

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
Independent Auditor's Report and Financial Statements  
December 31, 2021 and 2020

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**December 31, 2021 and 2020**

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## **Independent Auditor's Report**

Board of Trustees  
Coffey Health System  
Burlington, Kansas

### ***Opinion***

We have audited the accompanying financial statements of Coffey Health System, a component unit of Coffey County, Kansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Coffey Health System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Coffey Health System as of December 31, 2021 and 2020, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Coffey Health System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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 Coffey Health System's ability to continue as a going concern for 12 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 opinion. 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 statements.

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 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 Coffey Health System'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 Coffey Health System'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 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 opinions on the basic financial statements are not affected by this missing information.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Coffey Health System's basic financial statements. The supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

*BKD, LLP*

Wichita, Kansas  
May 23, 2022

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Balance Sheets**  
**December 31, 2021 and 2020**

|  | <u>2021</u>                 | <u>2020</u>                 |
|--|-----------------------------|-----------------------------|
| <b>Assets</b>  |                             |                             |
| <b>Current Assets</b>  |                             |                             |
| Cash   | \$ 5,999,652                | \$ 11,059,401               |
| Patient accounts receivable, net of allowance;<br>2021 - \$1,390,800, 2020 - \$1,275,500 | 3,384,464                   | 2,403,558                   |
| 340B contract pharmacy receivable  | 51,301                      | 112,235                     |
| Estimated amounts due from third-party payers  | 320,000                     | 435,000                     |
| Supplies   | 539,481                     | 527,867                     |
| Prepaid expenses and other   | <u>110,922</u>              | <u>174,793</u>              |
| Total current assets   | 10,405,820                  | 14,712,854                  |
| <b>Capital Assets, Net</b>   | <u>9,595,627</u>            | <u>7,877,283</u>            |
| Total assets   | <u><u>\$ 20,001,447</u></u> | <u><u>\$ 22,590,137</u></u> |
| <b>Liabilities and Net Position</b>  |                             |                             |
| <b>Current Liabilities</b>   |                             |                             |
| Current maturities of long-term debt   | \$ 510,125                  | \$ 1,480,402                |
| Accounts payable   | 801,861                     | 1,493,628                   |
| Accrued expenses   | 1,948,554                   | 1,539,312                   |
| Unearned revenue   | 940,327                     | 3,129,922                   |
| Advance from Medicare  | <u>1,628,656</u>            | <u>766,774</u>              |
| Total current liabilities  | 5,829,523                   | 8,410,038                   |
| <b>Advance from Medicare</b>   | <u>-</u>                    | <u>1,939,485</u>            |
| <b>Long-term Debt</b>  | <u>2,120,229</u>            | <u>4,188,359</u>            |
| Total liabilities  | <u>7,949,752</u>            | <u>14,537,882</u>           |
| <b>Net Position</b>  |                             |                             |
| Net investment in capital assets   | 7,031,941                   | 5,118,956                   |
| Unrestricted   | <u>5,019,754</u>            | <u>2,933,299</u>            |
| Total net position   | <u>12,051,695</u>           | <u>8,052,255</u>            |
| Total liabilities and net position   | <u><u>\$ 20,001,447</u></u> | <u><u>\$ 22,590,137</u></u> |

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2021 and 2020**

|  | <u>2021</u>                 | <u>2020</u>                |
|--|-----------------------------|----------------------------|
| <b>Operating Revenues</b>  |                             |                            |
| Net patient service revenue, net of provision for uncollectible accounts; 2021 - \$1,117,744, 2020 - \$802,142 | \$ 23,948,656               | \$ 22,436,148              |
| 340B drug pricing program  | 821,546                     | 1,207,688                  |
| Other  | <u>190,231</u>              | <u>271,765</u>             |
| Total operating revenues   | <u>24,960,433</u>           | <u>23,915,601</u>          |
| <b>Operating Expenses</b>  |                             |                            |
| Salaries and wages   | 16,043,898                  | 14,963,517                 |
| Employee benefits  | 3,693,559                   | 3,520,206                  |
| Purchased services and professional fees   | 2,830,836                   | 2,590,210                  |
| Supplies and other   | 5,567,130                   | 5,216,201                  |
| Depreciation   | <u>1,193,207</u>            | <u>928,573</u>             |
| Total operating expenses   | <u>29,328,630</u>           | <u>27,218,707</u>          |
| <b>Operating Loss</b>  | <u>(4,368,197)</u>          | <u>(3,303,106)</u>         |
| <b>Nonoperating Revenues (Expenses)</b>  |                             |                            |
| Noncapital appropriations - Coffey County  | 2,039,494                   | 2,039,497                  |
| Interest income  | 12,365                      | 8,800                      |
| Interest expense   | (60,276)                    | (78,373)                   |
| Gain on disposal of capital assets   | 15,759                      | 35,676                     |
| Noncapital grants and gifts  | 229,008                     | 985,646                    |
| Provider Relief Funds ( <i>CARES Act</i> )   | 3,354,187                   | 2,496,561                  |
| Paycheck Protection Program (PPP) loan forgiveness   | 2,777,100                   | -                          |
| County loan forgiveness  | <u>-</u>                    | <u>1,505,000</u>           |
| Total nonoperating revenues, net   | <u>8,367,637</u>            | <u>6,992,807</u>           |
| <b>Increase in Net Position</b>  | 3,999,440                   | 3,689,701                  |
| <b>Net Position, Beginning of Year</b>   | <u>8,052,255</u>            | <u>4,362,554</u>           |
| <b>Net Position, End of Year</b>   | <u><u>\$ 12,051,695</u></u> | <u><u>\$ 8,052,255</u></u> |

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

|   | <u>2021</u>                | <u>2020</u>                 |
|---|----------------------------|-----------------------------|
| <b>Operating Activities</b>                               |                            |                             |
| Receipts from and on behalf of patients                   | \$ 22,887,627              | \$ 26,434,300               |
| Payments to suppliers and contractors                     | (9,043,720)                | (7,469,498)                 |
| Payments to and on behalf of employees                    | (19,328,215)               | (18,558,730)                |
| Other receipts  | <u>(1,999,364)</u>         | <u>3,401,687</u>            |
| Net cash provided by (used in) operating activities       | <u>(7,483,672)</u>         | <u>3,807,759</u>            |
| <b>Noncapital Financing Activities</b>                    |                            |                             |
| Noncapital appropriations - Coffey County                 | 2,039,494                  | 2,039,497                   |
| Noncapital grants and gifts                               | 229,008                    | 985,646                     |
| Provider Relief Funds ( <i>CARES Act</i> )                | 3,354,187                  | 2,496,561                   |
| Proceeds from issuance of PPP loan                        | <u>-</u>                   | <u>2,777,100</u>            |
| Net cash provided by noncapital financing activities      | <u>5,622,689</u>           | <u>8,298,804</u>            |
| <b>Capital and Related Financing Activities</b>           |                            |                             |
| Principal paid on long-term debt                          | (250,641)                  | (297,987)                   |
| Interest paid on long-term debt                           | (60,276)                   | (78,373)                    |
| Purchase of capital assets                                | (2,900,214)                | (1,876,013)                 |
| Proceeds from sale of capital assets                      | <u>-</u>                   | <u>47,231</u>               |
| Net cash used in capital and related financing activities | <u>(3,211,131)</u>         | <u>(2,205,142)</u>          |
| <b>Investing Activities</b>                               |                            |                             |
| Interest income received                                  | <u>12,365</u>              | <u>8,800</u>                |
| Net cash provided by investing activities                 | <u>12,365</u>              | <u>8,800</u>                |
| <b>Increase (Decrease) in Cash</b>                        | (5,059,749)                | 9,910,221                   |
| <b>Cash, Beginning of Year</b>                            | <u>11,059,401</u>          | <u>1,149,180</u>            |
| <b>Cash, End of Year</b>                                  | <u><u>\$ 5,999,652</u></u> | <u><u>\$ 11,059,401</u></u> |



**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2021 and 2020**

|  | <u>2021</u>           | <u>2020</u>         |
|--|-----------------------|---------------------|
| <b>Reconciliation of Net Operating Loss to</b>             |                       |                     |
| <b>Net Cash Used in Operating Activities</b>               |                       |                     |
| Operating loss   | \$ (4,368,197)        | \$ (3,303,106)      |
| Depreciation   | 1,193,207             | 928,573             |
| Changes in operating assets and liabilities                |                       |                     |
| Patient accounts receivable, net                           | (980,906)             | (187,232)           |
| Estimated amounts due from and to third-party payers       | 115,000               | 148,335             |
| Advance from Medicare                                      | (1,077,603)           | 2,706,259           |
| Unearned revenue   | (2,189,595)           | 3,129,922           |
| Accounts payable and accrued expenses                      | (288,769)             | 487,173             |
| Supplies, prepaid expenses and other assets                | 113,191               | (102,165)           |
|  | <u>\$ (7,483,672)</u> | <u>\$ 3,807,759</u> |
| <b>Net cash provided by (used in) operating activities</b> |                       |                     |
|  | <u>\$ (7,483,672)</u> | <u>\$ 3,807,759</u> |
| <b>Noncash Investing, Capital and Financing Activities</b> |                       |                     |
| Capital asset additions included in accounts payable       | \$ 110,159            | \$ -                |
| Capital lease obligations incurred for capital assets      | \$ 56,000             | \$ -                |
| PPP loan forgiveness                                       | \$ 2,777,100          | \$ -                |
| County loan forgiveness                                    | \$ -                  | \$ 1,505,000        |

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

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

***Nature of Operations and Reporting Entity***

Coffey Health System (System) is an acute care hospital located in Burlington, Kansas. The System is a component unit of Coffey County, Kansas (County), and the Board of County Commissioners appoints members to the Board of Trustees of the System. The System primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Coffey county area. It also operates a home health agency and long-term care and assisted living facilities in the same geographic area.

***Basis of Accounting and Presentation***

The financial statements of the System 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 or voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific, such as intergovernmental revenue, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The System first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

***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.

***Noncapital Appropriations – Coffey County***

The System received approximately 6% and 7% of its financial support from noncapital appropriations derived from property taxes levied by the County in both 2021 and 2020. One hundred percent of these funds were used to support operations in both years.

Property taxes are assessed by the County in November and are received beginning in January of the following year. Intergovernmental revenue is recognized in full in the year in which use is first permitted.

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

***Risk Management***

The System 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, except workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Workers' compensation coverage is provided through a fund managed by the Kansas Hospital Association. The workers' compensation premiums are subject to retrospective adjustment based upon the overall performance of the fund. Management believes adequate reserves are in place within the plan to cover claims incurred but not reported and no additional amounts have been accrued related to claims for this plan.

***Patient Accounts Receivable***

The System reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The System provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

***Supplies***

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

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition 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. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the System:

|                          |              |
|--------------------------|--------------|
| Land improvements        | 5 – 25 years |
| Buildings                | 5 – 40 years |
| Fixed equipment          | 5 – 25 years |
| Major moveable equipment | 3 – 20 years |

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

***Capital Asset Impairment***

The System evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2021 and 2020.

***Compensated Absences***

System 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 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.

***Net Position***

Net position of the System is classified in two components on its balance sheets.

- 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.

***Net Patient Service Revenue***

The System has agreements with third-party payers that provide for payments to the System at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Charity Care**

The System provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the System does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

**Paycheck Protection Program (PPP) Loan**

The System received a PPP loan established by the *Coronavirus Aid, Relief and Economic Security ACT (CARES Act)* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized. The System received legal notice on January 25, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

**Provider Relief Funds (CARES Act)**

On March 27, 2020, the *CARES Act* was signed into law as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The *CARES Act* contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the U.S. Department of Health and Human Services (HHS). The distributions from the Provider Relief Funds are not subject to repayment, provided the System is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS. The System is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met and are classified as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions is recorded as unearned revenue in the accompanying balance sheets.

**Income Taxes**

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

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

***Foundation***

The System is the beneficiary of Coffey Health Foundation (Foundation), a separate legal entity with its own board of trustees. The Foundation has legal title to all of the Foundation's assets. The Foundation is not a component unit of the System and, thus, not reflected in the accompanying financial statements.

**Note 2: Net Patient Service Revenue**

The System has agreements with third-party payers that provide for payments to the System at amounts different from its established rates. These payment arrangements include:

*Medicare.* The System is recognized as a critical access hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. Rural health clinic services are paid on a cost basis. Home health services are paid on a per-episode basis using clinical, diagnostic and other factors. The System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare Administrative Contractor.

*Medicaid.* Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future.

Services rendered for long-term care facility residents are reimbursed under a cost-based prospective rate methodology. The System is reimbursed at a prospective rate with annual cost reports submitted to the Medicaid program. Rates are adjusted July 1 and January 1 using an average of the three previously filed annual cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

Approximately 52% and 51% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2021 and 2020, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 3: 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 System'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, 2021 and 2020, respectively, \$5,514,193 and \$10,512,232 of the System's bank balances of \$6,315,920 and \$11,297,631 were exposed to custodial credit risk as follows:

|   | <u>2021</u>         | <u>2020</u>          |
|---|---------------------|----------------------|
| Uninsured and collateral held by pledging financial institution's trust department or agent in other than the System's name | <u>\$ 5,514,193</u> | <u>\$ 10,512,232</u> |

***Summary of Carrying Values***

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

|  | <u>2021</u>         | <u>2020</u>          |
|--|---------------------|----------------------|
| Carrying value                                   |                     |                      |
| Deposits   | \$ 5,997,702        | \$ 11,057,501        |
| Petty cash                                       | <u>1,950</u>        | <u>1,900</u>         |
|  | <u>\$ 5,999,652</u> | <u>\$ 11,059,401</u> |
| Included in the following balance sheet captions |                     |                      |
| Cash   | <u>\$ 5,999,652</u> | <u>\$ 11,059,401</u> |

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note 4: Patient Accounts Receivable**

The System grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, consisted of:

|   | <b>2021</b>                | <b>2020</b>                |
|---|----------------------------|----------------------------|
| Medicare                                  | \$ 1,382,574               | \$954,222                  |
| Medicaid                                  | 293,063                    | 218,653                    |
| Blue Cross                                | 624,114                    | 372,261                    |
| Other third-party payers                  | 839,358                    | 621,949                    |
| Patients                                  | <u>1,636,155</u>           | <u>1,511,973</u>           |
|   | 4,775,264                  | 3,679,058                  |
| Less allowance for uncollectible accounts | <u>1,390,800</u>           | <u>1,275,500</u>           |
|   | <u><u>\$ 3,384,464</u></u> | <u><u>\$ 2,403,558</u></u> |

**Note 5: Capital Assets**

Capital assets activity for the years ended December 31 was:

|                               | <b>2021</b>                  |                            |                            |                    |                            |
|-------------------------------|------------------------------|----------------------------|----------------------------|--------------------|----------------------------|
|                               | <b>Beginning<br/>Balance</b> | <b>Additions</b>           | <b>Disposals</b>           | <b>Transfers</b>   | <b>Ending<br/>Balance</b>  |
| Land                          | \$ 274,184                   | \$ -                       | \$ -                       | \$ -               | \$ 274,184                 |
| Land improvements             | 986,917                      | -                          | -                          | -                  | 986,917                    |
| Buildings                     | 12,912,719                   | -                          | -                          | 1,190,708          | 14,103,427                 |
| Fixed equipment               | 9,164,524                    | -                          | (110,773)                  | 535,438            | 9,589,189                  |
| Major moveable equipment      | 15,417,787                   | -                          | (237,284)                  | 1,261,885          | 16,442,388                 |
| Construction in progress      | <u>186,639</u>               | <u>3,066,373</u>           | <u>(154,822)</u>           | <u>(2,988,031)</u> | <u>110,159</u>             |
|                               | <u>38,942,770</u>            | <u>3,066,373</u>           | <u>(502,879)</u>           | <u>-</u>           | <u>41,506,264</u>          |
| Less accumulated depreciation |                              |                            |                            |                    |                            |
| Land improvements             | 957,500                      | 5,182                      | -                          | -                  | 962,682                    |
| Buildings                     | 9,412,534                    | 322,650                    | -                          | -                  | 9,735,184                  |
| Fixed equipment               | 7,836,434                    | 343,019                    | (110,773)                  | -                  | 8,068,680                  |
| Major moveable equipment      | <u>12,859,019</u>            | <u>522,356</u>             | <u>(237,284)</u>           | <u>-</u>           | <u>13,144,091</u>          |
|                               | <u>31,065,487</u>            | <u>1,193,207</u>           | <u>(348,057)</u>           | <u>-</u>           | <u>31,910,637</u>          |
| Capital Assets, Net           | <u><u>\$ 7,877,283</u></u>   | <u><u>\$ 1,873,166</u></u> | <u><u>\$ (154,822)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 9,595,627</u></u> |



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|                               | <b>2020</b>                  |                   |                    |                  |                           |
|-------------------------------|------------------------------|-------------------|--------------------|------------------|---------------------------|
|                               | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Disposals</b>   | <b>Transfers</b> | <b>Ending<br/>Balance</b> |
| Land                          | \$ 274,184                   | \$ -              | \$ -               | \$ -             | \$ 274,184                |
| Land improvements             | 986,917                      | -                 | -                  | -                | 986,917                   |
| Buildings                     | 12,714,905                   | -                 | -                  | 197,814          | 12,912,719                |
| Fixed equipment               | 9,157,026                    | -                 | (16,123)           | 23,621           | 9,164,524                 |
| Major moveable equipment      | 14,555,332                   | -                 | (615,139)          | 1,477,594        | 15,417,787                |
| Construction in progress      | 9,655                        | 1,876,013         | -                  | (1,699,029)      | 186,639                   |
|                               | <u>37,698,019</u>            | <u>1,876,013</u>  | <u>(631,262)</u>   | <u>-</u>         | <u>38,942,770</u>         |
| Less accumulated depreciation |                              |                   |                    |                  |                           |
| Land improvements             | 952,319                      | 5,181             | -                  | -                | 957,500                   |
| Buildings                     | 9,145,145                    | 267,389           | -                  | -                | 9,412,534                 |
| Fixed equipment               | 7,539,210                    | 301,792           | (4,568)            | -                | 7,836,434                 |
| Major moveable equipment      | 13,119,947                   | 354,211           | (615,139)          | -                | 12,859,019                |
|                               | <u>30,756,621</u>            | <u>928,573</u>    | <u>(619,707)</u>   | <u>-</u>         | <u>31,065,487</u>         |
| Capital Assets, Net           | <u>\$ 6,941,398</u>          | <u>\$ 947,440</u> | <u>\$ (11,555)</u> | <u>\$ -</u>      | <u>\$ 7,877,283</u>       |

**Note 6: Medical Malpractice Coverage and Claims**

The System purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides \$200,000 of coverage for each medical incident and \$600,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional \$800,000 of coverage for each medical incident and \$2,400,000 of aggregate coverage for each policy year.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the System's claims experience, no such accrual has been made. It is reasonably possible this estimate could change materially in the future.

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**Note 7: Sale of Patient Accounts Receivable**

The Hospital has an agreement with a third party to sell patient accounts receivable. The third party has the right to purchase or reject accounts that are offered for sale. The agreement was effective through December 31, 2021, with an automatic 12-month renewal unless written notice from either the Hospital or third party is given within 30 days of the termination of the agreement. The agreement has been renewed through December 31, 2022, as of the report date. The maximum amount that the third party will purchase and have outstanding at any one time from the Hospital is \$750,000. There is a recourse provision that if an account that is sold by the Hospital to the third party is delinquent for 61 days it will be considered in default and the Hospital is required to repurchase the outstanding amount of the loan from the third party. The minimum amount of an individual account that the third party will purchase is \$500 and the maximum is \$50,000. The maximum loan length is 60 months. When the sale of patient accounts receivable occurs, the Hospital receives cash from the third party and the account receivable and related allowance is relieved from the Hospital's books. The Hospital does record an estimated liability related to the potential recourse of the accounts sold. The Hospital uses a 12-month rolling average of defaulted loans with the third party. The recourse liability is recorded as a component of accounts payable in the accompanying balance sheets. The total outstanding loans the third party held related to purchases of the System's patient accounts was approximately \$161,000 and \$215,000 at December 31, 2021 and 2020, respectively. The liability recorded for potential recourse on those balances based on default experience was approximately \$48,000 and \$84,000 at December 31, 2021 and 2020, respectively.

**Note 8: Long-term Debt**

The following is a summary of long-term debt transactions for the System for the years ended December 31:

|                           | 2021                 |                  |                     |                     |                    |
|---------------------------|----------------------|------------------|---------------------|---------------------|--------------------|
|                           | Beginning<br>Balance | Additions        | Deductions          | Ending<br>Balance   | Current<br>Portion |
| Long-term debt            |                      |                  |                     |                     |                    |
| Note payable (B)          | \$ 1,505,417         | \$ -             | \$ -                | \$ 1,505,417        | \$ 240,867         |
| Note payable (C)          | 2,777,100            | -                | 2,777,100           | -                   | -                  |
| Note payable (D)          | 133,334              | -                | 66,666              | 66,668              | 66,668             |
| Capital lease obligations | 1,252,910            | 56,000           | 250,641             | 1,058,269           | 202,590            |
| Total long-term debt      | <u>\$ 5,668,761</u>  | <u>\$ 56,000</u> | <u>\$ 3,094,407</u> | <u>\$ 2,630,354</u> | <u>\$ 510,125</u>  |

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|                           | 2020                 |                     |                     |                     |                     |
|---------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
|                           | Beginning<br>Balance | Additions           | Deductions          | Ending<br>Balance   | Current<br>Portion  |
| Long-term debt            |                      |                     |                     |                     |                     |
| Note payable (A)          | \$ 100,000           | \$ -                | \$ 100,000          | \$ -                | \$ -                |
| Note payable (B)          | 3,010,417            | -                   | 1,505,000           | 1,505,417           | -                   |
| Note payable (C)          | -                    | 2,777,100           | -                   | 2,777,100           | 1,212,266           |
| Note payable (D)          | -                    | 200,000             | 66,666              | 133,334             | 66,666              |
| Capital lease obligations | 1,450,897            | -                   | 197,987             | 1,252,910           | 201,470             |
| Total long-term debt      | <u>\$ 4,561,314</u>  | <u>\$ 2,977,100</u> | <u>\$ 1,869,653</u> | <u>\$ 5,668,761</u> | <u>\$ 1,480,402</u> |

**Note Payable (A)**

The note payable to the Foundation was due February 10, 2020, with principal payable on due date and interest at 4.5% payable monthly. The note was secured by certain capital assets. The note was paid in full during 2020.

**Note Payable (B)**

The note payable to the County was originally due June 3, 2025, but a one-year deferral of payments was granted by the County in July 2018, which modified the final due date to June 3, 2026, with principal payable annually beginning July 3, 2017. An additional one-year deferral of payments was granted by the County in July 2019, which modified the final due date to June 4, 2027. On June 22, 2020, the County agreed to forgive 50% of the balance due in the amount of \$1,505,000 and deferred the next payment due until May 3, 2022. The final payment date was moved to June 3, 2026. The loan is a 0% interest loan. The note is secured by certain capital assets. The debt service requirements as of December 31, 2021, are as follows:

| Year Ending December 31, | Total to be<br>Paid | Principal           | Interest    |
|--------------------------|---------------------|---------------------|-------------|
| 2022                     | \$ 240,867          | \$ 240,867          | \$ -        |
| 2023                     | 361,300             | 361,300             | -           |
| 2024                     | 361,300             | 361,300             | -           |
| 2025                     | 361,300             | 361,300             | -           |
| 2026                     | 180,650             | 180,650             | -           |
|                          | <u>\$ 1,505,417</u> | <u>\$ 1,505,417</u> | <u>\$ -</u> |

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**Note Payable (C)**

The *CARES Act* and other subsequent legislation provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The System received a Paycheck Protection Program (PPP) loan of \$2,777,100 in 2020. The loan has an interest rate of 1%, with monthly payments due starting 10 months after the 24-week covered period. Subsequent to year-end, the System received legal notice on January 25, 2021, that the PPP loan was forgiven in its entirety.

**Note Payable (D)**

The System entered into a settlement agreement related to a Civil Investigative Demand (CID). Future principal payments of \$66,666 are due June 30, 2021 and 2022. Interest of \$9,667 and \$4,833 is payable with the amounts due June 30, 2021 and 2022, respectively.

**Capital Lease Obligations**

The System is obligated under multiple leases for equipment that are accounted for as capital leases. A schedule of the capital assets and accumulated depreciation under capital leases at December 31, 2021 and 2020, follows:

|                               | <b>2021</b>                | <b>2020</b>                |
|-------------------------------|----------------------------|----------------------------|
| Equipment                     | \$ 2,044,042               | \$ 2,083,320               |
| Less accumulated depreciation | <u>1,020,169</u>           | <u>905,310</u>             |
|                               | <u><u>\$ 1,023,873</u></u> | <u><u>\$ 1,178,010</u></u> |

The following is a schedule by year of future minimum lease payments under the capital lease obligations including interest at rates of 3.90% to 6.508% together with the present value of the future minimum lease payments as of December 31, 2021:

|  |                            |
|--|----------------------------|
| Year Ending December 31,                       |                            |
| 2022   | \$ 244,867                 |
| 2023   | 229,254                    |
| 2024   | 171,798                    |
| 2025   | 138,822                    |
| 2026   | 138,822                    |
| 2025-2028                                      | <u>288,674</u>             |
| Total minimum lease payments                   | 1,212,237                  |
| Less amount representing interest              | <u>153,968</u>             |
| Present value of future minimum lease payments | <u><u>\$ 1,058,269</u></u> |

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**Note 9: Pension Plan**

The System contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the System's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Board of County Commissioners. The plan is a replacement for social security and provides retirement benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the System's governing body. Contribution rates for plan members and the System expressed as a percentage of covered payroll were 3.5% and 7%, respectively, for 2021 and 2020. Contributions actually made by plan members and the System aggregated \$591,485 and \$1,035,099 during 2021 and \$560,189 and \$980,332 during 2020, respectively.

**Note 10: 340B Drug Pricing Program**

The System participates in the 340B Drug Pricing Program (340B Program) enabling the System to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The System recorded revenues of \$821,546 and \$1,207,688 for the years ending December 31, 2021 and 2020, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The System recorded expenses of \$534,956 and \$582,237 for the years ending December 31, 2021 and 2020, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

**Note 11: COVID-19 Pandemic & CARES Act Funding**

On March 22, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

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The System's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The System has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse effect on the System's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the System's control and ability to forecast.

Because of these and other uncertainties, the System cannot estimate the length or severity of the effect of the pandemic on the System's business. Decreases in cash flows and result of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

***Provider Relief Fund***

During the years ended December 31, 2021 and 2020, the System received \$1,164,592 and \$5,626,483, respectively, of distributions from the *CARES Act* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the System is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The System accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the System's operating revenues and expenses through December 31, 2021 and 2020, the System recognized \$3,354,187 and \$2,496,561, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of \$940,327 and \$3,129,922 is recorded as part of unearned revenue in the accompanying balance sheets for the years ended December 31, 2021 and 2020, respectively.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the *CARES Act* in March 2020. The Hospital has evaluated the "Post-Payment Notice of Reporting Requirements" (Notice) and the Frequently Asked Questions (FAQs) issued by HHS for the years ended December 31, 2021 and 2020, and has recognized revenue accordingly. The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the

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Hospital's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

***Paycheck Protection Program (PPP) Loan***

During the year ended December 31, 2020, the System received a PPP loan of \$2,777,100 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustment could be required to any revenue recognized. The System received legal notice on January 25, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

***Medicare Accelerated and Advanced Payment Program***

During the year ended December 31, 2020, the System requested accelerated Medicare payments as provided for in the *CARES Act*, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withheld amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%.

During the year ended December 31, 2020, the System received \$2,706,259 from these accelerated Medicare payment requests. The unapplied amount of accelerated Medicare payment requests is recorded under the caption advance from Medicare in the accompanying balance sheets and classified as a current and a long-term liability based upon payback provisions in effect at December 31, 2021 and 2020.

***Other COVID-19 Funding***

During the years ended December 2021 and 2020, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for critical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural

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Hospital Improvement Program to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The System received and recognized \$20,000 during 2020, related to this Small Rural Hospital Improvement Program (SHIP) grant and the revenue is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

In November 2021, the Hospital received and recognized \$99,493 from a distribution from the Frontline Hospital Employee Retention Plan program. Funding under this program was utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

On April 16, 2020, Kansas Governor Laura Kelly announced a special emergency grant funding program for Kansas hospitals. This emergency funding was requested by the Kansas Hospital Association (KHA) on behalf of Kansas hospitals and was distributed to help offset current financial strains caused by the COVID-19 pandemic. To facilitate the timely release of funds, hospitals were not required to complete an application. There are no specific requirements tied to utilization of the funds. The intent is for the grant payments to serve as a bridge to aid hospitals in meeting their basic operational expenditures. The System received and recognized \$100,000 on April 27, 2020, related to this special emergency grant. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

During the year ended December 31, 2020, HHS provided \$100 million in aid to hospitals and health care systems in preparing for a surge in COVID-19 patients. Of that funding, \$50 million was allotted to State Hospitals Associations for distribution through competitive grant applications. KHA received \$784,542 in funds, which were distributed on May 1. In addition, KHA was awarded an additional \$1.95 million to be distributed in the future. The System received and recognized \$3,000 during 2020, related to this Assistant Secretary for Preparedness and Response (ASPR) grant. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

***Strengthening People and Revitalizing Kansas (SPARK) Program Funding***

During the year ended December 31, 2020, the System received \$690,738 of funding through the SPARK program. The System recognized \$690,738, related to this funding at December 31, 2020, and these payments are recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.



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**Note 12: Contingencies**

***Litigation***

In the normal course of business, the System is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the System's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The System evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Note 13: Future Changes in Accounting Principles**

***Leases***

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87) provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

In response to the challenges arising from COVID-19, on May 7, 2020, GASB approved Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. While the proposal included an extra year to implement all guidance, GASB, in a unanimous vote, approved an 18-month postponement for GASB 87. All statements and implementation guides with a current effective date of reporting periods beginning after June 15, 2018, and later will have a one-year postponement. This change is effective immediately. GASB 87 is effective for financial statements for fiscal years beginning after June 15, 2021. Earlier application is permitted. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The System is evaluating the impact the statement will have on the financial statements.

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**Note 14: Subsequent Events**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the System. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## **Supplementary Information**

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**Schedules of Net Patient Service Revenues**  
**Years Ended December 31, 2021 and 2020**

|  | <b>2021</b>         |                      |                      |
|--|---------------------|----------------------|----------------------|
|  | <b>Inpatient</b>    | <b>Outpatient</b>    | <b>Total</b>         |
| <b>Nursing Services</b>  |                     |                      |                      |
| Acute hospital   | \$ 1,212,706        | \$ 9,680             | \$ 1,222,386         |
| Swing-bed  | 85,776              | -                    | 85,776               |
| Nursery  | 65,950              | -                    | 65,950               |
| Long-term care   | 1,322,386           | -                    | 1,322,386            |
| Assisted living  | 446,221             | -                    | 446,221              |
|  | <u>3,133,039</u>    | <u>9,680</u>         | <u>3,142,719</u>     |
| <b>Other Professional Services</b>   |                     |                      |                      |
| Operating room   | 537,563             | 2,331,265            | 2,868,828            |
| Recovery room  | 9,328               | 286,200              | 295,528              |
| Delivery room  | 163,829             | 22,404               | 186,233              |
| Anesthesiology   | 90,901              | 505,228              | 596,129              |
| Radiology  | 485,542             | 9,019,712            | 9,505,254            |
| Laboratory   | 448,014             | 5,295,511            | 5,743,525            |
| Blood administration   | 10,678              | 15,295               | 25,973               |
| Respiratory services   | 430,054             | 114,373              | 544,427              |
| Physical therapy   | 111,699             | 1,082,535            | 1,194,234            |
| Occupational therapy   | 83,315              | 331,377              | 414,692              |
| Speech pathology   | 24,007              | 213,551              | 237,558              |
| Electrocardiology  | 17,812              | 218,610              | 236,422              |
| Central service  | 1,035               | 5,739                | 6,774                |
| Pharmacy   | 1,881,000           | 3,277,269            | 5,158,269            |
| Specialty clinics  | 11,006              | 1,090,200            | 1,101,206            |
| Emergency room   | 131,795             | 3,700,042            | 3,831,837            |
| Observation  | 37,073              | 401,928              | 439,001              |
| Rural health clinic  | -                   | 4,903,212            | 4,903,212            |
| Ambulance  | -                   | 1,179,990            | 1,179,990            |
| Home health  | -                   | 191,404              | 191,404              |
| Physician clinics  | -                   | 721,249              | 721,249              |
| Lifeline   | -                   | 14,538               | 14,538               |
| Senior care  | -                   | 41,309               | 41,309               |
|  | <u>4,474,651</u>    | <u>34,962,941</u>    | <u>39,437,592</u>    |
|  | <u>\$ 7,607,690</u> | <u>\$ 34,972,621</u> | <u>42,580,311</u>    |
| <b>Contractual Allowances, Charity Care and<br/>Provision for Uncollectible Accounts</b> |                     |                      | <u>18,631,655</u>    |
| <b>Net Patient Service Revenue</b>   |                     |                      | <u>\$ 23,948,656</u> |

| 2020                |                      |                      |
|---------------------|----------------------|----------------------|
| Inpatient           | Outpatient           | Total                |
| \$ 925,471          | \$ 9,768             | \$ 935,239           |
| 141,435             | -                    | 141,435              |
| 71,284              | -                    | 71,284               |
| 1,242,409           | -                    | 1,242,409            |
| 560,974             | -                    | 560,974              |
| <u>2,941,573</u>    | <u>9,768</u>         | <u>2,951,341</u>     |
| 859,793             | 2,329,319            | 3,189,112            |
| 13,144              | 241,275              | 254,419              |
| 175,341             | 30,989               | 206,330              |
| 133,451             | 449,626              | 583,077              |
| 382,298             | 7,667,148            | 8,049,446            |
| 382,573             | 5,045,378            | 5,427,951            |
| 12,201              | 11,380               | 23,581               |
| 369,428             | 105,800              | 475,228              |
| 162,179             | 883,289              | 1,045,468            |
| 132,219             | 269,460              | 401,679              |
| 78,351              | 204,683              | 283,034              |
| 10,220              | 197,620              | 207,840              |
| 1,280               | 4,097                | 5,377                |
| 1,347,042           | 2,718,822            | 4,065,864            |
| 6,583               | 897,015              | 903,598              |
| 60,868              | 3,362,716            | 3,423,584            |
| 18,069              | 330,171              | 348,240              |
| -                   | 4,792,974            | 4,792,974            |
| -                   | 1,227,494            | 1,227,494            |
| -                   | 282,695              | 282,695              |
| -                   | 865,072              | 865,072              |
| -                   | 14,523               | 14,523               |
| -                   | 35,975               | 35,975               |
| <u>4,145,040</u>    | <u>31,967,521</u>    | <u>36,112,561</u>    |
| <u>\$ 7,086,613</u> | <u>\$ 31,977,289</u> | 39,063,902           |
|                     |                      | <u>16,627,754</u>    |
|                     |                      | <u>\$ 22,436,148</u> |

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Deductions from Revenue and Other Operating Revenue**  
**Years Ended December 31, 2021 and 2020**

|                                      | <u>2021</u>          | <u>2020</u>          |
|--------------------------------------|----------------------|----------------------|
| <b>Deductions from Revenue</b>       |                      |                      |
| Medicare                             | \$ 10,066,309        | \$ 8,828,132         |
| Medicaid                             | 1,904,099            | 1,728,945            |
| Blue Cross                           | 3,587,501            | 3,593,414            |
| Other third-party payers             | 1,859,232            | 1,468,318            |
| Charity care                         | 44,775               | 55,394               |
| Administrative adjustments           | 51,995               | 151,409              |
| Provision for uncollectible accounts | <u>1,117,744</u>     | <u>802,142</u>       |
|                                      | <u>\$ 18,631,655</u> | <u>\$ 16,627,754</u> |
| <br><b>Other Operating Revenue</b>   |                      |                      |
| Cafeteria                            | \$ 127,607           | \$ 156,585           |
| Mobile magnetic resonance imaging    | -                    | 25,350               |
| In-house catering                    | 41,010               | 41,868               |
| Education                            | -                    | 420                  |
| Sale of medical records              | 15,013               | 11,928               |
| Miscellaneous                        | <u>6,601</u>         | <u>35,614</u>        |
|                                      | <u>\$ 190,231</u>    | <u>\$ 271,765</u>    |

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Schedules of Operating Expenses**  
**Years Ended December 31, 2021 and 2020**

|                                    | 2021             |                  |                   | 2020             |                  |                   |
|------------------------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
|                                    | Salaries         | Other            | Total             | Salaries         | Other            | Total             |
| <b>Nursing Services</b>            |                  |                  |                   |                  |                  |                   |
| Nursing service                    | \$ 1,009,096     | \$ 501,746       | \$ 1,510,842      | \$ 773,430       | \$ 342,084       | \$ 1,115,514      |
| Nursery                            | 18,712           | 2,007            | 20,719            | 32,079           | 1,672            | 33,751            |
| Long-term care                     | 1,519,474        | 498,745          | 2,018,219         | 1,385,615        | 462,110          | 1,847,725         |
| Assisted living                    | 596,691          | 211,868          | 808,559           | 557,801          | 173,964          | 731,765           |
| Nursing administration             | 76,994           | 58,224           | 135,218           | 116,804          | 419              | 117,223           |
|                                    | <u>3,220,967</u> | <u>1,272,590</u> | <u>4,493,557</u>  | <u>2,865,729</u> | <u>980,249</u>   | <u>3,845,978</u>  |
| <b>Other Professional Services</b> |                  |                  |                   |                  |                  |                   |
| Operating room                     | 257,902          | 124,019          | 381,921           | 233,131          | 108,865          | 341,996           |
| Recovery room                      | 18,835           | 567              | 19,402            | 10,921           | 1,273            | 12,194            |
| Delivery room                      | 307,090          | 25,181           | 332,271           | 296,941          | 12,799           | 309,740           |
| Anesthesiology                     | 287,325          | 39,131           | 326,456           | 285,355          | 39,169           | 324,524           |
| Radiology                          | 610,164          | 767,084          | 1,377,248         | 588,405          | 754,099          | 1,342,504         |
| Laboratory                         | 339,691          | 1,007,246        | 1,346,937         | 305,011          | 920,785          | 1,225,796         |
| Blood administration               | -                | 20,900           | 20,900            | -                | 18,777           | 18,777            |
| Respiratory services               | 213,483          | 11,188           | 224,671           | 182,609          | 11,786           | 194,395           |
| Physical therapy                   | 276,541          | 27,030           | 303,571           | 264,802          | 16,027           | 280,829           |
| Occupational therapy               | 114,089          | 936              | 115,025           | 117,017          | 2,758            | 119,775           |
| Speech pathology                   | 57,895           | 7,145            | 65,040            | 58,380           | 5,122            | 63,502            |
| Electrocardiology                  | 17,827           | 35               | 17,862            | 13,095           | -                | 13,095            |
| Central service                    | 29,921           | 416,822          | 446,743           | 24,741           | 565,087          | 589,828           |
| Pharmacy                           | 204,072          | 1,241,755        | 1,445,827         | 194,527          | 1,155,971        | 1,350,498         |
| Specialty clinics                  | 103,318          | 58,540           | 161,858           | 99,661           | 40,801           | 140,462           |
| Emergency room                     | 1,271,730        | 351,857          | 1,623,587         | 1,088,669        | 316,566          | 1,405,235         |
| Rural health clinic                | 3,554,309        | 716,235          | 4,270,544         | 3,595,142        | 671,939          | 4,267,081         |
| Ambulance                          | 1,152,474        | 94,358           | 1,246,832         | 947,730          | 81,384           | 1,029,114         |
| Home health                        | 272,886          | 64,252           | 337,138           | 283,631          | 61,957           | 345,588           |
| Physician clinics                  | 558,074          | 33,673           | 591,747           | 547,637          | 31,440           | 579,077           |
| Lifeline                           | -                | 4,933            | 4,933             | -                | 5,530            | 5,530             |
| Wolf Creek                         | 72,766           | 3,643            | 76,409            | 45,086           | 3,370            | 48,456            |
|                                    | <u>9,720,392</u> | <u>5,016,530</u> | <u>14,736,922</u> | <u>9,182,491</u> | <u>4,825,505</u> | <u>14,007,996</u> |

**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Schedules of Operating Expenses (Continued)**  
**Years Ended December 31, 2021 and 2020**

|                                | <b>2021</b>          |                      |                      | <b>2020</b>          |                      |                      |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                | <b>Salaries</b>      | <b>Other</b>         | <b>Total</b>         | <b>Salaries</b>      | <b>Other</b>         | <b>Total</b>         |
| <b>General Services</b>        |                      |                      |                      |                      |                      |                      |
| Plant operation                | \$ 259,808           | \$ 413,327           | \$ 673,135           | \$ 239,940           | \$ 380,747           | \$ 620,687           |
| Laundry                        | 189                  | 8,594                | 8,783                | 15,133               | 7,701                | 22,834               |
| Housekeeping                   | 216,402              | 38,624               | 255,026              | 193,843              | 37,420               | 231,263              |
| Dietary                        | 334,939              | 233,193              | 568,132              | 300,703              | 237,066              | 537,769              |
|                                | <u>811,338</u>       | <u>693,738</u>       | <u>1,505,076</u>     | <u>749,619</u>       | <u>662,934</u>       | <u>1,412,553</u>     |
| <b>Administration Services</b> |                      |                      |                      |                      |                      |                      |
| Administration and general     | 1,862,367            | 1,240,870            | 3,103,237            | 1,728,393            | 1,208,829            | 2,937,222            |
| Medical records                | 320,177              | 108,045              | 428,222              | 336,623              | 47,033               | 383,656              |
| Marketing                      | 108,657              | 66,193               | 174,850              | 100,662              | 81,861               | 182,523              |
|                                | <u>2,291,201</u>     | <u>1,415,108</u>     | <u>3,706,309</u>     | <u>2,165,678</u>     | <u>1,337,723</u>     | <u>3,503,401</u>     |
| <b>Employee Benefits</b>       |                      | <u>3,693,559</u>     | <u>3,693,559</u>     |                      | <u>3,520,206</u>     | <u>3,520,206</u>     |
| <b>Depreciation</b>            |                      | <u>1,193,207</u>     | <u>1,193,207</u>     |                      | <u>928,573</u>       | <u>928,573</u>       |
|                                | <u>\$ 16,043,898</u> | <u>\$ 13,284,732</u> | <u>\$ 29,328,630</u> | <u>\$ 14,963,517</u> | <u>\$ 12,255,190</u> | <u>\$ 27,218,707</u> |



**Coffey Health System**  
**A Component Unit of Coffey County, Kansas**  
**Schedules of Financial and Statistical Comparisons**  
**Years Ended December 31,**

|   | <b>2021</b>           | <b>2020</b>           | <b>2019</b>           | <b>2018</b>           | <b>2017</b>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Operating Revenues</b>                           | \$ 24,960,433         | \$ 23,915,601         | \$ 24,199,946         | \$ 23,283,973         | \$ 21,414,552         |
| <b>Operating Expenses</b>                           | <u>29,328,630</u>     | <u>27,218,707</u>     | <u>25,649,780</u>     | <u>25,666,511</u>     | <u>24,693,110</u>     |
| <b>Loss From Operations</b>                         | <u>\$ (4,368,197)</u> | <u>\$ (3,303,106)</u> | <u>\$ (1,449,834)</u> | <u>\$ (2,382,538)</u> | <u>\$ (3,278,558)</u> |
| <b>Total Salaries</b>                               | <u>\$ 16,043,898</u>  | <u>\$ 14,963,517</u>  | <u>\$ 14,302,497</u>  | <u>\$ 14,056,002</u>  | <u>\$ 13,749,007</u>  |
| <b>Full-time Equivalents</b>                        | <u>256.3</u>          | <u>266.1</u>          | <u>260.5</u>          | <u>256.6</u>          | <u>256.9</u>          |
| <b>Patient Days (Acute and Swing-bed)</b>           |                       |                       |                       |                       |                       |
| Medicare  | 981                   | 1,334                 | 1,047                 | 1,428                 | 1,110                 |
| Other   | <u>486</u>            | <u>337</u>            | <u>352</u>            | <u>236</u>            | <u>628</u>            |
| Total   | <u>1,467</u>          | <u>1,671</u>          | <u>1,399</u>          | <u>1,664</u>          | <u>1,738</u>          |
| <b>Percent of Occupancy (Acute and Swing-bed)</b>   | <u>16.1</u>           | <u>18.3</u>           | <u>15.3</u>           | <u>12.7</u>           | <u>13.2</u>           |
| <b>Medicare Percent (Acute and Swing-bed)</b>       | <u>66.9</u>           | <u>79.8</u>           | <u>74.8</u>           | <u>85.8</u>           | <u>63.9</u>           |
| <b>Discharges (Acute and Swing-bed)</b>             |                       |                       |                       |                       |                       |
| Medicare  | 198                   | 268                   | 219                   | 333                   | 281                   |
| Other   | <u>148</u>            | <u>160</u>            | <u>174</u>            | <u>102</u>            | <u>241</u>            |
| Total   | <u>346</u>            | <u>428</u>            | <u>393</u>            | <u>435</u>            | <u>522</u>            |
| <b>Average Length of Stay (Acute and Swing-bed)</b> |                       |                       |                       |                       |                       |
| Medicare  | 5.0                   | 5.0                   | 4.8                   | 4.3                   | 4                     |
| Other   | 3.3                   | 2.1                   | 2.0                   | 2.3                   | 2.6                   |
| Overall   | 4.2                   | 3.9                   | 3.6                   | 3.8                   | 3.3                   |