

# **Geary Community Hospital A Component Unit of Geary County, Kansas**

## **Independent Auditor's Report and Financial Statements**

**April 30, 2022 and 2021**



**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**April 30, 2022 and 2021**

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1551 N. Waterfront Parkway, Suite 300 / Wichita, KS 67206

P 316.265.2811 / F 316.265.9405

[forvis.com](http://forvis.com)

## Independent Auditor's Report

Board of Trustees  
Geary Community Hospital  
Junction City, Kansas

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of Geary Community Hospital (Hospital), a component unit of Geary County, Kansas, as of and for the years ended April 30, 2022 and 2021, and its discretely presented component unit (Geary Community Healthcare Foundation) as of and for the years ended December 31, 2021 and 2020, collectively a component unit of Geary County, Kansas, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Geary Community Hospital and of its discretely presented component unit as of April 30, 2022 and 2021 and December 31, 2021 and 2020, respectively, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Geary Community Healthcare Foundation, a discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Geary Community Healthcare Foundation, is based solely on the report of the other auditors.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hospital 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.

#### **Substantial Doubt About the Hospital's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming the Hospital will continue as a going concern. As discussed in *Note 14*, the Hospital has suffered recurring losses from operations, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in *Note 14*. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any current 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 the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital'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***

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 are not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The Net Patient Service Revenue schedule, Contractual Allowances, Charity Care and Other Operating Revenues schedule and Operating Expenses schedule 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 information has been subjected to the auditing procedures applied in the audit 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**FORVIS, LLP**

Wichita, Kansas  
January 31, 2023

**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Balance Sheets**  
**April 30, 2022 and 2021**

**Assets and Deferred Outflows of Resources**

	<b>2022</b>	<b>2021</b>
<b>Current Assets</b>		
Cash	\$ 572,702	\$ 6,133,366
Patient accounts receivable, net of allowance; 2022 - \$16,604,874; 2021 - \$12,211,835	3,924,143	5,645,162
Estimated amounts due from third-party payers	589,097	809,332
Supplies	1,006,679	1,054,332
Prepaid expenses and other	877,277	702,410
Total current assets	<u>6,969,898</u>	<u>14,344,602</u>
 <b>Noncurrent Cash and Short-term Certificates of Deposit</b>		
Held under bond indenture for debt service - short-term certificates of deposit	463,128	457,963
Restricted by donors for specific operating activities - cash	<u>103,212</u>	<u>103,212</u>
Total noncurrent cash and short-term certificates of deposit	<u>566,340</u>	<u>561,175</u>
 <b>Capital Assets, Net</b>	<u>31,238,150</u>	<u>31,973,998</u>
Total assets	<u>38,774,388</u>	<u>46,879,775</u>
 <b>Deferred Outflows of Resources</b>		
Pension	3,128,659	3,212,544
Other postemployment benefits	<u>68,988</u>	<u>108,717</u>
Total deferred outflows of resources	<u>3,197,647</u>	<u>3,321,261</u>
Total assets and deferred outflows of resources	<u><u>\$ 41,972,035</u></u>	<u><u>\$ 50,201,036</u></u>

See Notes to Financial Statements

## Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 546,159	\$ 4,498,541
Current portion of no fund warrants	493,400	482,400
Accounts payable	4,896,044	3,393,048
Accrued payroll and related expenses	1,981,090	1,761,506
Accrued interest	45,700	47,150
Advance from Medicare	209,629	1,243,356
Unearned revenue	-	2,298,871
Total current liabilities	8,172,022	13,724,872
<b>Advance from Medicare</b>	-	1,492,590
<b>Accrued FICA Taxes - Long-term</b>	-	216,889
<b>No Fund Warrants</b>	504,500	997,900
<b>Long-term Debt</b>	4,285,798	5,961,965
<b>Net Pension Liability</b>	8,195,653	11,624,791
<b>Total Other Postemployment Benefits Liability</b>	304,124	228,060
Total liabilities	21,462,097	34,247,067
<b>Deferred Inflows of Resources</b>		
Pension	4,985,771	3,214,001
Other postemployment benefits	175,037	200,440
Total deferred inflows of resources	5,160,808	3,414,441
<b>Net Position (Deficit)</b>		
Net investment in capital assets	26,519,169	27,743,479
Restricted - expendable for		
Debt service	463,128	457,963
Specific operating activities	103,212	103,212
Unrestricted deficit	(11,736,379)	(15,765,126)
Total net position	15,349,130	12,539,528
Total liabilities, deferred inflows of resources and net position	\$ 41,972,035	\$ 50,201,036

**Geary Community Healthcare Foundation**  
**A Discretely Presented Component Unit of Geary Community Hospital**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash, cash equivalents and restricted cash	\$ 216,542	\$ 244,895
Investments in marketable securities	<u>3,895,277</u>	<u>3,570,571</u>
Total assets	<u><u>\$ 4,111,819</u></u>	<u><u>\$ 3,815,466</u></u>
 <b>Liabilities and Net Assets</b>		
<b>Net Assets</b>		
Without donor restrictions	\$ 4,006,594	\$ 3,681,537
With donor restrictions	<u>105,225</u>	<u>133,929</u>
Total net assets	<u><u>\$ 4,111,819</u></u>	<u><u>\$ 3,815,466</u></u>



**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended April 30, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - \$5,458,829, 2021 - \$6,082,933	\$ 33,996,061	\$ 33,812,388
Other	1,269,336	700,531
Total operating revenues	35,265,397	34,512,919
<b>Operating Expenses</b>		
Salaries	15,170,248	15,469,976
Employee benefits	2,026,838	2,419,334
Purchased services and professional fees	14,573,880	10,135,807
Supplies and other	11,109,851	11,912,387
Depreciation	2,064,449	2,034,598
Total operating expenses	44,945,266	41,972,102
<b>Operating Loss</b>	(9,679,869)	(7,459,183)
<b>Nonoperating Revenues (Expenses)</b>		
Noncapital appropriations - Geary County	1,982,400	544,347
Interest income	319,453	298,072
Interest expense	(220,968)	(140,383)
Loss on disposal of capital assets	(11,059)	(27,911)
Other	-	11,674
Noncapital grants and gifts	723,344	43,512
Provider Relief Funds ( <i>CARES Act</i> )	3,613,341	6,650,295
Paycheck Protection Program (PPP) loan forgiveness	6,080,100	-
Total nonoperating revenues	12,486,611	7,379,606
<b>Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Gifts</b>	2,806,742	(79,577)
<b>Capital Grants and Gifts</b>	2,860	1,496,159
<b>Increase in Net Position</b>	2,809,602	1,416,582
<b>Net Position, Beginning of Year</b>	12,539,528	11,122,946
<b>Net Position, End of Year</b>	\$ 15,349,130	\$ 12,539,528

**Geary Community Healthcare Foundation**  
**A Discretely Presented Component Unit of Geary Community Hospital**  
**Statements of Activities**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Net Assets Without Donor Restrictions</b>		
<b>Revenues, Gains and Other Support</b>		
Contributions	\$ 121,803	\$ 448,116
Special events	67,563	(630)
Net investment return	403,212	360,247
Financing loss on charitable gift annuity	(2,125)	(4,250)
Net assets released from restrictions	<u>81,061</u>	<u>51,251</u>
Total revenues, gains and other support	<u>671,514</u>	<u>854,734</u>
<b>Expenses and Losses</b>		
Program services	254,032	920,271
Supporting services	<u>92,425</u>	<u>44,288</u>
Total expenses	<u>346,457</u>	<u>964,559</u>
<b>Change in Net Assets Without Donor Restrictions</b>	325,057	(109,825)
<b>Net Assets Without Donor Restrictions, Beginning of Year</b>	<u>3,681,537</u>	<u>3,791,362</u>
<b>Net Assets Without Donor Restrictions, End of Year</b>	<u><u>\$ 4,006,594</u></u>	<u><u>\$ 3,681,537</u></u>
<b>Net Assets With Donor Restrictions</b>		
<b>Revenues, Gains and Other Support</b>		
Contributions	\$ 52,315	\$ 51,400
Net investment return	42	493
Net assets released from restrictions	<u>(81,061)</u>	<u>(51,251)</u>
<b>Change in Net Assets With Donor Restrictions</b>	(28,704)	642
<b>Net Assets With Donor Restrictions, Beginning of Year</b>	<u>133,929</u>	<u>133,287</u>
<b>Net Assets With Donor Restrictions, End of Year</b>	<u><u>\$ 105,225</u></u>	<u><u>\$ 133,929</u></u>

**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Statements of Cash Flows**  
**Years Ended April 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from and on behalf of patients	\$ 33,410,998	\$ 29,730,216
Payments to suppliers and contractors	(24,324,280)	(23,556,604)
Payments to or on behalf of employees	(18,677,484)	(18,501,473)
Other receipts, net	<u>(1,029,535)</u>	<u>2,776,303</u>
Net cash used in operating activities	<u>(10,620,301)</u>	<u>(9,551,558)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Noncapital appropriations - Geary County	1,500,000	544,347
Principal paid on note payable	(36,911)	(1,480,023)
Proceeds from issuance of long-term debt	-	2,000,000
No Fund Warrants	-	1,480,300
Noncapital grants and gifts	723,344	43,512
Other	-	11,674
Provider Relief Funds ( <i>CARES Act</i> )	<u>3,613,341</u>	<u>6,650,295</u>
Net cash provided by noncapital financing activities	<u>5,799,774</u>	<u>9,250,105</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital grants and gifts	2,860	1,496,159
Principal paid on revenue bonds payable	(290,000)	(285,000)
Principal paid on capital leases	(192,702)	(295,579)
Interest paid on long-term debt	(222,418)	(141,771)
Purchase of capital assets	<u>(352,165)</u>	<u>(1,628,998)</u>
Net cash used in capital and related financing activities	<u>(1,054,425)</u>	<u>(855,189)</u>
<b>Cash Flows from Investing Activities</b>		
Interest on investments	319,453	298,072
Net change in construction escrow and debt-related accounts	<u>(5,165)</u>	<u>(5)</u>
Net cash provided by investing activities	<u>314,288</u>	<u>298,067</u>
<b>Decrease in Cash</b>	<u>(5,560,664)</u>	<u>(858,575)</u>
<b>Cash, Beginning of Year</b>	<u>6,236,578</u>	<u>7,095,153</u>
<b>Cash, End of Year</b>	<u><u>\$ 675,914</u></u>	<u><u>\$ 6,236,578</u></u>

**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Statements of Cash Flows (Continued)**  
**Years Ended April 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of Cash to the Balance Sheets</b>		
Cash in current assets	\$ 572,702	\$ 6,133,366
Cash in noncurrent assets	<u>103,212</u>	<u>103,212</u>
Total cash	<u>\$ 675,914</u>	<u>\$ 6,236,578</u>
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities</b>		
Operating loss	\$ (9,679,869)	\$ (7,459,183)
Depreciation	2,064,449	2,034,598
Amortization included in interest expense	(16,331)	(16,331)
Provision for uncollectible accounts	(5,458,829)	(6,082,933)
Changes in operating assets and liabilities		
Patient accounts receivable	7,179,848	3,134,941
Estimated amounts due from and to third-party payers	220,235	(1,059,697)
Advance from Medicare	(2,526,317)	(74,483)
Accounts payable and accrued expenses	1,505,691	(745,749)
Net pension liability	(3,429,138)	4,257
Total OPEB liability	76,064	(33,311)
Deferred outflows of resources	123,614	(1,972,794)
Deferred inflows of resources	1,746,367	819,927
Unearned revenue	(2,298,871)	2,075,772
Other assets and liabilities	<u>(127,214)</u>	<u>(176,572)</u>
Net cash used in operating activities	<u>\$ (10,620,301)</u>	<u>\$ (9,551,558)</u>
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital assets acquisitions included in note payable	\$ -	\$ 271,588
Capital lease obligation incurred	\$ 987,495	\$ 149,887
PPP loan forgiveness	\$ 6,080,100	\$ -
Noncapital appropriations used to redeem No Fund Warrants	\$ 482,400	\$ -

**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Notes to Financial Statements**  
**April 30, 2022 and 2021**

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

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

Geary Community Hospital (Hospital) is an acute care hospital located in Junction City, Kansas. The Hospital is a component unit of Geary County (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Geary County area. It also operates a home medical equipment supplier in the same geographic area.

***Foundation***

Geary Community Healthcare Foundation (Foundation) is a legally separate, tax-exempt component unit of the Hospital. The Foundation acts primarily as a fund raising organization to supplement the resources that are available to the Hospital in support of its programs. The fifteen-member board of the Foundation is self-perpetuating and consists of the Chief Executive Officer (CEO) of the Hospital, three Hospital board members and eleven community members. Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the Hospital by the donors or are provided to the Hospital for its programs. Because the majority of resources held by the Foundation can only be used by, or for the benefit of, the Hospital and for the benefit of patients served by the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements. The Foundation's financial statements are presented on a December 31 year-end basis.

During the years ended April 30, 2022 and 2021, the Foundation distributed \$172,869 and \$0, respectively, to the Hospital for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 1110 St. Mary's Road, Junction City, Kansas 66441.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Hospital's financial reporting entity for these differences.

**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Notes to Financial Statements**  
**April 30, 2022 and 2021**

***Basis of Accounting and Presentation***

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

***Patient Accounts Receivable***

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital 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.

**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Notes to Financial Statements**  
**April 30, 2022 and 2021**

***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. 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 Hospital:

Land improvements	5 – 20 years
Buildings and building improvements	15 – 50 years
Fixed equipment	10 – 18 years
Major moveable equipment	3 – 20 years

***Capital Asset Impairment***

The Hospital evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended April 30, 2022 and 2021.

***Unearned Revenue***

Unearned revenue represents funds received in connection with the Medicaid Disproportionate Share (DSH) Program payments, which are made on a calendar quarter basis. At April 30, 2021, the Hospital deferred unearned revenue of \$2,298,871 related to future periods. See *Note 11* regarding the Provider Relief Funds as those funds were a component of unearned revenue at April 30, 2021. There was no unearned revenue at April 30, 2022.

***Bond Premiums***

Bonds payable are reported net of the applicable bond premium. Bond premiums are amortized over the life of the debt using the effective interest method. Amortization is included as a component of interest expense.

**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Notes to Financial Statements**  
**April 30, 2022 and 2021**

***Deferred Outflows of Resources***

The Hospital reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheet.

***Compensated Absences***

Hospital 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.

***Risk Management***

The Hospital 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; and natural disasters; and employee health, dental and accident benefits. Effective May 1, 2013, 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.

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 to cover claims incurred but not reported.

***No Fund Warrants***

On May 18, 2020, the County authorized the issuance of \$1,933,000 of No Fund Warrants (Warrants) from the County to the Hospital to provide additional cash to support Hospital operations and pay outstanding accounts payable. The warrants are to be repaid to the County through a reduction of future noncapital appropriations and are reported as a liability of the Hospital in the accompanying balance sheets.



**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Notes to Financial Statements**  
**April 30, 2022 and 2021**

***Paycheck Protection Program (PPP) Loans***

The Hospital received two separate PPP loans 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 Hospital received legal notice on June 8, 2021 and February 9, 2022, that the PPP loan – round 1 and PPP loan – round 2, respectively, were 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.

***Cost-Sharing Defined Benefit Pension Plan***

The Hospital participates in a cost-sharing multiple-employer defined benefit pension plan, the Kansas Public Employees Retirement Savings Plan (KPERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS's fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Non-Trusted Agent Multiple Employer Defined Benefit Other Postemployment Benefit Plan***

The Hospital has an agent defined benefit other postemployment benefit (OPEB) plan, KPERS Death and Disability Plan, (the OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Deferred Inflows of Resources***

The Hospital reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

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***Net Position***

Net position of the Hospital is classified in three 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.
- Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

***Net Patient Service Revenue***

The Hospital has agreements with third-party payers that provide for payments to the Hospital 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.

***Charity Care***

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

***Noncapital Appropriations***

The Hospital received approximately 4% and 1% in 2022 and 2021, respectively, of its financial support from Geary County. One hundred percent of the funds were used to support operations.

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***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 Hospital 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 Hospital 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 Funds distributions, if any, is recorded as unearned revenue in the accompanying balance sheets.

***Income Taxes***

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

***Revision***

An immaterial revision has been made to the 2021 financial statements to correct the presentation of cash received from issuance of no fund warrants in the statement of cash flows for the Hospital. The original presentation showed the current portion of \$482,400 as a cash inflow from capital financing activities, this has been corrected to show as a cash inflow from noncapital financing activities. The revision had no impact on operating cash activities or total change in cash for the Hospital. The revision was isolated to the capital and noncapital financing activity sections of the statement of cash flows and had no impact on the balance sheet, statement of revenues and expenses and changes in net position or any footnotes.

**Note 2: Deposits and Investment Income**

***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 Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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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 April 30, 2022 and 2021, respectively, \$659,345 and \$6,326,757 of the Hospital's bank balances of \$1,532,979 and \$7,104,809 were exposed to custodial credit risk as follows:

	<b>2022</b>	<b>2021</b>
Uninsured and uncollateralized	\$ 70,783	\$ 5,746,035
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	588,562	580,722
	<u>\$ 659,345</u>	<u>\$ 6,326,757</u>

**Summary of Carrying Values**

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

	<b>2022</b>	<b>2021</b>
Carrying value Deposits	<u>\$ 1,139,042</u>	<u>\$ 6,694,541</u>
Included in the following balance sheet captions		
Cash	\$ 572,702	\$ 6,133,366
Held under bond indenture for debt service - short-term certificates of deposit	463,128	457,963
Noncurrent cash and short-term certificates of deposit	<u>103,212</u>	<u>103,212</u>
	<u>\$ 1,139,042</u>	<u>\$ 6,694,541</u>

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**Note 3: Patient Accounts Receivable**

The Hospital 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 April 30, 2022 and 2021, consisted of:

	<b>2022</b>	<b>2021</b>
Medicare	\$ 771,316	\$ 1,136,472
Medicaid	555,300	577,240
Blue Cross	597,900	952,378
Other third-party payers	1,415,058	1,984,496
Patients	17,189,443	13,206,411
	<u>20,529,017</u>	<u>17,856,997</u>
Less allowance for uncollectible accounts	<u>16,604,874</u>	<u>12,211,835</u>
	<u><u>\$ 3,924,143</u></u>	<u><u>\$ 5,645,162</u></u>

**Note 4: Capital Assets**

Capital assets activity for the years ended April 30, 2022 and 2021, were:

	<b>2022</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land and land improvements	\$ 1,289,702	\$ -	\$ -	\$ 41,204	\$ 1,330,906
Buildings and building improvements	52,770,385	62,573	(7,369)	38,200	52,863,789
Fixed equipment	4,827,359	596,321	(10,097)	-	5,413,583
Major moveable equipment	21,108,198	633,510	(2,621,940)	3,600	19,123,368
Construction in progress	83,004	47,256	-	(83,004)	47,256
	<u>80,078,648</u>	<u>1,339,660</u>	<u>(2,639,406)</u>	<u>-</u>	<u>78,778,902</u>
Less accumulated depreciation					
Land improvements	1,050,675	9,257	-	-	1,059,932
Buildings and building improvements	24,522,287	1,374,152	(7,306)	-	25,889,133
Fixed equipment	4,552,576	71,543	(10,065)	-	4,614,054
Major moveable equipment	17,979,112	609,497	(2,610,976)	-	15,977,633
	<u>48,104,650</u>	<u>2,064,449</u>	<u>(2,628,347)</u>	<u>-</u>	<u>47,540,752</u>
Capital Assets, Net	<u><u>\$ 31,973,998</u></u>	<u><u>\$ (724,789)</u></u>	<u><u>\$ (11,059)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,238,150</u></u>

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	<b>2021</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land and land improvements	\$ 1,289,702	\$ -	\$ -	\$ -	\$ 1,289,702
Buildings and building improvements	52,713,557	61,184	(4,356)	-	52,770,385
Fixed equipment	4,621,774	220,783	(15,198)	-	4,827,359
Major moveable equipment	20,866,434	1,685,502	(1,530,691)	86,953	21,108,198
Construction in progress	86,953	83,004	-	(86,953)	83,004
	<u>79,578,420</u>	<u>2,050,473</u>	<u>(1,550,245)</u>	<u>-</u>	<u>80,078,648</u>
Less accumulated depreciation					
Land improvements	1,041,381	9,294	-	-	1,050,675
Buildings and building improvements	23,083,971	1,442,672	(4,356)	-	24,522,287
Fixed equipment	4,540,499	27,275	(15,198)	-	4,552,576
Major moveable equipment	18,926,535	555,357	(1,502,780)	-	17,979,112
	<u>47,592,386</u>	<u>2,034,598</u>	<u>(1,522,334)</u>	<u>-</u>	<u>48,104,650</u>
Capital Assets, Net	<u>\$ 31,986,034</u>	<u>\$ 15,875</u>	<u>\$ (27,911)</u>	<u>\$ -</u>	<u>\$ 31,973,998</u>

**Note 5: Long-term Obligations**

The following is a summary of long-term obligation transactions for the Hospital for the years ended April 30, 2022 and 2021:

	<b>2022</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt					
2016 refunding revenue					
bonds payable	\$ 3,785,000	\$ -	\$ 290,000	\$ 3,495,000	\$ 300,000
Reoffering premium	168,752	-	16,331	152,421	16,331
PPP loan payable, round one	4,080,100	-	4,080,100	-	-
PPP loan payable, round two	2,000,000	-	2,000,000	-	-
Note payable - Flint Hills OB	149,887	-	36,911	112,976	37,283
Capital leases payable	276,767	987,495	192,702	1,071,560	192,545
	<u>\$ 10,460,506</u>	<u>\$ 987,495</u>	<u>\$ 6,616,044</u>	<u>\$ 4,831,957</u>	<u>\$ 546,159</u>

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	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
2016 refunding revenue					
bonds payable	\$ 4,070,000	\$ -	\$ 285,000	\$ 3,785,000	\$ 290,000
Reoffering premium	185,083	-	16,331	168,752	16,331
PPP loan payable, round one	4,080,100	-	-	4,080,100	4,080,100
PPP loan payable, round two	-	2,000,000	-	2,000,000	-
Note payable - Flint Hills OB	-	149,887	-	149,887	36,912
Capital leases payable	300,758	271,588	295,579	276,767	75,198
	<u>\$ 8,635,941</u>	<u>\$ 2,421,475</u>	<u>\$ 596,910</u>	<u>\$10,460,506</u>	<u>\$ 4,498,541</u>

**2016 Refunding Revenue Bonds Payable**

The revenue bonds payable consist of Hospital Revenue Refunding Bonds (Bonds) in the original amount of \$4,310,000 dated September 1, 2016, which bear interest at 2.87%. The Bonds are payable in semiannual interest only payments beginning February 1, 2017 through February 1, 2019. Annual principal payments begin August 1, 2019 and continue through August 1, 2031.

The bond document requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a debt-service coverage ratio of at least 1.25 to 1, 30 days cash on hand, and restrictions on incurrence of additional debt. As of April 30, 2022, the Hospital was not in compliance with the restrictive covenants listed above related to days cash on hand.

The debt service requirements of the Bonds as of April 30, 2022, are as follows:

Year Ending April 30,	Total to be Paid	Principal	Interest
2023	\$ 400,350	\$ 300,000	\$ 100,350
2024	401,200	310,000	91,200
2025	401,750	320,000	81,750
2026	402,000	330,000	72,000
2027	401,950	340,000	61,950
2028 - 2032	<u>2,041,025</u>	<u>1,895,000</u>	<u>146,025</u>
	<u>\$ 4,048,275</u>	<u>\$ 3,495,000</u>	<u>\$ 553,275</u>

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***Paycheck Protection Program (PPP) Loans Payable***

The Hospital entered into the Paycheck Protection Program (PPP) loan (round one) on April 30, 2020, in the amount of \$4,080,100. The loan has provisions that, if met, allow for the Hospital to be forgiven up to 100% of the loan amount. The loan has an interest rate of 1% and is due in full two years from date of issuance. The loan is a program under the SBA and is fully guaranteed by the SBA. The Hospital received legal notice on June 8, 2021, that the PPP loan was forgiven in its entirety.

The Hospital entered into the Paycheck Protection Program (PPP) loan (round two) on February 17, 2021, in the amount of \$2,000,000. The loan has provisions that, if met, allow for the Hospital to be forgiven up to 100% of the loan amount. The loan has an interest rate of 1% and is due in full five years from date of issuance. The loan is a program under the SBA and is fully guaranteed by the SBA. The Hospital received legal notice on February 9, 2022, that the PPP loan was forgiven in its entirety.

***Capital Lease Obligations***

The Hospital is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at April 30, 2022 and 2021, totaled \$1,185,603 and \$274,554, net of accumulated depreciation of \$234,714 and \$59,181, respectively. The following is a schedule by year of future minimum lease payments under the capital leases including interest rates of 3.50% to 8.89% together with the present value of the future minimum lease payments as of April 30, 2022:

Year Ending April 30,	
2023	\$ 256,603
2024	280,738
2025	249,538
2026	198,141
2027	118,094
Thereafter	185,122
Total minimum lease payments	<u>1,288,236</u>
Less amount representing interest	<u>216,676</u>
Present value of future minimum lease payments	<u>\$ 1,071,560</u>



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**Note 6: Net Patient Service Revenue**

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

*Medicare.* Inpatient acute care and skilled swing-bed services are paid at cost, subject to certain limitations, under a demonstration project with Medicare. Additional reimbursements under this program were approximately \$2,580,000 in 2022 and \$2,650,000 in 2021. Substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge, or per billable service unit. The outpatient payment rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient rehabilitation services, inpatient gero-psychiatric services, medical education costs and home health agency services are paid at prospectively determined per diem rates that are based on the patients' acuity. Rural Health Clinic services are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

*Medicaid.* Inpatient and most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective reimbursement methodology. Rural Health Clinic services are paid on a cost reimbursement methodology. Due to certain financial and clinical criteria, the Hospital also receives Medicaid disproportionate share (DSH) funding. Medicaid DSH payments were \$701,452 and \$819,250 in 2022 and 2021, respectively.

Approximately 56% and 49% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended April 30, 2022 and 2021, respectively. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible recorded estimates will change materially in the near term.

The Hospital has qualified for additional reimbursements from the Tricare program under its hold harmless provisions regarding certain outpatient services provided on and after January 1, 2010.

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

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**Note 7: Charity Care, Medicaid and Other Public Aid**

Charges excluded from revenue under the Hospital's charity care policy were \$534,297 and \$944,469 for 2022 and 2021, respectively. The cost of charity care under the Hospital's charity care policy were \$222,879 and \$333,247 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

In support of its mission, the Hospital voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. In addition, the Hospital provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients and many times the payments are less than the cost of rendering the services provided.

**Note 8: Pension Plan**

***Plan Description***

The Hospital contributes to the Kansas Public Employees Retirement System (KPERS) plan a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees. The Kansas Public Employees Retirement System Plan is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74, Article 49: *Kansas Public Employees Retirement System (KPERS), Kansas Police and Fire Retirement System and Kansas Retirement System for Judges.*

The KPERS plan is a cost-sharing multiple-employer defined benefit plan. KPERS is intended to be a qualified retirement plan under Section 401(a) of the Code. Information relating to KPERS, including stand-alone financial statements, is available by writing to KPERS, 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869 or accessing the internet at [www.KPERS.org](http://www.KPERS.org).

KPERS makes separate calculations for pension-related amounts for the following four groups participating in the Plan:

- State/School
- Local
- Police and Firemen
- Judges

The Hospital's employees participate in the Local group.

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***Benefits Provided***

Retirement benefits for employees are calculated based on the credited service, final average salary and a statutory multiplier. KPERS has two levels of benefits depending on retirement age and years of credited service. Tier 1 benefits are for members who are age 65 or age 62 with ten years of credited service or of any age when combined age and years of credited service equal 85 “points.” Tier 2 benefits are for members who are age 65 with five years of credited service or age 60 with 30 years of credited service. Tier 1 members receive a participating service credit of 1.75% of the final average salary for years of service prior to January 1, 2014. Participating service credit is 1.85% of final average salary for years of service after December 31, 2013. Tier 2 members retiring on or after January 1, 2012, participating service credit is 1.85% for all years of service.

Early retirement is permitted at the age of 55 and ten years of credited service. Benefits are reduced by 0.2% per month for each month between the ages of 60-62, plus 0.6% for each month between the ages of 55 and 60 for Tier 1 members. For Tier 2 members, benefits are reduced actuarially for each early commencement. The reduction factor is 35% at the age of 60 and 57.5% at age 55. If the member has 30 years of credited service, the early retirement reduction is less (50% of regular reduction). The Plan also provides disability and death benefits to plan members and their beneficiaries.

The terms of the plan provide for annual 2% cost-of-living adjustment for Tier 2 members who retired prior to July 1, 2012, beginning the later of age of 65 or the second July 1 after retirement date. Other participants do not receive a cost-of-living adjustment.

***Contributions***

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the statewide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% of their annual pay. Effective January 1, 2014, the rate was raised to 5% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Hospital’s contractually required contribution rate for the years ended April 30, 2022 and 2021, was 8.88% and 8.70% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital’s contributions to KPERS for pensions for the years ended April 30, 2022 and 2021, were \$1,237,563 and \$1,201,301, respectively.

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***Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At April 30, 2022 and 2021, the Hospital reported a liability of \$8,195,653 and \$11,624,791, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2020 and 2019, respectively, rolled forward to June 30, 2021 and 2020, respectively. The Hospital's proportion of the net pension liability was based on the ratio of the Hospital's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2021, the Hospital's proportion was 0.682996%, which was an increase of 0.012459% from its proportion measured as of June 30, 2020, of 0.670537%. At June 30, 2019, the proportion was 0.831599%.

For the years ended April 30, 2022 and 2021, the Hospital recognized pension expense of \$(333,556) and \$259,437, respectively. At April 30, 2022 and 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2022</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 323,501	\$ 74,208
Net difference between projected and actual earnings on pension plan investments	-	2,910,254
Changes of assumptions	1,613,324	-
Changes in proportion	142,794	2,001,309
Hospital's contributions subsequent to the measurement date	1,049,040	-
Total	<u>\$ 3,128,659</u>	<u>\$ 4,985,771</u>
	<b>2021</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 194,099	\$ 149,451
Net difference between projected and actual earnings on pension plan investments	1,356,323	-
Changes of assumptions	700,198	-
Changes in proportion	-	3,064,550
Hospital's contributions subsequent to the measurement date	961,924	-
Total	<u>\$ 3,212,544</u>	<u>\$ 3,214,001</u>

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At April 30, 2022, the Hospital reported \$1,049,040 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending April 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2022, related to pensions will be recognized in pension expense as follows:

2023	\$ (973,376)
2024	(711,110)
2025	(587,403)
2026	(697,756)
2027	<u>63,493</u>
	<u><u>\$ (2,906,152)</u></u>

***Actuarial Assumptions***

The total pension liability in the December 31, 2020 and 2019, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u><b>2020</b></u>	<u><b>2019</b></u>
Inflation	2.75%	2.75%
Salary increases, including inflation	3.50% to 12.00%	3.25% to 11.75%
Investment rate of return, net of pension plan investment expense, including inflation	7.25%	7.50%

Mortality rates were based on the RP-2014 Healthy Annuitant Table for males or females, as appropriate with adjustments for mortality improvements based on Scale MP-16 for the December 31, 2020 and 2019, actuarial valuations.

The actuarial assumptions used in the December 31, 2020 and 2019, valuation were based on the results of an actuarial experience study for the three-year period ended December 31, 2018.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	2022		2021	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
U.S. equities	23.5%	5.20%	23.5%	5.20%
Non-U.S. equities	23.5%	6.40%	23.5%	6.40%
Private equity	8.0%	9.50%	8.0%	9.50%
Private real estate	11.0%	4.45%	11.0%	4.45%
Yield driven	8.0%	4.70%	8.0%	4.70%
Real return	11.0%	3.25%	11.0%	3.25%
Fixed income	11.0%	1.55%	11.0%	1.55%
Short-term investments	4.0%	0.25%	4.0%	0.25%
	<u>100%</u>		<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25% and 7.50% for the years ended June 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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***Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The Hospital's proportionate share of the net pension liability has been calculated using a discount rate of 7.25%. The following presents the Hospital's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Hospital's proportionate share of the net pension liability (2022)	\$ 13,481,053	\$ 8,195,653	\$ 3,763,175

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS' financial report.

**Note 9: Other Postemployment Benefit Plan**

***Plan Description***

The Hospital contributes to the KPERS Long-Term Disability plan (the OPEB Plan), a single-employer defined benefit other postemployment benefit (OPEB) plan covering substantially all employees. The OPEB Plan is administered by a board of trustees appointed by KPERS. The OPEB Plan's assets are not accumulated in a qualified trust because contributions from the employer to the OPEB plan and earnings on those contributions are not irrevocable. Benefit provisions are contained in the plan document and were established and can be amended by action of the KPERS's governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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**Benefits Provided**

The OPEB Plan provides LTD and life insurance benefits to eligible disabled members. Benefits provided are self-funded, and the full cost of the benefits is covered by the OPEB Plan. The monthly benefit is 60% of the member's monthly rate of compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever first occurs. Upon the death of a member who is receiving monthly disability benefits, the plan will pay a lump sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary.

The employees covered by the benefit terms at June 30 (the measurement date), are:

	<u>2021</u>	<u>2020</u>
Active employees	186	191
Disabled employees	<u>1</u>	<u>1</u>
	<u>187</u>	<u>192</u>



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The total OPEB liability in the December 31, 2020 and 2019, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<b>2020</b>	<b>2019</b>
Inflation	2.75%	2.75%
Discount rate	2.16%	2.21%
Salary increases, including inflation	3.50% to 10%	3.50% to 10%
	Bond Buyer	Bond Buyer
	General	General
	Obligation 20-	Obligation 20-
	Year Municipal	Year Municipal
Discount rate	Bond Index	Bond Index
Mortality tables	RP-2014	RP-2014
Mortality improvements	MP-2021	MP-2020
	Jan 1, 2016 -	Jan 1, 2016 -
Results of an Actuarial Experience Study during	Dec 31, 2018	Dec 31, 2018

***Total OPEB Liability***

The Hospital's total OPEB liability of \$304,124 and \$228,068 was measured as of June 30, 2021 and 2020, for the years ended April 30, 2022 and 2021, respectively, and was determined by actuarial valuations as of December 31, 2020 and 2019, respectively, and rolled forward to June 30, 2021 and 2020, respectively.

Changes in the total OPEB liability are:

	<b>2022</b>	<b>2021</b>
Balance, beginning of year	\$ 228,060	\$ 261,371
Changes for the year:		
Service cost	48,522	59,041
Interest	5,648	11,077
Differences between expected and actual experience	64,002	(103,219)
Changes of assumptions	157	7,692
Benefit payments	(42,265)	(7,902)
Net changes	76,064	(33,311)
Balance, end of year	\$ 304,124	\$ 228,060

**Geary Community Hospital**  
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***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The total OPEB liability of the Hospital, at April 30, 2022, has been calculated using a discount rate of 2.16%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the 2022 discount rate.

	<b>1% Decrease (1.16%)</b>	<b>Current Discount Rate (2.16%)</b>	<b>1% Increase (3.16%)</b>
Hospital's total OPEB liability	\$ 306,167	\$ 304,124	\$ 300,260

The total OPEB liability of the Hospital is not impacted by health care cost trend rates given the nature of the benefits provided by the OPEB plan, as such no sensitivity tables were prepared for the health care trend rates.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the years ended April 30, 2022 and 2021, the Hospital recognized OPEB expense of \$36,179 and \$45,749, respectively. At April 30, 2022 and 2021, the Hospital reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	<b>2022</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 57,640	\$ (168,612)
Changes of assumptions	7,997	(6,425)
Hospital's contributions made subsequent to the measurement date	3,351	-
Total	<u>\$ 68,988</u>	<u>\$ (175,037)</u>

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	<b>2021</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (192,694)
Changes of assumptions	8,890	(7,746)
Hospital's contributions made subsequent to the measurement date	99,827	-
Total	<u>\$ 108,717</u>	<u>\$ (200,440)</u>

At April 30, 2022, the Hospital reported \$3,351 as deferred outflows of resources related to OPEB contributions made subsequent to the measurement date that will be recognized as a reduction of the OPEB liability in the year ending April 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2022, related to OPEB will be recognized in OPEB expense as follows:

2023	\$ (17,991)
2024	(17,991)
2025	(17,991)
2026	(17,991)
2027	(17,646)
Thereafter	(19,790)
	<u>\$ (109,400)</u>

**Note 10: Restricted Net Positions**

At April 30, 2022 and 2021, restricted expendable net positions were available for the following purposes:

	<b>2022</b>	<b>2021</b>
Debt service	\$ 463,128	\$ 457,963
Specific operating activities		
Nursing scholarships	103,212	103,212
Total restricted expendable net position	<u>\$ 566,340</u>	<u>\$ 561,175</u>

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

On March 11, 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 been 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.

The Hospital's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Hospital 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 Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast.

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an effect on debt covenant compliance and 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***

The Hospital received \$1,318,386 and \$8,945,250 of distributions from the *CARES Act* Provider Relief Fund for the years ended April 30, 2022 and 2021, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital 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 the Department of Health and Human Services.

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The Hospital 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. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through April 30, 2022 and 2021, the Hospital recognized \$3,613,341 and \$6,650,295, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

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 Funds 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 the Hospital's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

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 April 30, 2022 and 2021, 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 Hospital's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

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

During the year ended April 30, 2020, the Hospital 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 percent of the remittance advice payment followed by a six-month payback period at 50 percent of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold 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 percent.

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During the year ended April 30, 2020, the Hospital received approximately \$2,810,000 from these accelerated Medicare payment requests. During the years ended April 30, 2022 and 2021, Medicare has applied approximately \$2,526,000 and \$74,000, respectively, from these accelerated Medicare payment requests against filed claims. The unapplied amount of accelerated Medicare payment requests is recorded under the caption Medicare advanced payments in the accompanying balance sheets. They are classified as current and long-term liabilities based on the provisions in effect at April 30, 2022 and 2021.

***Payroll Tax Credits***

The *CARES Act* provides for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes be deferred until December 2021 and the remaining half until December 2022. At April 30, 2021, the Hospital had deferred approximately \$408,000, which was paid back during the year ended April 30, 2022.

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

The *CARES Act* and other subsequent legislation also provides a Small Business Administration (SBA) loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Payroll Protection Program (PPP) loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Hospital received a PPP loan (round 1) of \$4,080,100 on April 30, 2020. The loan has an interest rate of 1 percent, with monthly payments of principal and interest due monthly starting six months after the receipt of the loan. The Hospital received legal notice on June 8, 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.

The Hospital entered into the Paycheck Protection Program (PPP) loan (round 2) on February 17, 2021, in the amount of \$2,000,000. The loan has an interest rate of 1% and is due in full five years from date of issuance. The loan is a program under the SBA and is fully guaranteed by the SBA. The Hospital received legal notice on February 9, 2022, 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.

**Note 12: Contingencies**

***Medical Malpractice Claims***

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis, which provides \$1,000,000 of coverage for each medical incident and \$3,000,000 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 incurred.

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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 Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change 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. GASB 87 is effective for financial statements for fiscal years beginning after June 15, 2021. Earlier application is encouraged. 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 Hospital is evaluating the impact the statement will have on the financial statements.

**Note 14: Management's Consideration of Going Concern Matters**

The Hospital has incurred losses and negative cash flows from operations for the past several years. Management is considering several alternatives for mitigating these conditions during the next year. The Hospital has implemented an overall strategic plan to improve utilization and reduce costs without impacting the quality of patient care. The effects of these changes cannot be evaluated and substantial doubt about the Hospital's ability to continue as a going concern within one year after the date of the financial statements remains.

The Geary County Commission is continuing to support the operating shortfalls of the Hospital. The Hospital also received a loan from Geary Community Healthcare Foundation in the amount of \$1,500,000. The loan has a maturity date of July 15, 2023, and an interest rate of 3.00%.

**Geary Community Hospital**  
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The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Hospital be unable to continue as a going concern.

**Note 15: Subsequent Events**

The Hospital received a loan from Geary Community Healthcare Foundation in July 2022 in the amount of \$1,500,000. The loan is to be paid monthly based on collection activity of accounts receivable. The loan has a final maturity date of July 15, 2023, and an interest rate of 3%. The Foundation has the option to call the loan prior to the July 15, 2023, maturity date.

In May 2022, the Hospital sold one of its off-campus buildings for \$425,000.

In November 2022, the Hospital sold the Home Medical Equipment operations and equipment to a third-party for \$221,850.

The Hospital entered into an agreement with Stormont Vail, which was effective January 1, 2023, for Stormont Vail to lease the facilities for a period of 5 years through December 31, 2027, with two renewal option periods of five years each, which ends December 31, 2037. The agreement also provides Stormont Vail the option to purchase the facilities once there are no longer any restrictions against alienation for the facilities arising out of the revenue bonds secured by the facilities. The lease also provides for Stormont Vail to purchase all equipment and inventory as of the effective date. The lease provides that operations will be under the control of Stormont Vail, who created a wholly owned subsidiary, Stormont Vail Health, Flint Hills, LLC (SVH Flint Hills), to operate the Hospital. The lease is for \$1.

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 Hospital. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

**Note 16: Geary Community Healthcare Foundation**

***Summary of Significant Accounting Policies***

**Organization**

The Foundation is a not-for-profit organization whose purpose is to raise funds for the support of health and health care programs in Geary County and the Geary Community Hospital. The Foundation is considered a component unit of Geary Community Hospital.



**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Notes to Financial Statements**  
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**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Cash Equivalents**

The Foundation considers all highly liquid investments with a maturity of one year or less to be cash equivalents. The Foundation does not consider uninvested cash held in investment accounts as cash or cash equivalents. Cash equivalents consist of cash accounts and certificates of deposit located at various financial institutions and brokerages.

**Investments and Investment Return**

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor restrictions. Restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

**Revenue Recognition**

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the condition on which they depend have been substantially met.

**Functional Allocation of Expenses**

The costs of providing the Foundation's programs and administration have been summarized on a functional basis in the Statements of Activities. Accordingly, expenses that benefit both programs and supporting services have been allocated using management's estimates.

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**Fair Value Measurement**

The Foundation reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

The following table provides the hierarchy and fair value for each major category of assets measured at fair value at December 31:

	<b>Fair Value Level</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	Level 1	\$ 52,068	\$ 66,914
Exchange traded and mutual funds	Level 1	3,817,399	3,448,975
Bonds	Level 1	<u>25,810</u>	<u>54,682</u>
Total investments		<u>\$ 3,895,277</u>	<u>\$ 3,570,571</u>

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The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2021 and 2020. There have been no transfers between the three levels of fair value classification during the years ended December 31, 2021 and 2020.

**Income Taxes and Uncertain Tax Positions**

The Foundation is organized as a Kansas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3). Further, the Foundation qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi) and has been determined not to be a private foundation under IRC Sections 509(a)(1).

The Foundation is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS on an annual basis. In addition, this entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. For 2021 and 2020, the Foundation has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Returns filed by the Foundation are subject to IRS examination, generally for three years after each return is filed. No taxing authorities have commenced income tax examinations for open tax years.

**Use of Estimates**

The preparation of these financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

## **Required Supplementary Information**

**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Schedule of the Hospital's Proportionate Share of the Net Pension Liability**  
**Kansas Public Employees Retirement System Plan**  
**Last Ten Fiscal Years**

	<b>2022 *</b>	<b>2021 *</b>	<b>2020 *</b>	<b>2019 *</b>	<b>2018 *</b>	<b>2017 *</b>	<b>2016 *</b>	<b>2015 *</b>
Hospital's proportion of the net pension liability	0.682996%	0.670537%	0.831599%	0.879230%	1.001085%	1.011597%	1.127297%	1.169507%
Hospital's proportionate share of the net pension liability	\$ 8,195,653	\$ 11,624,791	\$ 11,620,534	\$ 12,264,253	\$ 14,500,272	\$ 14,102,900	\$ 14,801,907	\$ 14,394,445
Hospital's covered-employee payroll	\$ 13,166,682	\$ 12,662,114	\$ 15,374,815	\$ 15,802,429	\$ 17,633,030	\$ 16,701,107	\$ 18,184,652	\$ 18,216,708
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.25%	91.81%	75.58%	77.61%	82.23%	84.44%	81.40%	79.02%
Plan fiduciary net position as a percentage of the total pension liability	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%

**Note to Schedule:** This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

\*The amounts presented for each fiscal year are as of the measurement date (June 30 of the year reported).

**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Schedule of the Hospital's Pension Contributions**  
**Kansas Public Employees Retirement System Plan**  
**Last Ten Fiscal Years**

	<b>2022 *</b>	<b>2021 *</b>	<b>2020 *</b>	<b>2019 *</b>	<b>2018 *</b>	<b>2017 *</b>	<b>2016 *</b>	<b>2015 *</b>
Contractually required contribution	\$ 1,237,563	\$ 1,201,301	\$ 1,126,404	\$ 1,388,885	\$ 1,288,557	\$ 1,537,287	\$ 1,657,442	\$ 1,712,969
Contribution in relation to the contractually required contribution	<u>1,237,563</u>	<u>1,201,301</u>	<u>1,126,404</u>	<u>750,379</u>	<u>1,288,557</u>	<u>1,537,287</u>	<u>1,657,442</u>	<u>1,712,969</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$13,936,108	\$13,808,969	\$12,789,498	\$16,554,052	\$15,231,170	\$16,746,046	\$17,669,957	\$18,920,865
Contributions as a percentage of covered-employee payroll	8.88%	8.70%	8.81%	8.39%	8.46%	9.18%	9.38%	9.05%

**Note to Schedule:** This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

\*The amounts presented for each fiscal year are as of the most recent fiscal year-end (April 30).

**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios**  
**Last Ten Fiscal Years**

	<b>2022 *</b>	<b>2021 *</b>	<b>2020 *</b>	<b>2019 *</b>	<b>2018 *</b>
<b>Total OPEB Liability</b>					
Service cost	\$ 48,522	\$ 59,041	\$ 59,027	\$ 58,293	\$ 68,352
Interest	5,648	11,077	12,904	14,129	12,195
Differences between expected and actual experience	64,002	(103,219)	(80,725)	(51,825)	-
Changes in assumptions	157	7,692	2,488	(2,352)	(10,435)
Benefit payments	<u>(42,265)</u>	<u>(7,902)</u>	<u>(13,320)</u>	<u>(145,947)</u>	<u>(41,629)</u>
<b>Net Change in Total OPEB Liability</b>	76,064	(33,311)	(19,626)	(127,702)	28,483
<b>Hospital's Total OPEB Liability - Beginning</b>	<u>228,060</u>	<u>261,371</u>	<u>280,997</u>	<u>408,699</u>	<u>380,216</u>
<b>Hospital's Total OPEB Liability - Ending</b>	<u><u>\$ 304,124</u></u>	<u><u>\$ 228,060</u></u>	<u><u>\$ 261,371</u></u>	<u><u>\$ 280,997</u></u>	<u><u>\$ 408,699</u></u>
<b>Hospital's Covered-Employee Payroll</b>	\$ 11,892,473	\$ 11,121,420	\$ 14,648,584	\$ 15,136,566	\$ 16,549,913
<b>Hospital's Total OPEB Liability as a Percentage of Covered-employee Payroll</b>	2.56%	2.05%	1.78%	1.86%	2.47%
<b>Discount Rate</b>	2.16%	2.21%	3.50%	3.87%	3.58%

**Note to Schedule:** This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

\*The amounts presented for each fiscal year are as of the measurement date (June 30 of the year reported).

## **Supplementary Information**



**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Net Patient Service Revenue**  
**Years Ended April 30, 2022 and 2021**

	<b>2022</b>		
	<b>Inpatient</b>	<b>Outpatient</b>	<b>Total</b>
Nursing, dietary and room service	\$ 5,522,518	\$ -	\$ 5,522,518
Intensive care	2,482,730	-	2,482,730
Nursery	427,137	-	427,137
Operating room	3,405,637	5,023,781	8,429,418
Extended recovery	794	149,990	150,784
Anesthesiology	595,546	1,125,562	1,721,108
Radiology, CT, MRI and Ultrasound	2,544,388	22,292,817	24,837,205
Nuclear medicine	7,465	936,853	944,318
Laboratory	2,969,951	20,208,201	23,178,152
Intravenous therapy	37,071	687,360	724,431
Respiratory therapy	3,517,234	2,021,624	5,538,858
Physical therapy	158,868	20,000	178,868
Occupational therapy	127,369	11,803	139,172
Speech therapy	25,561	9,780	35,341
Cardiac pulmonary rehabilitation	220	692,976	693,196
Sleep lab	-	531,144	531,144
Central supply	1,415,126	1,438,255	2,853,381
Pharmacy	3,663,348	3,235,596	6,898,944
Emergency room	1,436,870	14,843,042	16,279,912
Observation	-	970,930	970,930
Wound care	-	1,242,719	1,242,719
Pediatric clinic – RHC	-	1,088,171	1,088,171
4th Floor MAB II clinic – RHC	-	1,667,518	1,667,518
Hospitalist	-	497,404	497,404
Frieze clinic – RHC	-	449,502	449,502
Craig clinic – RHC	-	518,578	518,578
Alphacare – RHC	-	1,404,178	1,404,178
Naccarato clinic – RHC	-	756,440	756,440
Home medical equipment	-	2,229,222	2,229,222
Orthopedic clinic	12	2,224,403	2,224,415
Chapman clinic	-	175,345	175,345
Flint Hills OB/GYN	-	2,001,221	2,001,221
Flint Hills Surgical clinic	-	985,787	985,787
Total Hospital	<u>\$ 28,337,845</u>	<u>\$ 89,440,202</u>	117,778,047
Contractual allowances, provisions for uncollectible accounts and charity care			<u>83,781,986</u>
Net patient service revenue			<u><u>\$ 33,996,061</u></u>

2021		
Inpatient	Outpatient	Total
\$ 5,305,553	\$ -	\$ 5,305,553
2,908,619	-	2,908,619
495,835	-	495,835
3,363,977	5,099,571	8,463,548
1,995	167,968	169,963
587,040	1,154,458	1,741,498
2,536,844	21,920,741	24,457,585
10,295	878,837	889,132
3,381,331	20,242,973	23,624,304
40,234	697,589	737,823
3,546,584	1,767,521	5,314,105
185,720	28,318	214,038
136,441	18,466	154,907
41,681	7,964	49,645
-	909,987	909,987
-	843,653	843,653
1,158,841	882,019	2,040,860
3,835,874	2,822,159	6,658,033
1,170,634	11,590,717	12,761,351
-	1,054,541	1,054,541
-	76,083	76,083
-	1,142,740	1,142,740
-	2,039,306	2,039,306
-	660,473	660,473
-	564,848	564,848
-	78,749	78,749
-	1,000,521	1,000,521
-	727,329	727,329
-	2,042,651	2,042,651
956	1,966,474	1,967,430
-	45,882	45,882
-	138,783	138,783
-	882,523	882,523
<u>\$ 28,708,454</u>	<u>\$ 81,453,844</u>	110,162,298
		<u>76,349,910</u>
		<u>\$ 33,812,388</u>

**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Contractual Allowances, Charity Care and Other Operating Revenues**  
**Years Ended April 30, 2022 and 2021**

**Contractual Allowances and Charity Care**

	<b>2022</b>	<b>2021</b>
Hospital-sponsored charity care	\$ 534,297	\$ 944,469
Contractual allowances:		
Medicare	31,859,218	35,302,708
Medicaid	11,782,289	8,822,346
Blue Cross	10,087,572	9,441,121
Tricare	9,179,993	8,158,340
HMO/PPO	5,425,872	2,294,441
Clinics	2,982,698	2,707,458
Employee discounts	2,083	2,953
Administrative adjustments	6,469,135	2,593,141
Provision for uncollectible accounts	5,458,829	6,082,933
	<u>\$ 83,781,986</u>	<u>\$ 76,349,910</u>

**Other Operating Revenues**

	<b>2022</b>	<b>2021</b>
Cafeteria and catering	\$ 184,108	\$ 154,434
Rental income	268,071	306,662
Medical records transcript fees	10,980	9,080
Vending machine receipts	5,629	5,795
340B Drug Program	681,375	213,063
Miscellaneous	119,173	11,497
	<u>\$ 1,269,336</u>	<u>\$ 700,531</u>

**Geary Community Hospital**  
**A Component Unit of Geary County, Kansas**  
**Operating Expenses**  
**Years Ended April 30, 2022 and 2021**

	<b>2022</b>		
	<b>Salaries</b>	<b>Other</b>	<b>Total</b>
Nursing service	\$ 1,506,799	\$ 1,386,311	\$ 2,893,110
Intensive care	269,396	1,243,765	1,513,161
Nursery	48,761	8,331	57,092
Operating room	631,455	1,294,747	1,926,202
Anesthesiology	-	923,347	923,347
Radiology, CT, MRI and Ultrasound	763,947	423,837	1,187,784
Nuclear medicine	70,314	34,568	104,882
Laboratory	893,277	1,656,315	2,549,592
Intravenous therapy	61,022	11,268	72,290
Respiratory therapy	263,168	577,421	840,589
Physical therapy	-	44,720	44,720
Occupational therapy	-	27,914	27,914
Speech therapy	-	7,606	7,606
Cardiac pulmonary rehabilitation	195,322	873	196,195
Sleep lab	52,679	21,876	74,555
Central supply	78,593	34,717	113,310
Pharmacy	20,460	2,941,828	2,962,288
Emergency room	1,078,154	2,917,449	3,995,603
Pediatric clinic – RHC	517,993	71,855	589,848
4th Floor MAB II clinic – RHC	1,127,959	76,163	1,204,122
Frieze clinic – RHC	422,351	25,326	447,677
Craig clinic – RHC	328,600	22,156	350,756
Alphacare – RHC	500,206	156,111	656,317
Naccarato clinic – RHC	511,516	22,552	534,068
Clinic management – RHC	376,993	33,044	410,037
Hospitalist	316,148	102,990	419,138
Home medical equipment	242,524	457,396	699,920
Depreciation	-	2,064,449	2,064,449
Employee health and welfare	832	1,965,812	1,966,644
Administrative and general	2,089,612	5,077,837	7,167,449
Operation of plant	247,909	2,173,762	2,421,671
Laundry and linen	39,112	111,501	150,613
Housekeeping	-	949,103	949,103
Dietary	118	941,961	942,079
Dietician	1,228	829	2,057
Nursing administrative	560,219	98,328	658,547
Foundation	29,134	3,396	32,530
Public relations	84,987	49,330	134,317
Chapman clinic	12,281	20,637	32,918
Flint Hills Surgical clinic	599,565	88,492	688,057
Flint Hills OB/GYN	829,039	155,821	984,860
Ortho clinic	293,414	1,142,985	1,436,399
Wound care	105,161	373,845	479,006
Medical arts building	-	32,444	32,444
	<u>\$ 15,170,248</u>	<u>\$ 29,775,018</u>	<u>\$ 44,945,266</u>

2021		
Salaries	Other	Total
\$ 1,683,032	\$ 831,175	\$ 2,514,207
594,547	1,577,518	2,172,065
35,793	3,385	39,178
698,053	889,955	1,588,008
-	683,520	683,520
702,600	517,679	1,220,279
57,862	17,170	75,032
834,489	1,657,167	2,491,656
59,262	233,778	293,040
418,600	99,358	517,958
-	38,051	38,051
-	25,436	25,436
-	9,411	9,411
77,168	1,011	78,179
69,338	17,166	86,504
77,411	55,247	132,658
412,176	1,180,838	1,593,014
1,127,820	1,919,955	3,047,775
538,409	152,899	691,308
1,270,762	374,927	1,645,689
445,430	128,065	573,495
176,189	50,620	226,809
424,953	223,751	648,704
471,001	127,125	598,126
324,864	106,917	431,781
408,801	217,270	626,071
223,520	855,784	1,079,304
-	2,034,598	2,034,598
-	1,249,682	1,249,682
2,409,805	5,634,293	8,044,098
310,229	2,486,894	2,797,123
31,221	81,821	113,042
-	907,441	907,441
-	868,827	868,827
275	302	577
491,103	108,302	599,405
6,362	(2,233)	4,129
81,989	78,751	160,740
3,119	16,546	19,665
671,086	193,271	864,357
51,254	18,921	70,175
278,275	723,370	1,001,645
3,024	17,469	20,493
154	88,693	88,847
<u>\$ 15,469,976</u>	<u>\$ 26,502,126</u>	<u>\$ 41,972,102</u>