PAWNEE COUNTY, KANSAS
PUBLIC BUILDING COMMISSION
Larned, Kansas

FINANCIAL STATEMENT

For the Year Ended December 31, 2022

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas 67550

PAWNEE COUNTY, KANSAS PUBLIC BUILDING COMMISSION
LARNED, KANSAS

Financial Statement
Regulatory Basis
For the Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pawnee County, Kansas Public Building Commission

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Pawnee County, Kansas Public Building Commission, Larned, Kansas as of and for the year ended December 31, 2022 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our 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 Pawnee County, Kansas Public Building Commission as of December 31, 2022, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Pawnee County, Kansas Public Building Commission as of December 31, 2022, 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Statement section of our report. We are required to be independent of Pawnee County, Kansas Public Building Commission 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 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 Pawnee County, Kansas Public Building Commission 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 Pawnee County, Kansas Public Building Commission'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

Our 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 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 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, we:

- 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 Pawnee County, Kansas Public Building Commission'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pawnee County, Kansas Public Building Commission'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.

Supplementary Information

Our 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 schedule of regulatory basis receipts and expenditures (Schedule 1 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement, however, is 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 our opinion, the 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Pawnee County, Kansas Public Building Commission, Larned, Kansas as of and for the year ended December 31, 2021 (not presented herein), and have issued our report thereon dated August 26, 2022, which contained an unmodified opinion on the basic financial statement. The 2021 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The 2021 actual column (2021 comparative information) presented in the individual fund schedule of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2022 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2021 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 basic financial statement. The 2021 comparative information was subjected to the auditing procedures applied in the audit of the 2021 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 2021 basic financial statement or to the 2021 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2021, on the basis of accounting described in Note 1.

VonFeldt, Bauer & VonFeldt, Chtd.

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas

May 20, 2023

PAWNEE COUNTY, KANSAS PUBLIC BUILDING COMMISSION
LARNED, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2022

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances
Bond and Interest Funds:		
Hospital Debt Service Fund	$ 894,896.67	$ 0.00
Total Reporting Entity	$ 894,896.67	$ 0.00

Composition of Cash:

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

Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
$ 13,375,235.83	$ 14,270,132.50	$ 0.00	$ 0.00	$ 0.00
$ 13,375,235.83	$ 14,270,132.50	$ 0.00	$ 0.00	$ 0.00

U.S. Treasury Note Fund	$ 0.00
Total Reporting Entity	0.00

PAWNEE COUNTY, KANSAS PUBLIC BUILDING COMMISSION
LARNED, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2022

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Pawnee County, Kansas Public Building Commission, Larned, Kansas (Commission) is a municipal corporation governed by an appointed three-member board. This financial statement presents Pawnee County, Kansas Public Building Commission (the municipality). Pawnee County, Kansas Public Building Commission has no related municipal entities.

B. REGULATORY BASIS FUND TYPES

Bond and Interest fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

C. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The 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 Commission 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 municipality to use the regulatory basis of accounting.

D. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of U.S. Treasury Notes. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. REIMBURSED EXPENSES

The Commission records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

F. USE OF ESTIMATES

The preparation of the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

Note 2 - COMPLIANCE WITH KANSAS STATUTES

Management is aware of no statutory violations for the period covered by the audit.

Note 3 - INVESTMENTS

As of December 31, 2022 the Commission had the following investments and maturities.

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1-2	Rating U.S.
U.S. Treasury Note Fund	$ -	$ -	$ -	N/A
Total Fair Value	$ -	$ -	$ -	

K.S.A. 12-1675 limits the Commission's investments 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 Commission has no investment policy that would further limit its investment choices. The rating of the Commission's investments is noted above.

Concentration of credit risk . State statutes place no limit on the amount the District 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 - investments . For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Commission 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.

Note 4 - LONG TERM DEBT

Changes in long-term liabilities for the Commission for the year ended December 31, 2022 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity
Revenue bonds:				
Series 2011	3.00 - 4.65%	12/15/2011	$ 9,620,000.00	2/15/2036
Series 2012	1.90 - 5.00%	2/15/2012	10,000,000.00	2/15/2036

Issue	Balance Beginning of Year	Additions	Reductions / Payments	Balance End of Year	Interest Paid
Revenue bonds:					
Series 2011	$ 6,930,000.00	$ 0.00	$ 6,930,000.00	$ 0.00	$ 146,446.25
Series 2012	7,060,000.00	0.00	7,060,000.00	0.00	133,686.25
Total contractual indebtedness	$ 13,990,000.00	$ 0.00	$ 13,990,000.00	$ 0.00	$ 280,132.50

Note 4 - LONG TERM DEBT (Cont'd.)

On December 31, 2021, the Commission approved Resolution No. 2021-2 directing the call for redemption of Revenue Bonds Series 2011 and Series 2012 prior to their state maturity. On February 15, 2022, BOK Financial wired $14,270,132.50 to pay principal of $6,930,000.00 and interest of $146,446.25 on Revenue Bonds Series 2011 and principal of $7,060,000.00 and interest of $133,686.25 on Revenue Bonds Series 2012. In order to have sufficient funds to pay the principal of, and interest on Revenue Bonds Series 2011 and Series 2012, in addition to the $1,000,196.67 on hand, BOK Financial received $6,690,000.00 from Hays Medical on January 31, 2022, and $6,579,935.83 from Pawnee County on February 7, 2022. The payment from Hays Medical and Pawnee County is reflected on the Schedule of Receipts and Expenditures - Regulatory Basis as Reimbursed Expense.

Note 5 - LEASE

On December 15, 2011 an agreement was entered into with Pawnee County, Kansas (County) to lease the hospital to the County. The lease will terminate upon the occurrence of the following (a) the County shall have paid to the Commission all rental payments which the County is obligated under this lease; (b) the County has made arrangements which, in the opinion of the Commission, are adequate to comply with the Commission's obligations to pay any arbitrage rebate to the United States; and (c) all of the principal of and interest on all bonds shall have been paid in full or provision made for their payment in accordance with the provisions of the bond indenture. The Commission reserves and the County covenants agrees to pay basic rent to the Commission in immediately available funds during the basic term, for deposit in the debt service fund, on each basic rent payment date. In addition to basic rent, the County shall pay any additional rent required to be paid pursuant to this lease, or, if such payment cannot be made from legally available funds, as soon thereafter as funds can be made legally available after receipt of written notice thereof given to the County by the Commission or the Trustee. The lease further states that the County will sublease the hospital to Pawnee Valley Community Hospital (Hospital) to operate. The Hospital shall pay to or for the benefit of the County as rentals for the leasehold granted hereunder the lesser of (i) all basic rent and all additional rent payable under the lease or (ii) the positive net cash flow of the Hospital derived from the operation of the hospital. For the year ended December 31, 2022 basic rent revenue was $105,300.00.

Note 6 - CONTINGENCIES

During the ordinary course of its operations the Commission is a party to potential claims, legal actions and complaints. It is the opinion of the Commission's management that these matters are not anticipated to have a material effect on the Commission's financial statement.

Note 7 - RISK MANAGEMENT

The Commission is exposed to various risks of losses related to torts; thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to the sublease agreement Pawnee Valley Community Hospital is required to obtain coverage from commercial insurance companies in order to effectively manage risk. The Hospital has obtained such coverage and named the Commission as an additional insured interest. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The Commission does not participate in a public entity risk pool.

Note 8 - SUBSEQUENT EVENTS

The Commission has evaluated events subsequent to year end through May 20, 2023, and believe that there is no events that which will affect the financial statement as presented.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

PAWNEE COUNTY, KANSAS PUBLIC BUILDING COMMISSION
LARNED, KANSAS
HOSPITAL DEBT SERVICE FUND
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	2021	2022
Receipts		
Basic Rental Payments	$ 1,266,390.00	$ 105,300.00
Reimbursed Expense (See Note 4)	0.00	13,269,935.83
Dividends	14.93	0.00
Total Receipts	1,266,404.93	13,375,235.83
Expenditures		
Bond Principal	700,000.00	13,990,000.00
Bond Interest	570,300.00	280,132.50
Total Expenditures	1,270,300.00	14,270,132.50
Receipts Over (Under) Expenditures	(3,895.07)	(894,896.67)
Unencumbered Cash, Beginning	898,791.74	894,896.67
Unencumbered Cash, Ending	$ 894,896.67	$ 0.00