SPEARVILLE HOSPITAL DISTRICT

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

YEARS ENDED DECEMBER 31, 2025 AND 2024

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Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308
www.kmc-cpa.com

PATRICK M. FRIESS, CPA
JOHN W. HENDRICKSON, CPA
JEREMY J. APPEL, CPA

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, 2025 and 2024, 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, 2025 and 2024, 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 8, 2026

SPEARVILLE HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

	December 31, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 134,767	$ 116,539
Certificates of deposit	142,226	137,866
Property taxes receivable	303,855	293,253
Other receivables	3,920	2,888
Inventory	8,040	8,153
Prepaid expenses	16,694	17,300
Total current assets	609,502	575,999
Noncurrent assets:		
Capital assets:		
Property, plant and equipment, net	236,238	265,697
Total assets	$ 845,740	$ 841,696
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current liabilities:		
Accounts payable	$ 7,924	$ 7,060
Accrued expenses	12,287	10,105
Total current liabilities	20,211	17,165
Deferred inflows of resources	303,855	293,253
NET POSITION		
Net investment in capital assets	236,238	265,697
Unrestricted	285,436	265,581
Total net position	521,674	531,278
Total liabilities, deferred inflows of resources, and net position	$ 845,740	$ 841,696

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,	
	2025	2024
Operating revenues:		
Net resident service revenue	$ 130,838	$ 122,667
Friendship meals	39,803	34,376
Miscellaneous	5,343	8,145
Total operating revenues	175,984	165,188
Operating expenses:		
Payroll	155,615	170,607
Payroll taxes	11,841	13,395
Employee health insurance	40,871	28,319
Repairs and maintenance	31,119	35,779
Clinic expenses	38,169	36,157
Friendship meals expense	41,359	41,544
Utilities	48,394	47,655
Insurance	63,918	65,694
Office supplies and expenses	5,923	5,333
Professional services	11,977	11,580
Depreciation	39,204	37,122
Miscellaneous expense	4,724	4,493
Total operating expenses	493,114	497,678
Operating income (loss)	(317,130)	(332,490)
Nonoperating revenues (expenses):		
Property taxes	302,819	289,698
Interest income	4,707	7,667
Noncapital grants and gifts	-	170
Capital grants and gifts	-	44,500
Total nonoperating revenue	307,526	342,035
Change in net position	(9,604)	9,545
Net position, beginning of year	531,278	521,733
Net position, end of year	$ 521,674	$ 531,278

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

SPEARVILLE HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

	Year ended December 31, 2025	Year ended December 31, 2024
Cash flows from operating activities:		
Receipts from and on behalf of residents and patients	$ 130,838	$ 122,667
Receipts from meals	38,771	34,057
Payments to suppliers and contractors	(284,871)	(280,436)
Payments to employees	(165,274)	(181,606)
Other receipts, net	5,343	8,145
Net cash provided (used) by operating activities	(275,193)	(297,173)
Cash flows from noncapital financing activities:		
Property taxes supporting operations	302,819	289,698
Noncapital grants and gifts	-	170
Net cash provided (used) by noncapital financing activities	302,819	289,868
Cash flows from capital and related financing activities:		
Purchase of capital assets	(9,745)	(57,506)
Capital grants and gifts	-	44,500
Net cash provided (used) by capital and related financing activities	(9,745)	(13,006)
Cash flows from investing activities:		
Interest income	347	367
Net increase (decrease) in cash and cash equivalents	18,228	(19,944)
Cash and cash equivalents, January 1	116,539	136,483
Cash and cash equivalents, December 31	$ 134,767	$ 116,539
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating loss	$ (317,130)	$ (332,490)
Depreciation	39,204	37,122
Changes in operating assets and liabilities:		
Other receivables	(1,032)	(319)
Inventory	113	(1,840)
Prepaid expenses	606	(21)
Accounts payable	864	(2,021)
Accrued expenses	2,182	2,396
Net cash provided (used) by operating activities	$ (275,193)	$ (297,173)

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 57% and 62% of its financial support from property taxes in 2025 and 2024, 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 the public hearing is adjusted to no sooner than August 20th and no later than September 20th, but at least ten days after all statutory notification and publication requirements have been met. Municipal budgets requiring a hearing to exceed the revenue neutral rate should be adopted on or before October 1st but may not be adopted prior to the revenue neutral rate hearing. 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Receivables

All receivables are reported net of estimated uncollectible amounts.

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, 2025, the District's carrying amount of deposits was $276,878 and the bank balance was $281,906 all of which was covered by federal depository insurance.

C. CAPITAL ASSETS

	Balance January 1, 2025	Additions	Deletions	Balance December 31, 2025
Land and land improvements	$ 55,542	$ -	$ -	$ 55,542
Buildings	1,699,646	-	-	1,699,646
Major moveable equipment	414,340	9,745	12,700	411,385
	2,169,528	9,745	12,700	2,166,573
Less accumulated depreciation				
Land improvements	40,129	984	-	41,113
Buildings	1,565,303	17,314	-	1,582,617
Major moveable equipment	298,399	20,906	12,700	306,605
	1,903,831	39,204	12,700	1,930,335
Capital assets, net	$ 265,697	$ (29,459)	$ -	$ 236,238

	Balance January 1, 2024	Additions	Deletions	Balance December 31, 2024
Land and land improvements	$ 55,542	$ -	$ -	$ 55,542
Buildings	1,661,171	39,964	1,489	1,699,646
Major moveable equipment	401,788	17,542	4,990	414,340
	2,118,501	57,506	6,479	2,169,528
Less accumulated depreciation				
Land improvements	39,145	984	-	40,129
Buildings	1,551,062	15,730	1,489	1,565,303
Major moveable equipment	282,981	20,408	4,990	298,399
	1,873,188	37,122	6,479	1,903,831
Capital assets, net	$ 245,313	$ 20,384	$ -	$ 265,697

D. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 8, 2026, 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, 2025

	Budgeted amounts		Actual amounts	Variance with final budget positive
	Original	Final	(budgetary basis)	(negative)
Budgetary fund balance, beginning of year	$ 183,047	$ 183,047	$ 237,240	$ 54,193
Resources (inflows):				
Taxes	300,753	300,753	302,819	2,066
Net resident service revenue	100,000	100,000	130,838	30,838
Friendship meals	31,000	31,000	38,771	7,771
Investment earnings	200	200	4,707	4,507
Miscellaneous	6,000	6,000	5,343	(657)
Amounts available for appropriation	621,000	621,000	719,718	98,718
Charges to appropriations (outflows):				
Salaries and benefits	237,000	237,000	208,327	28,673
Utilities and phone	57,500	57,500	48,394	9,106
Professional services	12,000	12,000	11,977	23
Advertising	1,500	1,500	729	771
Supplies, repairs and maintenance	98,000	98,000	81,677	16,323
Insurance	70,000	70,000	63,918	6,082
Clinic expense	45,000	45,000	38,169	6,831
Capital outlay	100,000	100,000	9,745	90,255
Total charges to appropriations	621,000	621,000	462,936	158,064
Budgetary fund balance, end of year	$ -	$ -	$ 256,782	$ 256,782

SPEARVILLE HOSPITAL DISTRICT

BUDGETARY COMPARISON STATEMENT
BUDGET TO GAAP RECONCILIATION

Year ended December 31, 2025

Sources/inflows of resources:		
Actual amounts available for appropriation from the budgetary comparison statement	$	719,718
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.		(237,240)
Current year property tax and other receivable amounts are not a budgetary resource, but they are revenues for financial reporting purposes.		307,775
Prior year property taxes and other receivable amounts are a budgetary resource, but they are not revenues for financial reporting purposes.		(296,141)
Current year deferred inflows of resources are a budgetary resource, but they are not revenues for financial reporting purposes.		(303,855)
Prior year deferred inflows of resources are not a budgetary resource, but they are revenues for financial reporting purposes.		293,253
Total revenues and nonoperating revenues as reported on the statements of revenues, expenses and changes in net position	$	483,510
Uses/outflows of resources:		
Actual amounts of charges to appropriations from the budgetary comparison statement	$	462,936
Differences, budget to GAAP:		
Depreciation expense is an expense for financial reporting but not for budgetary purposes.		39,204
Prepaid expenses are budgetary outflows but are deferred and reported as an expense as the benefit is utilized.		606
Capital asset purchases are budgetary outflows but are capitalized and depreciated over a specified class life for financial reporting purposes.		(9,745)
Inventory purchases are included as a budgetary outflow, but are reported as an expense when the inventory is sold for financial reporting purposes.		113
Total operating expenses as reported on the statements of revenues, expenses and changes in net position	$	493,114