868	$ 230,484

Note J - Defined Benefit Pension Plan - Continued

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2025, 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
2026	$ 87,769	$ 132,189	$ 219,958
2027		14,619	14,619
2028		11,602	11,602
2029		25,339	25,339
	$ 87,769	$ 183,749	$ 271,518

Note K - 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, 2025 and 2024.

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, 2025, on the modified accrual basis of accounting and encumbrances were $4,294,715 as compared to the legally adopted budgeted expenditures of $5,991,868. Actual expenditures for the year ended December 31, 2024, on the modified accrual basis of accounting and encumbrances were $4,095,900 as compared to the legally adopted budgeted expenditures of $5,033,150.

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.

Note K - Budgetary Information - Continued

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 L - 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, 2026. 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, 2025, 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 M - Gain on Impairment of Capital Assets

In April 2023, the District experienced a power surge that impaired some of its assets. Insurance recoveries of $29,221 were received from the incident, resulting in a gain on impairment of capital assets of $29,221 for the year ended December 31, 2024.

In September 2025, the District experienced a hail storm that impaired the District building roof. Insurance recoveries of $75,044 were received for the storm damage, resulting in a gain on impairment of capital assets of $64,211 for the year ended December 31, 2025.

Note N - Compensated Absences

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

Note N - Compensated Absences - Continued

The following table provides compensated absences as of December 31:

	2025	2024
Estimated accrued compensated absences and taxes	$ 137,672	$ 137,591
Current portion of estimated accrued compensated absences and taxes	(106,453)	(106,372)
Noncurrent portion of estimated accrued compensated absences and taxes	$ 31,219	$ 31,219

The following table is a summary of the changes in compensated absences for the years ended December 31, 2025 and 2024:

Accrued compensated absences and taxes at January 1, 2024	$ 154,584
Change in accrued compensated absences liabilities and taxes	(16,993)
Accrued compensated absences and taxes at December 31, 2024	$ 137,591
Change in accrued compensated absences liabilities and taxes	81
Accrued compensated absences and taxes at December 31, 2025	$ 137,672

Note O - COVID-19 Grants

COVID-19 grants consist of federal financial assistance received through the U.S. Department of Homeland Security Federal Emergency Management Agency to reimburse the District for utilities for the main facility, contracted accounting and legal services, COVID-19 loyalty pay bonuses, and straight-time force account labor that were incurred by the District during the COVID-19 pandemic from January 20, 2020 to May 11, 2023. The amount is included in nonoperating revenue as COVID-19 grants. During the year ended December 31, 2024, the District recognized $114,659 as COVID-19 grants included in nonoperating revenues.

Note P - Employee Retention Credits

The Coronovirus Aid, Relief, and Economic Security Act (CARES Act) provided an employee retention credit (the credit or ERC) which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The credit is equal to 50 percent of qualified wages paid to employees, capped at $10,000 of qualified wages through December 31, 2020. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70 percent of qualified wages, capped at $7,000 per quarter. As a result of the changes to the credit, the maximum credit per employee increased to $5,000 in 2020 and $21,000 in 2021. During the year ended December 31, 2025, the District recorded $520,486 in credits and $137,094 in interest related to the credits, for a total benefit of $657,580 which is presented in the statement of revenues, expenses and changes in net position as nonoperating revenue.

Laws and regulations governing the ERC program are extremely complex and subject to interpretation. The ERC program is subject to audit by the Internal Revenue Service at a later date and there is a risk that the recorded amounts could change by a material amount in future periods due to an adverse audit.

Note Q - Subsequent Events

The District 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.

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,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.0785%	0.0674%	0.0768%	0.0843%	0.0927%	0.0915%	0.0862%	0.0876%	0.0811%	0.0954%
District's proportionate share of the net pension liability	$ 1,573,053	$ 1,431,391	$ 1,611,191	$ 1,675,166	$ 1,112,491	$ 1,587,056	$ 1,205,080	$ 1,220,793	$ 1,174,234	$ 1,476,036
District's covered-employee payroll	$ 1,760,453	$ 1,845,389	$ 1,614,057	$ 1,649,517	$ 1,609,651	$ 1,948,734	$ 1,617,728	$ 1,594,136	$ 1,446,785	$ 1,546,721
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	89.36%	77.57%	99.82%	101.55%	69.11%	81.44%	74.49%	76.58%	81.16%	95.43%
Plan fiduciary net position as a percentage of the total pension liability	67.77%	69.07%	70.55%	70.66%	81.14%	70.77%	75.02%	74.22%	72.16%	68.55%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 170,940	$ 170,883	$ 136,065	$ 146,807	$ 142,776	$ 167,786	$ 143,816	$ 133,748	$ 122,398	$ 141,989
Contributions in relation to the contractually required contribution	(170,940)	(170,883)	(136,065)	(146,807)	(142,776)	(167,786)	(143,816)	(133,748)	(122,398)	(141,989)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,760,453	$ 1,845,389	$ 1,614,057	$ 1,649,517	$ 1,609,651	$ 1,948,734	$ 1,617,728	$ 1,594,136	$ 1,446,785	$ 1,546,721
Contributions as a percentage of covered-employee payroll	9.71%	9.26%	8.43%	8.90%	8.87%	8.61%	8.89%	8.39%	8.46%	9.18%

Supplementary Information

Attica Hospital District No. 1 of Harper County, Kansas
Resident Service Revenue
Years ended December 31, 2025 and 2024

	2025	2024
Daily resident care - Geriatric and Alzheimer's	$ 4,346,050	$ 3,935,444
Independent living units	28,658	22,801
Gross resident service revenue	4,374,708	3,958,245
Provision for bad debt	(56,840)	
Net resident service revenue	$ 4,317,868	$ 3,958,245

Attica Hospital District No. 1 of Harper County, Kansas
Operating Expenses
Years ended December 31, 2025 and 2024

	2025			2024		
	Salary expense	Supplies and other expenses	Total expenses	Salary expense	Supplies and other expenses	Total expenses
Geriatric nursing services	$ 1,328,816	$ 952,062	$ 2,280,878	$ 1,407,430	$ 799,498	$ 2,206,928
General services						
Operation of plant	60,126	251,588	311,714	90,326	225,640	315,966
Housekeeping	52,567	31,681	84,248	25,492	27,343	52,835
Laundry	29,617	29,929	59,546	53,264	12,409	65,673
Dietary	236,840	207,052	443,892	237,582	166,680	404,262
Administration	234,923	314,163	549,086	255,100	256,488	511,588
Medicaid tax		39,264	39,264		38,037	38,037
Employee health and welfare		516,545	516,545		503,552	503,552
	614,073	1,390,222	2,004,295	661,764	1,230,149	1,891,913
	$ 1,942,889	$ 2,342,284	4,285,173	$ 2,069,194	$ 2,029,647	4,098,841
Depreciation			253,668			243,823
			$ 4,538,841			$ 4,342,664

Attica Hospital District No. 1 of Harper County, Kansas
Balance in Depository Compared with Depository Security
Year ended December 31, 2025

	Commerce Bank	Dream First Bank	Total
Bank balance, December 31, 2025			
General checking	$ -	$ 1,322,076	$ 1,322,076
Savings	20,001	33,177	53,178
Money market		88,543	88,543
Certificate of deposit		2,262,634	2,262,634
Total deposits	20,001	3,706,430	3,726,431
Less F.D.I.C. insurance coverage	20,001	3,706,430	3,726,431
Balance subject to pledging of securities	$ -	$ -	$ -

At December 31, 2025, 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.