Wamego City Hospital

Financial Statement
As of December 31, 2023
and For the Year Then Ended

With Report by Independent Auditor



Table of Contents

	Page
Independent Auditor's Report	1 – 3
Financial Statement	
Statement 1 – Summary Statement of Receipts, Expenditures and Unencumbered Cash	4
Notes to Financial Statements	5 – 8
Regulatory-Required Supplementary Information	
Schedule 1 – Schedule of Receipts and Expenditures – General Fund	9
Schedule 2 – Schedule of Receipts and Expenditures – Related Municipal Entity – Wamego Community Health Foundation	10

SHIPLEY CPA, LLC
Audit, Assurance, & Consulting Services

Russell Shipley CPA, CFE, CGFM, CGMA
Principal & Managing Director
(785) 760-4898
Russell@ShipleyCPA.com

PO Box 751193
Topeka, KS 66675

ShipleyCPA.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Wamego City Hospital
Wamego, Kansas

Adverse and Unmodified Opinions
I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of the Wamego City Hospital (the Hospital), as of and for the year ended December 31, 2023 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In my opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of my report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Hospital as of December 31, 2023, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In my opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Hospital as of December 31, 2023, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions
I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of my report. I am required to be independent of the Hospital, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the Hospital on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement
Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital'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 Statement
My objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. 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 GAAS 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 statement.

In performing an audit in accordance with GAAS, I:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 Hospital's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances (basic financial statement) as a whole. The individual fund schedules of regulatory basis receipts and expenditures (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying supplementary information is fairly stated in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Shipley CPA, LLC

Shipley CPA, LLC
Topeka, Kansas
June 5, 2024

Wamego City Hospital
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2023

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances And Accounts Payable	Ending Cash Balance
Governmental Type Fund:						
General Fund	$ 2,905,622	$ 864,726	$ 1,316,767	$ 2,453,581	$ -	$ 2,453,581
Related Municipal Entity:						
Wamego Community Health Foundation	639,024	132,046	8,114	762,956	-	762,956
Total	$ 3,544,646	$ 996,772	$ 1,324,881	$ 3,216,537	$ -	$ 3,216,537

Composition of Cash:	
Checking account	$ 150,563
Money market	2,443,580
Investments	622,394
Total	$ 3,216,537

The notes to the financial statement are an integral part of this statement.

Wamego City Hospital

Notes to the Financial Statement
December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The Wamego City Hospital (the Hospital) is organized pursuant Kansas General Statutes related to the establishment, governance, management and operation of city hospitals. The Hospital is governed by the Board of Trustees appointed by the Mayor of the City of Wamego. The Hospital is accounted for as a discretely presented related municipal entity for the financial reporting purposes of the City of Wamego (the City).

On July 1, 2002, Wamego Hospital Association (WHA) was formed by the Hospital and Mercy Health Systems (Mercy) in Manhattan, Kansas. Mercy and the Hospital own 51% and 49%, respectively of WHA. The Hospital contributed a majority of its assets and any capital leases related to those assets, except land and buildings to WHA. Mercy officially became Via Christi Hospital in April 2015.

The financial reporting entity of the Hospital is comprised of the primary government and a discretely presented related municipal entity, the Wamego Community Health Foundation (the Foundation).

The basic criterion for including a separate entity in the Hospital's financial reporting entity is the financial accountability of the Hospital for the separate entity. The Hospital is financially accountable if it appoints a voting majority of a related municipal entity's governing body and if it either has the ability to impose its will on the related municipal entity or there is a potential for the related municipal entity to provide certain financial benefits to, or impose certain financial burdens on, the primary government. The related municipal entities are included in the Hospital's reporting entity because of the significance of its operational or financial relationships with the Hospital.

Regulatory Basis Fund Types

The accounts of the Hospital are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The following types of funds were utilized in recording the financial activities of the Hospital for the year 2023:

> General fund – The chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Hospital has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Hospital to use regulatory basis of accounting.

Note 2 – Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Hospital. The statute requires banks eligible to hold the Hospital's funds have a main or branch bank in the county in which the Hospital is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Hospital has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Hospital's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Hospital has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Hospital may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. State statutes require the Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Hospital did not have a peak period pledge agreement during 2023, and therefore the Hospital did not designate peak periods.

Note 2 – Deposits and Investments (continued)

At December 31, 2023, the carrying amount of the Hospital's deposits including certificates of deposit was $2,453,581 and the bank balance was $3,120,099. The bank balance was held at two banks. Of the bank balance, $500,000 was covered by FDIC insurance, and the remainder was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the Hospital's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Hospital will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

Related Municipal Entity Cash Balances and Investments

At December 31, 2023, the carrying amount of the Foundation's deposits including certificates of deposit was $140,562 and the bank balance was $140,562. The bank balance was held at three banks. Of the bank balance, all was covered by FDIC insurance.

The Foundation also holds investment totaling $622,394 which are reported at cost on the regulatory basis financial statement.

Investment Type	Cost	Market Value	Maturity	Rating	Percentage of Investments
Cash and cash equivalents	$ 622,394	$ 622,394	N/A	N/A	100%

K.S.A. 19-4608(b) allows the Foundation to receive and accept gifts or donations to the Hospital and administer the same in accordance with any provisions thereof. If no provisions are specified, such money may be used to provide additional funds for any improvement for which bonds have been issued or taxes levied.

Note 3 – Sales Tax Revenue

The Hospital operates under Kansas statutes as a related municipal entity of the City and is entitled to receive a portion of the taxes levied by the City. Taxes are collected by the State in the month following the retailer's sales and are paid to the Hospital in the month following collection.

Sales tax revenue is recognized by the Hospital in the period that the tax is received from the City. These proceeds are not restricted to specific uses by the Hospital and, as such, are included as operating revenue.

Note 4 – Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no decreases in insurance coverage from the prior year.

Note 5 – Debt Payment Agreement

In 2015, the Hospital entered into an agreement with WHA to pay $300,000 per year for the life of the loan in order to assist in the debt payments for the expansion of the hospital. Payments began in 2018 and end in 2038 or if the debt is retired. Future payments of long-term debt for the Hospital based on the debt agreement are as follows:

2024	$ 300,000
2025	300,000
2026	300,000
2027	300,000
2028	300,000
2029-2033	1,500,000
2034-2038	1,500,000
	$ 4,500,000

Note 6 – Rental Income

In 2018, the Hospital entered into an agreement with WHA to rent out a building for annual fixed rate of $51,356 with monthly payments due in the amount of $4,280. WHA has the option to renew the lease agreement for five additional periods of three years. This option will be automatically exercised unless notice is given to the Hospital four months prior to the expiration of the original lease term. In 2023, the Hospital received payments totaling $51,356.

Note 7 – Evaluation of Subsequent Events

The Hospital has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date the financial statement was available for issue.

Regulatory-Required Supplementary Information

Wamego City Hospital
General Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2023

Receipts		
Sales tax	$	729,151
Rent income		51,356
Interest income		84,219
Total Receipts		864,726
Expenditures		
Contractual services		24,199
Capital outlay		992,568
Debt assistance committed		300,000
Total Expenditures		1,316,767
Receipts Over (Under) Expenditures		(452,041)
Unencumbered Cash, Beginning		2,905,622
Unencumbered Cash, Ending	$	2,453,581

Wamego City Hospital
Wamego Community Health Foundation
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2023

Receipts		
Contributions	$	66,152
Investment income		65,894
Total Receipts		132,046
Expenditures		
Contractual services		2,840
Commodities		822
Fundraising expense		4,452
Total Expenditures		8,114
Receipts Over (Under) Expenditures		123,932
Unencumbered Cash, Beginning		639,024
Unencumbered Cash, Ending	$	762,956