SPEARVILLE HOSPITAL DISTRICT

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

YEARS ENDED DECEMBER 31, 2022 AND 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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 31, 2023

SPEARVILLE HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 310,723	$ 274,888
Certificates of deposit	55,013	54,684
Property taxes receivable	272,995	275,393
Other receivables	2,125	3,584
Inventory	7,543	7,074
Prepaid expenses	6,926	6,521
Total current assets	655,325	622,144
Noncurrent assets:		
Capital assets:		
Property, plant and equipment, net	233,236	221,573
Total assets	$ 888,561	$ 843,717
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current liabilities:		
Accounts payable	$ 20,987	$ 17,170
Accrued expenses	6,439	5,426
Total current liabilities	27,426	22,596
Deferred inflows of resources	298,306	275,393
NET POSITION		
Net investment in capital assets	233,236	221,573
Unrestricted	329,593	324,155
Total net position	562,829	545,728
Total liabilities, deferred inflows of resources, and net position	$ 888,561	$ 843,717

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,	
	2022	2021
Operating revenues:		
Net resident service revenue	$ 114,989	$ 116,763
Clinic revenues	-	490
Friendship meals	41,277	42,273
Miscellaneous	3,950	2,690
Total operating revenues	160,216	162,216
Operating expenses:		
Payroll	153,243	145,380
Payroll taxes	11,913	11,951
Employee health insurance	14,697	23,615
Repairs and maintenance	32,306	26,325
Clinic expenses	39,440	38,090
Friendship meals expense	47,975	43,627
Utilities	60,404	56,297
Insurance	24,247	22,363
Office supplies and expenses	3,033	4,082
Professional services	9,892	9,356
Depreciation	31,104	35,169
Miscellaneous expense	3,667	3,631
Total operating expenses	431,921	419,886
Operating income (loss)	(271,705)	(257,670)
Nonoperating revenues (expenses):		
Property taxes	289,790	285,081
Interest income	563	188
Noncapital grants and gifts	745	30
Gain (loss) on disposal of assets	(2,292)	-
Total nonoperating revenue	288,806	285,299
Change in net position	17,101	27,629
Net position, beginning of year	545,728	518,099
Net position, end of year	$ 562,829	$ 545,728

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

SPEARVILLE HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

	Year ended December 31, 2022	Year ended December 31, 2021
Cash flows from operating activities:		
Receipts from and on behalf of residents and patients	$ 114,989	$ 117,253
Receipts from meals	42,736	42,347
Payments to suppliers and contractors	(232,718)	(223,320)
Payments to employees	(164,143)	(163,332)
Other receipts, net	3,950	2,690
Net cash provided (used) by operating activities	(235,186)	(224,362)
Cash flows from noncapital financing activities:		
Property taxes supporting operations	289,790	285,081
Noncapital grants and gifts	745	30
Net cash provided (used) by noncapital financing activities	290,535	285,111
Cash flows from capital and related financing activities:		
Purchase of capital assets	(45,059)	(40,564)
Insurance proceeds	141,855	-
Capital repairs made with insurance proceeds	(116,544)	-
Net cash provided (used) by capital and related financing activities	(19,748)	(40,564)
Cash flows from investing activities:		
Interest income	234	188
Net increase (decrease) in cash and cash equivalents	35,835	20,373
Cash and cash equivalents, January 1	274,888	254,515
Cash and cash equivalents, December 31	$ 310,723	$ 274,888
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating loss	$ (271,705)	$ (257,670)
Depreciation	31,104	35,169
Changes in operating assets and liabilities:		
Other receivables	1,459	74
Inventory	(469)	(1,559)
Prepaid expenses	(405)	(784)
Accounts payable	3,817	6,409
Accrued expenses	1,013	(6,001)
Net cash provided (used) by operating activities	$ (235,186)	$ (224,362)

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 65% and 64% of its financial support from property taxes in 2022 and 2021, 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, 2022, the District's carrying amount of deposits was $365,620 and the bank balance was $371,874. Of the bank balance, $305,013 was covered by federal depository insurance and $66,861 was collateralized with securities that met the requirements of K.S.A. 9-1402 held by the pledging financial institutions' agents in the District's name.

C. CAPITAL ASSETS

	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

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
Land and land improvements	$ 50,071	$ 5,471	$ -	$ 55,542
Buildings	1,635,562	2,503	-	1,638,065
Major moveable equipment	368,653	32,590	14,337	386,906
	2,054,286	40,564	14,337	2,080,513
Less accumulated depreciation				
Land improvements	36,285	893	-	37,178
Buildings	1,521,989	20,396	-	1,542,385
Major moveable equipment	279,834	13,880	14,337	279,377
	1,838,108	35,169	14,337	1,858,940
Capital assets, net	$ 216,178	$ 5,395	$ -	$ 221,573

D. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 31, 2023, 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, 2022

	Budgeted amounts		Actual amounts	Variance with final budget positive
	Original	Final	(budgetary basis)	(negative)
Budgetary fund balance, beginning of year	$ 233,026	$ 233,026	$ 306,976	$ 73,950
Resources (inflows):				
Taxes	283,374	283,374	289,790	6,416
Net resident service revenue	90,000	90,000	114,989	24,989
Friendship meals	30,000	30,000	42,736	12,736
Investment earnings	250	250	563	313
Noncapital grants	-	-	745	745
Insurance proceeds	-	-	141,855	141,855
Miscellaneous	-	-	3,950	3,950
Amounts available for appropriation	636,650	636,650	901,604	264,954
Charges to appropriations (outflows):				
Salaries and benefits	211,650	211,650	179,853	31,797
Utilities and phone	60,000	60,000	60,404	(404)
Professional services	11,000	11,000	9,892	1,108
Advertising	1,500	1,500	477	1,023
Supplies, repairs and maintenance	90,000	90,000	87,378	2,622
Insurance	25,000	25,000	24,247	753
Clinic expense	50,000	50,000	39,440	10,560
Capital outlay	187,500	187,500	161,603	25,897
Total charges to appropriations	636,650	636,650	563,294	73,356
Budgetary fund balance, end of year	$ -	$ -	$ 338,310	$ 338,310

SPEARVILLE HOSPITAL DISTRICT

BUDGETARY COMPARISON STATEMENT
BUDGET TO GAAP RECONCILIATION

Year ended December 31, 2022

Sources/inflows of resources:		
Actual amounts available for appropriation from the budgetary comparison statement	$	901,604
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.		(306,976)
Current year property tax and other receivable amounts are not a budgetary resource, but they are revenues for financial reporting purposes.		275,120
Prior year property taxes and other receivable amounts are a budgetary resource, but they are not revenues for financial reporting purposes.		(278,977)
Current year deferred inflows of resources are a budgetary resource, but they are not revenues for financial reporting purposes.		(272,995)
Prior year deferred inflows of resources are not a budgetary resource, but they are revenues for financial reporting purposes.		275,393
Insurance proceeds received for the repairs of buildings are a budgetary resource, but they are not revenues for financial reporting purposes.		(141,855)
Proceeds from the sale of capital assets is a budgetary resource, but only the gains are reported as a revenue for financial reporting purposes.		(2,292)
Total revenues and nonoperating revenues as reported on the statements of revenues, expenses and changes in net position	$	449,022

Uses/outflows of resources:		
Actual amounts of charges to appropriations from the budgetary comparison statement	$	563,294
Differences, budget to GAAP:		
Depreciation expense is an expense for financial reporting but not for budgetary purposes.		31,104
Prepaid expenses are budgetary outflows but are deferred and reported as an expense as the benefit is utilized.		(405)
Capital asset purchases are budgetary outflows but are capitalized and depreciated over a specified class life for financial reporting purposes.		(45,059)
Inventory purchases are included as a budgetary outflow, but are reported as an expense when the inventory is sold for financial reporting purposes.		(469)
Expenditures of insurance proceeds to repair buildings are budgetary outflows but are not an expense for financial reporting.		(116,544)
Total operating expenses as reported on the statements of revenues, expenses and changes in net position	$	431,921