SPEARVILLE HOSPITAL DISTRICT

FINANCIAL STATEMENTS
and
REQUIRED SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Spearville Hospital District
Spearville, Kansas

Opinions

We have audited the accompanying financial statements of the business-type activities of the Spearville Hospital District as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Spearville Hospital 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 respective financial position of the business-type activities of the Spearville Hospital District, as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 Spearville Hospital District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Spearville Hospital 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 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Spearville Hospital 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 Spearville Hospital 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America also require that the comparison of revenues and expenses (statutory basis) - actual and budget and the budgetary comparison statement – budget to GAAP reconciliation information on pages 12 and 13 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.

Kennedy McKee & Company LLP

May 9, 2024

SPEARVILLE HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 136,483	$ 310,723
Certificates of deposit	130,566	55,013
Property taxes receivable	280,313	272,995
Other receivables	2,569	2,125
Inventory	6,313	7,543
Prepaid expenses	17,279	6,926
Total current assets	573,523	655,325
Noncurrent assets:		
Capital assets:		
Property, plant and equipment, net	245,313	233,236
Total assets	$ 818,836	$ 888,561
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current liabilities:		
Accounts payable	$ 9,081	$ 20,987
Accrued expenses	7,709	6,439
Total current liabilities	16,790	27,426
Deferred inflows of resources	280,313	298,306
NET POSITION		
Net investment in capital assets	245,313	233,236
Unrestricted	276,420	329,593
Total net position	521,733	562,829
Total liabilities, deferred inflows of resources, and net position	$ 818,836	$ 888,561

The accompanying notes are an integral part of the financial statements.

SPEARVILLE HOSPITAL DISTRICT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year ended December 31,	
	2023	2022
Operating revenues:		
Net resident service revenue	$ 117,829	$ 114,989
Friendship meals	38,323	41,277
Miscellaneous	15,163	3,950
Total operating revenues	171,315	160,216
Operating expenses:		
Payroll	168,337	153,243
Payroll taxes	13,228	11,913
Employee health insurance	25,027	14,697
Repairs and maintenance	45,642	32,306
Clinic expenses	39,391	39,440
Friendship meals expense	45,882	47,975
Utilities	49,901	60,404
Insurance	56,091	24,247
Office supplies and expenses	4,587	3,033
Professional services	10,180	9,892
Depreciation	35,663	31,104
Miscellaneous expense	4,163	3,667
Total operating expenses	498,092	431,921
Operating income (loss)	(326,777)	(271,705)
Nonoperating revenues (expenses):		
Property taxes	284,588	289,790
Interest income	1,063	563
Noncapital grants and gifts	30	745
Gain (loss) on disposal of assets	-	(2,292)
Total nonoperating revenue	285,681	288,806
Change in net position	(41,096)	17,101
Net position, beginning of year	562,829	545,728
Net position, end of year	$ 521,733	$ 562,829

The accompanying notes are an integral part of the financial statements.

SPEARVILLE HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

	Year ended December 31, 2023	Year ended December 31, 2022
Cash flows from operating activities:		
Receipts from and on behalf of residents and patients	$ 117,829	$ 114,989
Receipts from meals	37,879	42,736
Payments to suppliers and contractors	(301,893)	(232,718)
Payments to employees	(180,295)	(164,143)
Other receipts, net	3,826	3,950
Net cash provided (used) by operating activities	(322,654)	(235,186)
Cash flows from noncapital financing activities:		
Property taxes supporting operations	284,587	289,790
Noncapital grants and gifts	30	745
Net cash provided (used) by noncapital financing activities	284,617	290,535
Cash flows from capital and related financing activities:		
Purchase of capital assets	(47,740)	(45,059)
Insurance proceeds	-	141,855
Capital repairs made with insurance proceeds	(13,973)	(116,544)
Net cash provided (used) by capital and related financing activities	(61,713)	(19,748)
Cash flows from investing activities:		
Interest income	510	234
Purchase of certificates of deposit	(75,000)	-
Net cash provided (used) by investing activities	(74,490)	234
Net increase (decrease) in cash and cash equivalents	(174,240)	35,835
Cash and cash equivalents, January 1	310,723	274,888
Cash and cash equivalents, December 31	$ 136,483	$ 310,723
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating loss	$ (326,777)	$ (271,705)
Depreciation	35,663	31,104
Changes in operating assets and liabilities:		
Other receivables	(444)	1,459
Inventory	1,230	(469)
Prepaid expenses	(10,353)	(405)
Accounts payable	(11,906)	3,817
Accrued expenses	1,270	1,013
Deferred inflows (insurance proceeds)	(11,337)	-
Net cash provided (used) by operating activities	$ (322,654)	$ (235,186)

The accompanying notes are an integral part of the financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of operations

The Spearville Hospital District (the District) is operated by a Board of Directors elected by the qualified voters of the District. The District was organized to provide services for the benefit of the residents in and around Ford County. The District primarily earns revenue by providing self-care apartments and senior meals. Additionally, basic medical services are provided at the District's clinic through a contract with the Edwards County Medical Center.

2. Basis of accounting

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows/outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Property taxes and investment income are included in nonoperating revenues and expenses.

3. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and deferred inflows/outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Cash equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents.

5. Property taxes

The District received approximately 62% and 65% of its financial support from property taxes in 2023 and 2022, respectively. One hundred percent of these funds were used to support operations.

Property taxes are assessed in November and are received beginning in January of the following year. Revenue from property taxes is recognized in full in the year following the year the taxes were levied, which is the year in which use is first permitted.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted (unless specifically exempted by statute). Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

a. Preparation of the budget for the succeeding calendar year on or before August 1st.

b. Publication in a local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.

c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.

d. Adoption of the final budget on or before August 25th.

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The municipality did hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts 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 such budget amendments for this year.

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. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's 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. Any unused budgeted expenditure authority lapses at year end.

7. Risk management

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

8. Receivables

All receivables are reported net of estimated uncollectible amounts.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Inventory

Inventory is stated at the lower of cost, determined using the first-in, first-out method, or market.

10. Capital assets

Capital assets purchased or acquired with an original cost of $1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	10 - 15 years
Buildings	5 - 40 years
Major moveable equipment	5 - 20 years

11. Compensated absences

The District's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the Statements of Net Position date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

12. Deferred inflows of resources

The District's Statements of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Revenue from property taxes is recognized in full in the year following the year the taxes were levied, which is the year in which use is first permitted. Accordingly, unavailable revenues from property taxes are reported in the Statements of Net Position.

13. Net position

Net position of the District is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Income taxes

As an essential government entity, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

B. DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Kansas; bonds of any city, county, school district, or special district of the State of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2023, the District's carrying amount of deposits was $266,944 and the bank balance was $269,946 all of which was covered by federal depository insurance.

C. CAPITAL ASSETS

	Balance January 1, 2023	Additions	Deletions	Balance December 31, 2023
Land and land improvements	$ 55,542	$ -	$ -	$ 55,542
Buildings	1,628,188	41,882	8,899	1,661,171
Major moveable equipment	398,470	5,858	2,540	401,788
	2,082,200	47,740	11,439	2,118,501
Less accumulated depreciation				
Land improvements	38,162	983	-	39,145
Buildings	1,544,848	15,113	8,899	1,551,062
Major moveable equipment	265,954	19,567	2,540	282,981
	1,848,964	35,663	11,439	1,873,188
Capital assets, net	$ 233,236	$ 12,077	$ -	$ 245,313

	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
Land and land improvements	$ 55,542	$ -	$ -	$ 55,542
Buildings	1,638,065	-	9,877	1,628,188
Major moveable equipment	386,906	45,059	33,495	398,470
	2,080,513	45,059	43,372	2,082,200
Less accumulated depreciation				
Land improvements	37,178	984	-	38,162
Buildings	1,542,385	12,340	9,877	1,544,848
Major moveable equipment	279,377	17,780	31,203	265,954
	1,858,940	31,104	41,080	1,848,964
Capital assets, net	$ 221,573	$ 13,955	$ 2,292	$ 233,236

D. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 9, 2024, the date on which the financial statements were available to be used. Management's evaluation concluded there are no subsequent events that are required to be recognized or disclosed in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SPEARVILLE HOSPITAL DISTRICT

COMPARISON OF REVENUES AND EXPENSES (STATUTORY BASIS) ACTUAL AND BUDGET

Year ended December 31, 2023

	Budgeted amounts		Actual amounts	Variance with final budget positive
	Original	Final	(budgetary basis)	(negative)
Budgetary fund balance, beginning of year	$ 235,235	$ 235,235	$ 338,310	$ 103,075
Resources (inflows):				
Taxes	285,265	285,265	284,587	(678)
Net resident service revenue	90,000	90,000	117,829	27,829
Friendship meals	30,000	30,000	37,879	7,879
Investment earnings	200	200	1,063	863
Noncapital grants	-	-	30	30
Miscellaneous	-	-	3,826	3,826
Amounts available for appropriation	640,700	640,700	783,524	142,824
Charges to appropriations (outflows):				
Salaries and benefits	209,100	209,100	206,592	2,508
Utilities and phone	60,000	60,000	49,901	10,099
Professional services	11,000	11,000	10,180	820
Advertising	1,500	1,500	494	1,006
Supplies, repairs and maintenance	100,000	100,000	108,903	(8,903)
Insurance	27,500	27,500	56,091	(28,591)
Clinic expense	50,000	50,000	39,391	10,609
Capital outlay	181,600	181,600	61,713	119,887
Total charges to appropriations	640,700	640,700	533,265	107,435
Budgetary fund balance, end of year	$ -	$ -	$ 250,259	$ 250,259

SPEARVILLE HOSPITAL DISTRICT

BUDGETARY COMPARISON STATEMENT
BUDGET TO GAAP RECONCILIATION

Year ended December 31, 2023

Sources/inflows of resources:		
Actual amounts available for appropriation from the budgetary comparison statement	$	783,524
Differences, budget to GAAP:		
The unencumbered cash at the beginning of the year is a budgetary resource, but is not a current year revenue for financial reporting purposes.		(338,310)
Current year property tax and other receivable amounts are not a budgetary resource, but they are revenues for financial reporting purposes.		282,882
Prior year property taxes and other receivable amounts are a budgetary resource, but they are not revenues for financial reporting purposes.		(275,120)
Current year deferred inflows of resources are a budgetary resource, but they are not revenues for financial reporting purposes.		(280,313)
Prior year deferred inflows of resources are not a budgetary resource, but they are revenues for financial reporting purposes.		298,306
Insurance proceeds received for the repairs of buildings are a budgetary resource, but they are not revenues for financial reporting purposes.		(13,973)
Total revenues and nonoperating revenues as reported on the statements of revenues, expenses and changes in net position	$	456,996
Uses/outflows of resources:		
Actual amounts of charges to appropriations from the budgetary comparison statement	$	533,265
Differences, budget to GAAP:		
Depreciation expense is an expense for financial reporting but not for budgetary purposes.		35,663
Prepaid expenses are budgetary outflows but are deferred and reported as an expense as the benefit is utilized.		(10,353)
Capital asset purchases are budgetary outflows but are capitalized and depreciated over a specified class life for financial reporting purposes.		(47,740)
Inventory purchases are included as a budgetary outflow, but are reported as an expense when the inventory is sold for financial reporting purposes.		1,230
Expenditures of insurance proceeds to repair buildings are budgetary outflows but are not an expense for financial reporting.		(13,973)
Total operating expenses as reported on the statements of revenues, expenses and changes in net position	$	498,092