

Spearville Hospital District

Independent Auditor's Report and Financial Statements

December 31, 2012 and 2011



Spearville Hospital District

December 31, 2012 and 2011

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Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Directors
Spearville Hospital District
Spearville, Kansas

We have audited the accompanying financial statements of Spearville Hospital District, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the provisions of the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spearville Hospital District as of December 31, 2012 and 2011, and changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 financial statements as a whole.

BKD, LLP

Wichita, Kansas
May 21, 2013

Spearville Hospital District

Balance Sheets

December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 51,327	\$ 51,386
Short-term certificate of deposit	55,263	50,863
Property taxes receivable	161,135	136,440
Supplies	3,690	3,996
Prepaid expenses and other	11,483	11,277
	<u>282,898</u>	<u>253,962</u>
Capital Assets, Net	<u>420,917</u>	<u>473,848</u>
Total assets	<u>\$ 703,815</u>	<u>\$ 727,810</u>
 Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 19,684	\$ 27,857
Accrued expenses	6,414	8,259
Deferred property tax revenue	136,059	136,440
	<u>162,157</u>	<u>172,556</u>
Net Position		
Net investment in capital assets	420,917	473,848
Unrestricted	<u>120,741</u>	<u>81,406</u>
Total net position	<u>541,658</u>	<u>555,254</u>
Total liabilities and net position	<u>\$ 703,815</u>	<u>\$ 727,810</u>

Spearville Hospital District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Net resident service revenue	\$ 107,636	\$ 96,917
Friendship meals	30,371	30,070
Miscellaneous	<u>6,461</u>	<u>6,204</u>
Total operating revenues	<u>144,468</u>	<u>133,191</u>
Expenses and Losses		
Salaries	91,035	91,064
Social security taxes	7,507	7,502
Employee health insurance	12,813	12,151
Workers' compensation insurance	3,516	2,546
Clinic supplies and expenses	32,518	47,183
Food	32,713	28,627
Utilities	37,055	42,212
Insurance	14,559	15,160
Other supplies and expense	33,768	37,439
Depreciation	<u>67,165</u>	<u>72,669</u>
Total operating expenses	<u>332,649</u>	<u>356,553</u>
Operating Loss	<u>(188,181)</u>	<u>(223,362)</u>
Nonoperating Revenues		
Property taxes	173,955	172,014
Interest income	585	440
Contributions	45	3,020
Sale of equipment	<u>-</u>	<u>475</u>
Total nonoperating revenues	<u>174,585</u>	<u>175,949</u>
Deficiency of Revenues Over Expenses	(13,596)	(47,413)
Net Position, Beginning of Year	<u>555,254</u>	<u>602,667</u>
Net Position, End of Year	<u><u>\$ 541,658</u></u>	<u><u>\$ 555,254</u></u>

Spearville Hospital District
Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Activities		
Receipts from and on behalf of residents	\$ 107,636	\$ 96,917
Payments to suppliers and contractors	(164,447)	(174,974)
Payments to employees	(110,955)	(107,857)
Other receipts, net	<u>36,832</u>	<u>36,274</u>
Net cash used in operating activities	<u>(130,934)</u>	<u>(149,640)</u>
Noncapital Financing Activities		
Property taxes supporting operations	148,879	172,014
Contributions received	<u>45</u>	<u>3,020</u>
Net cash provided by noncapital financing activities	<u>148,924</u>	<u>175,034</u>
Capital and Related Financing Activities		
Purchase of capital assets	(14,234)	(12,426)
Sale of equipment	<u>-</u>	<u>475</u>
Net cash used in capital and related financing activities	<u>(14,234)</u>	<u>(11,951)</u>
Investing Activities		
Interest income	585	440
Net change in short-term certificates of deposit	<u>(4,400)</u>	<u>(12,113)</u>
Net cash used in investing activities	<u>(3,815)</u>	<u>(11,673)</u>
Increase (Decrease) in Cash and Cash Equivalents	(59)	1,770
Cash and Cash Equivalents, Beginning of Year	<u>51,386</u>	<u>49,616</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 51,327</u></u>	<u><u>\$ 51,386</u></u>
Reconciliation of Net Operating Revenues (Expenses) to		
Net Cash Used in Operating Activities		
Operating loss	\$ (188,181)	\$ (223,362)
Depreciation	67,165	72,669
Changes in operating assets and liabilities		
Accounts payable and accrued expenses	(10,018)	137
Other assets and liabilities	<u>100</u>	<u>916</u>
Net cash used in operating activities	<u><u>\$ (130,934)</u></u>	<u><u>\$ (149,640)</u></u>

Spearville Hospital District

Notes to Financial Statements

December 31, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Spearville Hospital District (the District) is operated by a Board of Directors elected by the qualified voters of the Hospital District. The District was organized to provide not-for-profit 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 for residents of the District. Additionally, basic medical services are provided at the District's clinic through a contract with the Hodgeman County Health Center.

Basis of Accounting and Presentation

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 and liabilities 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. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

The District prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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 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.

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2012 and 2011, cash equivalents consisted primarily of certificates of deposit.

Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution.

Spearville Hospital District

Notes to Financial Statements

December 31, 2012 and 2011

Property Taxes

The District received approximately 55% in 2012 and 56% in 2011 of its financial support from property taxes. One hundred percent of these funds were used to support operations in both years.

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.

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, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the District:

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

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 balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Spearville Hospital District

Notes to Financial Statements

December 31, 2012 and 2011

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 remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets.

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.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation. The reclassifications had no effect on the changes in financial position.

Note 2: 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 road 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, 2012 and 2011, the District's cash accounts did not exceed federally insured limits.

Spearville Hospital District

Notes to Financial Statements

December 31, 2012 and 2011

Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets as follows:

	2012	2011
Carrying value		
Deposits	<u>\$ 106,590</u>	<u>\$ 102,249</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 51,327	\$ 51,386
Short-term certificate of deposit	<u>55,263</u>	<u>50,863</u>
	<u>\$ 106,590</u>	<u>\$ 102,249</u>

Note 3: Capital Assets

Capital assets activity for the years ended December 31, 2012 and 2011, was:

	2012			
	Beginning Balance	Additions	Disposals	Ending Balance
Land and land improvements	\$ 57,019	\$ -	\$ -	\$ 57,019
Buildings	1,631,525	9,419	-	1,640,944
Major moveable equipment	<u>227,475</u>	<u>4,815</u>	<u>-</u>	<u>232,290</u>
	<u>1,916,019</u>	<u>14,234</u>	<u>-</u>	<u>1,930,253</u>
Less accumulated depreciation				
Land improvements	41,862	3,046	-	44,908
Buildings	1,244,605	45,943	-	1,290,548
Major moveable equipment	<u>155,704</u>	<u>18,176</u>	<u>-</u>	<u>173,880</u>
	<u>1,442,171</u>	<u>67,165</u>	<u>-</u>	<u>1,509,336</u>
Capital Assets, Net	<u>\$ 473,848</u>	<u>\$ (52,931)</u>	<u>\$ -</u>	<u>\$ 420,917</u>

Spearville Hospital District

Notes to Financial Statements

December 31, 2012 and 2011

	2011			
	Beginning Balance	Additions	Disposals	Ending Balance
Land and land improvements	\$ 57,019	\$ -	\$ -	\$ 57,019
Buildings	1,612,159	19,366	-	1,631,525
Major moveable equipment	<u>223,747</u>	<u>3,728</u>	<u>-</u>	<u>227,475</u>
	<u>1,892,925</u>	<u>23,094</u>	<u>-</u>	<u>1,916,019</u>
Less accumulated depreciation				
Land improvements	38,816	3,046	-	41,862
Buildings	1,195,577	49,028	-	1,244,605
Major moveable equipment	<u>135,109</u>	<u>20,595</u>	<u>-</u>	<u>155,704</u>
	<u>1,369,502</u>	<u>72,669</u>	<u>-</u>	<u>1,442,171</u>
Capital Assets, Net	<u>\$ 523,423</u>	<u>\$ (49,575)</u>	<u>\$ -</u>	<u>\$ 473,848</u>

Supplementary Information

Spearville Hospital District
Comparison of Revenues and Expenses (Cash Basis) – Actual and Tax Budget
Year Ended December 31, 2012

	Actual	Tax Budget	Actual Over (Under) Budget
Net resident service revenue	\$ 107,636	\$ 89,700	\$ 17,936
Other revenue	<u>36,832</u>	<u>31,720</u>	<u>5,112</u>
Total operating revenue	<u>144,468</u>	<u>121,420</u>	<u>23,048</u>
Operating expenses	275,402	325,887	(50,485)
Capital expenditures	<u>14,234</u>	<u>38,000</u>	<u>(23,766)</u>
Operating expenses	<u>289,636</u>	<u>363,887</u>	<u>(74,251)</u>
Operating loss	<u>(145,168)</u>	<u>(242,467)</u>	<u>97,299</u>
Property tax revenue	173,955	136,441	37,514
Other nonoperating revenues	<u>630</u>	<u>3,000</u>	<u>(2,370)</u>
Total nonoperating revenues	<u>174,585</u>	<u>139,441</u>	<u>35,144</u>
Excess (deficiency) of revenues over expenses	<u><u>\$ 29,417</u></u>	<u><u>\$ (103,026)</u></u>	<u><u>\$ 132,443</u></u>