



Management's Discussion and Analysis
and Financial Statements
April 30, 2019 and 2018

Geary Community Hospital
A Component Unit of Geary County, Kansas

Geary Community Hospital
A Component Unit of Geary County, Kansas
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April 30, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
Geary Community Hospital
Junction City, Kansas

Report on Financial Statements

We have audited the accompanying financial statements of Geary Community Hospital (Hospital), a component unit of Geary County, Kansas as of and for the years ended April 30, 2019 and 2018, and its discretely presented component unit, Geary Community Healthcare Foundation, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Geary Community Healthcare Foundation (Foundation), which represent 8 percent, 20 percent, and 2 percent, respectively, of the assets, net position, and revenues of the Hospital as of and for the year ended April 30, 2019 and 10 percent, 19 percent, and 6 percent, respectively, of the assets, net position, and revenues of the Hospital as of and for the year ended April 30, 2018. 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 the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Geary Community Hospital as of April 30, 2019 and 2018, and the changes in its financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the Hospital will continue as a going concern. As discussed in Note 13 to the financial statements the Hospital has suffered from recurring loss from operations, poor liquidity, and continued pension contribution delinquencies subsequent to year end. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 13. 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.

Changes in Accounting Principle

As discussed in Notes 1 and 12 to the financial statements, the Hospital has adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in a restatement of the 2018 financial statements, including the net position as of May 1, 2017. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 and the required supplementary information on pages 44 through 46 be presented to supplement the basic financial statements. Such 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. 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The schedules of Net Patient Service Revenue, Other Operating Revenues and Operating Expenses are presented for the 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Oklahoma City, Oklahoma
January 17, 2020

Introduction

This management's discussion and analysis of the financial performance of Geary Community Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended April 30, 2019 and 2018. It should be read in conjunction with the accompanying financial statements of the Hospital. Unless otherwise noted, the information and financial data included in the management's discussion and analysis relates solely to the Hospital and does not include the Hospital's component unit, Geary Community Healthcare Foundation (Foundation).

Financial Highlights

- Cash and cash equivalents decreased \$384,631 or 44% in 2019 and increased \$533,625 or 73% in 2018.
- The Hospital's net position decreased \$3,431,686 in 2019 and \$6,173,475 in 2018.
- The Hospital reported an operating loss of \$4,263,319 and \$6,782,688 in 2019 and 2018. The operating loss in 2019 decreased by \$2,519,369 compared to the operating loss reported in 2018.

Using This Annual Report

The Hospital's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting. Geary Community Healthcare Foundation, a nonprofit organization established to raise funds for the support of health care services and programs of Geary Community Hospital and the Geary County, Kansas area, is included in the Hospital's financial statements as a component unit using the discrete presentation method.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the changes in the Hospital's net position. The Hospital's total net position (the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources) is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position is an indicator of whether its financial health is improving or deteriorating. Other non-financial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, discussed earlier.

The Hospital's Net Position

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources reported in the balance sheet. As shown in Table 1, the Hospital's net position decreased by \$3,431,686 in 2019. In 2018, net position decreased by \$6,173,475.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	2019	2018 (Restated)	2017
Assets and Deferred Outflows of Resources			
Cash and cash equivalents	\$ 880,211	\$ 1,264,842	\$ 731,217
Patient accounts receivable, net	4,057,644	4,767,254	5,073,078
Other current assets	2,371,773	2,351,714	5,561,039
Capital assets, net	33,793,028	35,823,188	37,922,782
Other noncurrent assets	491,055	484,056	864,665
Total assets	41,593,711	44,691,054	50,152,781
Deferred Outflows of Resources - Pension & OPEB	2,161,418	2,521,555	3,372,664
Total assets and deferred outflows of resources	\$ 43,755,129	\$ 47,212,609	\$ 53,525,445
Liabilities			
Long-term debt, excluding current portion	\$ 4,555,579	\$ 5,153,562	\$ 5,515,810
Current liabilities	8,910,737	6,747,394	5,686,073
Net pension liability	12,264,253	14,500,272	15,649,704
Total OPEB liability	280,997	408,699	-
Total liabilities	26,011,566	26,809,927	26,851,587
Deferred Inflows of Resources - Pension & OPEB	2,858,702	2,086,135	2,183,836
Net Position			
Net investment in capital assets	28,658,364	30,307,568	32,046,209
Restricted - expendable	642,810	575,289	679,033
Unrestricted	(14,416,313)	(12,566,310)	(8,235,220)
Total net position	14,884,861	18,316,547	24,490,022
Total liabilities, deferred inflows of resources and net position	\$ 43,755,129	\$ 47,212,609	\$ 53,525,445

Cash decreased during the fiscal year ended April 30, 2019, which is due to continued operating losses during 2019. In addition, deferred outflows related to the pension plan and other post-employment benefits decreased \$360,137 in the current year. Current liabilities increased from 2018 to 2019 mostly due to the timing of payments toward accounts payable, delinquent employer contributions included in accounts payable, an increase in the note payable to a related party, which was renewed during 2019, and the first payment on the bond coming due within a year. Long-term debt, excluding current portion, decreased \$597,983 or 12% due to the reclass of the first payment to current liabilities in 2019.

Table 2: Operating Results and Changes in Net Position

	2019	2018 (Restated)	2017
Operating Revenue			
Net patient service revenue	\$ 33,572,440	\$ 33,329,066	\$ 37,256,830
Other revenue	616,099	705,596	600,080
Total operating revenue	<u>34,188,539</u>	<u>34,034,662</u>	<u>37,856,910</u>
Operating Expenses			
Salaries and employee benefits	20,423,855	21,327,338	23,021,159
Purchased services and professional fees	6,869,815	7,679,704	7,030,283
Supplies and other	8,805,664	9,330,769	9,712,275
Depreciation	2,352,524	2,479,539	2,936,152
Total operating expenses	<u>38,451,858</u>	<u>40,817,350</u>	<u>42,699,869</u>
Operating Loss	<u>(4,263,319)</u>	<u>(6,782,688)</u>	<u>(4,842,959)</u>
Nonoperating Revenues (Expenses)			
Noncapital appropriations - Geary County	531,599	569,606	213,400
Interest income	294,294	237,823	271,844
Interest expense	(228,388)	(250,714)	(206,949)
Debt issuance costs	-	-	(119,522)
Noncapital grants and contributions	10,146	2,461	12,846
Net nonoperating revenues	<u>607,651</u>	<u>559,176</u>	<u>171,619</u>
Capital Grants and Gifts	<u>223,982</u>	<u>430,253</u>	<u>358,166</u>
Change in Net Position	<u>\$ (3,431,686)</u>	<u>\$ (5,793,259)</u>	<u>\$ (4,313,174)</u>

Operating Loss

The change in the Hospital's net position is significantly affected by its operating income or loss. Generally, this is the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Hospital has reported an operating loss of \$4,263,319 and \$6,782,688 in 2019 and 2018, respectively. The operating loss for 2019 is a decrease of \$2,519,369 from the operating loss for 2018.

The primary components of the decreased operating loss are:

- An increase in net patient service revenue of \$243,374 or 1%, compared to a decrease of \$3,927,764 or 11% in 2018.
- A decrease in salary and employee benefits of \$903,483 or 4%, compared to a decrease of \$1,693,821 or 8%. This was due largely to controlling expenses as well as a reduction in the net pension liability.
- An decrease in purchased services and professional fees of \$809,889 or 12%, compared to an increase of \$649,421 or 8% in 2018.
- Overall operating expenses decreased \$2,365,492 during 2019 compared to a decrease of \$1,882,519 in 2018.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of gifts, county tax proceeds, investment income and interest expense.

Capital Grants and Gifts

The Hospital received gifts of \$223,982 from various individuals to purchase capital assets in 2019, compared to \$430,253 in 2018. Capital grants and gifts are mostly gifts from the Geary Community Healthcare Foundation which are tied to specific construction projects or to equipment purchases.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At April 30, 2019 and 2018, the Hospital had \$33,793,028 and \$35,823,188 invested in capital assets, net of accumulated depreciation, as detailed in Note 4 to the financial statements. In fiscal years 2019 and 2018, the Hospital acquired new capital assets with a total cost of \$322,364 and \$379,945. Net capital assets amounts were reduced by normal depreciation of assets in the amount of \$2,352,524 in 2019 and \$2,479,539 in 2018.

Debt

At April 30, 2019 **and 2018**, the Hospital had \$5,134,660 and \$5,515,620 in revenue bonds and capital lease obligations outstanding, as detailed in Notes 5 and 6 to the financial statements. In 2019 and 2018, the Hospital made scheduled payments on outstanding debt.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital administration by telephoning 785.238.4131.

Geary Community Hospital
Statements of Net Position
April 30, 2019 and 2018

	2019	2018 (Restated)
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 880,211	\$ 1,264,842
Restricted cash - current	91,131	30,609
Receivables		
Patients, net of estimated uncollectibles of \$7,634,000 in 2019 and \$7,928,000 in 2018	4,057,644	4,767,254
Estimated third-party settlements	245,885	424,009
Supplies	1,493,669	1,330,729
Prepaid expenses and other	541,088	566,367
Total current assets	7,309,628	8,383,810
Noncurrent Cash and Investments		
Held under bond indenture for debt service - cash	91,131	30,609
Held under bond indenture for debt service - short-term certificates of deposit	448,467	440,509
Restricted by donors for specific operating activities - cash	42,588	43,547
	582,186	514,665
Less amount required to meet current obligations	91,131	30,609
Total noncurrent cash and investments	491,055	484,056
Capital Assets		
Capital assets not being depreciated	313,324	170,123
Capital assets being depreciated, net	33,479,704	35,653,065
Total capital assets	33,793,028	35,823,188
Total assets	41,593,711	44,691,054
Deferred Outflows of Resources		
Pension	2,030,719	2,419,898
OPEB	130,699	101,657
Total deferred outflows of resources	2,161,418	2,521,555
Total assets and deferred outflows of resources	\$ 43,755,129	\$ 47,212,609

Geary Community Hospital
Statements of Net Position
April 30, 2019 and 2018

	2019	2018 (Restated)
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Note payable	\$ 775,464	\$ 391,351
Current maturities of long-term debt	579,085	362,058
Accounts payable	4,947,046	3,090,281
Accrued expenses		
Salaries, wages and benefits	2,506,615	2,759,402
Interest	31,217	25,217
Unearned revenue	71,310	119,085
Total current liabilities	8,910,737	6,747,394
Long-Term Debt, Less Current Maturities	4,555,579	5,153,562
Net Pension Liability	12,264,253	14,500,272
Total OPEB Liability	280,997	408,699
Total liabilities	26,011,566	26,809,927
Deferred Inflows of Resources		
Pension	2,801,837	2,076,778
OPEB	56,865	9,357
Total deferred inflows of resources	2,858,702	2,086,135
Net Position		
Net investment in capital assets	28,658,364	30,307,568
Restricted		
Expendable for debt service	539,598	471,118
Expendable for specific operating activities	103,212	104,171
Unrestricted	(14,416,313)	(12,566,310)
Total net position	14,884,861	18,316,547
Total liabilities, deferred inflows of resources, and net position	\$ 43,755,129	\$ 47,212,609

Geary Community Hospital
 Statements of Financial Position - Discretely Presented Component Unit
 Geary Community Healthcare Foundation
 December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Bank deposits available for operations	\$ 31,290	\$ 68,022
Bank deposits restricted for a specific purpose	430,856	426,876
Total cash and cash equivalents	462,146	494,898
Programmatic loan	-	669,214
Total current assets	462,146	1,164,112
Non-Current Assets		
Investments in marketable securities	3,356,680	3,846,508
Total Assets	\$ 3,818,826	\$ 5,010,620
Liabilities and Net Assets		
Liabilities		
Annuities payable	\$ -	\$ 2,075
Note payable	-	669,214
Total liabilities	-	671,289
Net Assets		
Without donor restrictions	3,387,970	3,912,455
With donor restrictions	430,856	426,876
Total net assets	3,818,826	4,339,331
Total liabilities and net assets	\$ 3,818,826	\$ 5,010,620

Geary Community Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended April 30, 2019 and 2018

	2019	2018 (Restated)
Operating Revenue		
Net patient service revenue (net of provision for bad debts of \$8,372,000 in 2019 and \$8,070,000 in 2018)	\$ 33,572,440	\$ 33,329,066
Other revenue	616,099	705,596
Total operating revenues	34,188,539	34,034,662
Operating Expenses		
Salaries and wages	17,218,904	17,450,459
Employee benefits	3,204,951	3,876,879
Purchased services and professional fees	6,869,815	7,679,704
Supplies and other	8,805,664	9,330,769
Depreciation	2,352,524	2,479,539
Total operating expenses	38,451,858	40,817,350
Operating Loss	(4,263,319)	(6,782,688)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Geary County	531,599	569,606
Interest income	294,294	237,823
Interest expense	(228,388)	(250,714)
Noncapital grants and contributions	10,146	2,461
Net nonoperating revenues	607,651	559,176
Expenses in Excess of Revenues before Capital Contributions and Grants	(3,655,668)	(6,223,512)
Capital Contributions and Grants	223,982	430,253
Change in Net Position	(3,431,686)	(5,793,259)
Net Position, Beginning of Year	18,316,547	24,109,806
Net Position, End of Year	\$ 14,884,861	\$ 18,316,547

Geary Community Hospital
 Statements of Activities - Discretely Presented Component Unit
 Geary Community Healthcare Foundation
 December 31, 2018 and 2017

	2018	2017
Net Assets Without Donor Restrictions		
Revenues, Gains and Other Support		
Contributions	\$ 140,607	\$ 307,855
Fundraising events	108,131	99,922
Net investment income	(297,374)	627,396
Other gains (losses)	(7,536)	(1,061)
Net assets released from restrictions	681,747	1,013,369
Total revenues, gains and other support	625,575	2,047,481
Expenses		
Program expenses	999,633	2,151,038
Management and general	99,032	96,558
Fundraising	51,395	49,925
Total expenses	1,150,060	2,297,521
Change in net assets without donor restrictions	(524,485)	(250,040)
Net Assets Without Donor Restrictions, Beginning of Year	3,912,455	4,162,495
Net Assets Without Donor Restrictions, End of Year	\$ 3,387,970	\$ 3,912,455
Net Assets With Donor Restrictions		
Revenues, Gains and Other Support		
Contributions	\$ 685,727	\$ 948,606
Net assets released from restrictions	(681,747)	(1,013,369)
Change in net assets with donor restrictions	3,980	(64,763)
Net Assets With Donor Restrictions, Beginning of Year	426,876	491,639
Net Assets With Donor Restrictions, End of Year	\$ 430,856	\$ 426,876
Total Net Assets		
Total Change in Net Assets	\$ (520,505)	\$ (314,803)
Total Net Assets, Beginning of Year	4,339,331	4,654,134
Total Net Assets, End of Year	\$ 3,818,826	\$ 4,339,331

Geary Community Hospital
Statements of Cash Flows
Years Ended April 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Receipts from or on behalf of patients	\$ 34,460,174	\$ 36,856,675
Payments to suppliers and contractors	(13,972,706)	(16,917,479)
Payments to and on behalf of employees	(21,907,659)	(21,018,200)
Other receipts and payments, net	568,324	705,596
Net Cash used for Operating Activities	<u>(851,867)</u>	<u>(373,408)</u>
Noncapital Related Financing Activities		
Noncapital appropriations - Geary County	531,599	569,606
Proceeds from issuance of note payable	999,954	1,262,553
Principal payments on note payable	(603,525)	(853,621)
Discount paid on note payable	(12,316)	(17,581)
Noncapital grants and gifts	10,146	2,461
Net Cash from Noncapital Financing Activities	<u>925,858</u>	<u>963,418</u>
Capital and Capital Related Financing Activities		
Principal payments on long-term debt	(364,625)	(344,622)
Interest paid on long-term debt	(222,388)	(245,714)
Capital grants and gifts	223,982	430,253
Purchase of capital assets	(322,364)	(379,945)
Net Cash used for Capital and Capital Related Financing Activities	<u>(685,395)</u>	<u>(540,028)</u>
Investing Activities		
Investment income	294,294	237,823
Net change in construction escrow and debt-related accounts	(7,958)	(4,427)
Net Cash from Investing Activities	<u>286,336</u>	<u>233,396</u>
Net Change in Cash and Cash Equivalents	(325,068)	283,378
Cash and Cash Equivalents, Beginning of Year	<u>1,338,998</u>	<u>1,055,620</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,013,930</u>	<u>\$ 1,338,998</u>

Geary Community Hospital
Statements of Cash Flows
Years Ended April 30, 2019 and 2018

	2019	2018
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 880,211	\$ 1,264,842
Restricted cash - current	91,131	30,609
Restricted by donors for specific operating activities - cash	42,588	43,547
	\$ 1,013,930	\$ 1,338,998
	2019	2018 (Restated)
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	\$ (4,263,319)	\$ (6,782,688)
Provision for bad debt	(8,372,401)	(8,069,815)
Depreciation	2,352,524	2,479,539
Amortization included in interest expense	(16,331)	(16,331)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Patient receivables	9,082,011	8,375,639
Estimated third-party payor settlements	178,124	3,221,785
Supplies	(162,940)	85,488
Prepaid expenses	25,279	(97,736)
Accounts payable and accrued expenses	1,603,978	548,689
Net pension liability	(2,236,019)	(1,149,432)
Total OPEB liability	(127,702)	(63,817)
Deferred outflows of resources - pension and OPEB	360,137	952,766
Deferred inflows of resources - pension and OPEB	772,567	12,027
Unearned revenue	(47,775)	(4,099)
Other assets and liabilities	-	134,577
	\$ (851,867)	\$ (373,408)

Geary Community Hospital
 Statements of Cash Flows - Discretely Presented Component Unit
 Geary Community Healthcare Foundation
 Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ (520,505)	\$ (314,803)
Adjustments to reconcile change in net assets to net cash		
Net investment return	297,374	655,747
Change in annuities payable	(2,075)	(8,865)
Total adjustments	295,299	646,882
Cash Provided by Operating Activities	(225,206)	332,079
Cash Flows from Investing Activities		
Sale of investments	885,136	753,201
Purchase of investments	(23,468)	(1,787,849)
Cash Used in Investing Activities	861,668	(1,034,648)
Cash Flows from Financing Activities		
Proceeds from note payable	-	1,244,972
Principal repayments on note payable	(669,214)	(575,758)
Cash Provided by Financing Activities	(669,214)	669,214
Change in Cash	(32,752)	(33,355)
Cash, Beginning of Year	494,898	528,253
Cash, End of Year	\$ 462,146	\$ 494,898
Supplemental Cash Flow Information		
Cash paid for interest	\$ 14,636	\$ 11,621

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Geary County Hospital (Hospital), a component unit of Geary County, Kansas, have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

Reporting Entity

The Hospital is an acute care hospital located in Junction City, Kansas. The Hospital is a component unit of Geary County, Kansas (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 County area.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital.

Discretely Presented Component Unit

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, 2019 **and 2018**, the Foundation distributed \$223,982 and \$430,253, to the Hospital for both restricted and unrestricted purposes. In addition, the Hospital entered into a note payable to the Foundation during 2018 which is secured by a pledge of the Hospital's patient accounts receivable (Note 6). Complete financial statements for the Foundation can be obtained from the Administrative Office at 1110 St. Mary's Road, Junction City, Kansas 66441.

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the Hospital's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Restricted - expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Restricted – nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Hospital's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For purposes of the statement of cash flows, the Hospital considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Short-Term Investments

Short-term investments include certificates of deposit with an original maturity of three to twelve months, excluding internally designated or restricted cash and investments.

Noncapital Appropriations

The Hospital received approximately 1.51% and 1.61% of its financial support from Geary County. The funds were used to support operations.

Patient Receivables

Patient receivables are uncollateralized patient and third-party payor obligations. Unpaid patient receivables, excluding amounts due from third-party payors are turned over to a collection agency if the receivables remain unpaid after the Hospital's collection procedures. The Hospital does not charge interest on the unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision. The net patient service revenue decreased approximately \$214,000 and \$942,000 for the years ended April 30, 2019 and 2018 as a result of changes in estimates related to allowances.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

Noncurrent Cash and Investments

Noncurrent cash and investments are restricted by the trustee for debt reserve and capital asset replacement and restricted by donors. Certificates of deposit and other deposits are recorded at historical cost.

Investment Income

Interest, dividends, gains and losses, both realized and unrealized, on investments and deposits are included in nonoperating revenues when earned.

Capital Assets

Property and equipment acquisitions in excess of \$5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

Land improvements	5 - 20 years
Buildings	15 - 50 years
Fixed Equipment	10 - 18 years
Major movable equipment	3 - 20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from expenses in excess of revenue. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Unearned Revenue

Unearned revenue represents funds received in connection with the Medicaid Disproportionate Share (DSH) Program. Payments are made on a quarterly basis. The Hospital received the quarterly payment, which related to the April through June time window, prior to year-end and deferred the revenue related to May and June.

Bond Premiums and Discounts

Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are amortized over the life of the debt using the effective interest method. Amortization is included in interest expense.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until that time. The Hospital has deferred outflows of resources related to pension and total other postemployment benefits (OPEB) liabilities. Deferred outflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, other differences between expected and actual experience, and contributions from the employer after the measurement date but before the end of the Hospital's reporting period. The Hospital's deferred outflows of resources are recognized as a component of compensation expense in the following year related to employer contributions, compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the related pension or OPEB plan.

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that maybe 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 determine during 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. Compensation absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date.

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.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase in net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. The Hospital has deferred inflows of resources related to pension and OPEB liabilities. The deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions and other differences between expected and actual experience, all associated with the Hospital's participation in the related KPERS or OPEB plans. The Hospital's deferred inflows of resources related to pensions are recognized as a component of compensation expense over five years for the difference in projected and actual earnings, or over the expected remaining service life of the related plan.

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Hospital result from exchange transactions associated with providing health care services - the Hospital's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amount different from its established rates. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Grants and Contributions

From time to time, the Hospital receives contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose is reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after expenses in excess of revenues.

Charity Care

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was \$154,000 and \$163,000 for the years ended April 30, 2019 and 2018, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

New Accounting Pronouncement

As of May 1, 2017, the Hospital adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the costs and obligations associated with OPEB in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense.

As a result of the implementation of GASB Statement No. 75, amounts previously reported in the Hospital's financial statements as of and for the year ended April 30, 2018 were restated. The effects of the restatement are disclosed in Note 12. The additional disclosures required by this standard are included in Note 8.

Note 2 - Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

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 paid to the Hospital under this program were approximately \$2,980,000 in 2019 and \$2,862,000 in 2018 and are reported within net patient service revenue. 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 cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended April 30, 2016.

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 \$1,051,196 and \$803,531 in 2019 and 2018, respectively.

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. Regulations have been issued regarding this reimbursement, however, due to the uncertainty surrounding the computations and significant delays in implementation of these payment provisions, no amounts have been recorded in the financial statements.

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.

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's patient service revenues for the years ended April 30, 2019 and 2018:

	2019	2018
Medicare	42%	39%
State-sponsored Medicaid program	14%	14%
Blue Cross and commercial insurances	39%	41%
Uninsured	5%	6%
	100%	100%

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 3 - Deposits and Investment Income

Deposits

The carrying values of deposits and investments as of April 30, 2019 and 2018 are as follows:

	2019	2018
Carrying Amount		
Cash and deposits	\$ 1,462,397	\$ 1,779,507

Deposits and investments are reported in the following statement of net position captions:

	2019	2018
Cash and cash equivalents	\$ 880,211	\$ 1,264,842
Restricted cash - current	91,131	30,609
Held under bond indenture for debt service - short-term certificates of deposit	448,467	440,509
Restricted by donors for specific operating activities - cash	42,588	43,547
	\$ 1,462,397	\$ 1,779,507

Deposits - Custodial Credit Risk

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.

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. The Hospital's deposit policy does not further restrict bank deposits or limit investment deposits.

The Hospital's deposits in banks at April 30, 2019 and 2018 were entirely covered by federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

Note 4 - Capital Assets

Capital assets additions, retirements, transfers and balances for the year ended April 30, 2019 are as follows:

	Balance April 30, 2018	Additions	Transfers and Retirements	Balance April 30, 2019
Capital assets not being depreciated				
Land	\$ 167,372	\$ -	\$ -	\$ 167,372
Construction in progress	2,751	143,201	-	145,952
Total capital assets not being depreciated	<u>\$ 170,123</u>	<u>\$ 143,201</u>	<u>\$ -</u>	<u>\$ 313,324</u>
Capital assets being depreciated				
Land improvements	\$ 1,080,395	\$ 44,243	\$ -	\$ 1,124,638
Buildings	52,497,016	20,515	-	52,517,531
Fixed equipment	4,591,644	30,130	-	4,621,774
Major moveable equipment	20,666,792	84,275	(3,200)	20,747,867
Total capital assets being depreciated	<u>78,835,847</u>	<u>\$ 179,163</u>	<u>\$ (3,200)</u>	<u>79,011,810</u>
Less accumulated depreciation for				
Land improvements	1,024,169	\$ 7,826	\$ -	1,031,995
Buildings	20,221,635	1,427,715	-	21,649,350
Fixed equipment	4,316,176	193,590	-	4,509,766
Major moveable equipment	17,620,802	723,393	(3,200)	18,340,995
Total accumulated depreciation	<u>43,182,782</u>	<u>\$ 2,352,524</u>	<u>\$ (3,200)</u>	<u>45,532,106</u>
Net capital assets being depreciated	<u>\$ 35,653,065</u>			<u>\$ 33,479,704</u>
Capital assets, net	<u>\$ 35,823,188</u>			<u>\$ 33,793,028</u>

Geary Community Hospital
Notes to Financial Statements
April 30, 2019 and 2018

Capital assets additions, retirements, transfers and balances for the years ended April 30, 2018 are as follows:

	Balance April 30, 2017	Additions	Transfers and Retirements	Balance December 31, 2018
Capital assets not being depreciated				
Land	\$ 167,372	\$ -	\$ -	\$ 167,372
Construction in progress	4,985	102,215	(104,449)	2,751
Total capital assets not being depreciated	<u>\$ 172,357</u>	<u>\$ 102,215</u>	<u>\$ (104,449)</u>	<u>\$ 170,123</u>
Capital assets being depreciated				
Land improvements	\$ 1,080,395	\$ -	\$ -	\$ 1,080,395
Buildings	52,468,928	16,353	11,735	52,497,016
Fixed equipment	4,591,644	-	-	4,591,644
Major moveable equipment	20,329,701	261,377	75,714	20,666,792
Total capital assets being depreciated	<u>78,470,668</u>	<u>\$ 277,730</u>	<u>\$ 87,449</u>	<u>78,835,847</u>
Less accumulated depreciation for				
Land improvements	1,017,689	\$ 6,480	\$ -	1,024,169
Buildings	18,554,040	1,684,595	(17,000)	20,221,635
Fixed equipment	4,296,269	19,907	-	4,316,176
Major moveable equipment	16,852,245	768,557	-	17,620,802
Total accumulated depreciation	<u>40,720,243</u>	<u>\$ 2,479,539</u>	<u>\$ (17,000)</u>	<u>43,182,782</u>
Net capital assets being depreciated	<u>\$ 37,750,425</u>			<u>\$ 35,653,065</u>
Capital assets, net	<u>\$ 37,922,782</u>			<u>\$ 35,823,188</u>

Note 5 - Lease Obligations

The Hospital leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capitalized leases and others as operating leases. Total lease expense for the years ended April 30, 2019 and 2018 for all operating leases was \$120,710 and \$206,261. The capitalized leased assets consist of

	2019	2018
Major movable equipment	\$ 2,179,770	\$ 2,179,770
Less accumulated amortization	(1,581,447)	(1,321,255)
	\$ 598,323	\$ 858,515

Minimum future lease payments for the capital leases are as follows:

Years Ending April 30,		
2020	\$	341,611
2021		262,976
2022		45,034
Total minimum lease payments		649,621
Less amount representing interest		26,371
Present value of minimum lease payments - Note 6	\$	623,250

Note 6 - Note Payable and Long-Term Debt

Note Payable

In August of 2017, the Foundation entered into agreement with a bank for a note payable for up to \$2,000,000. The Foundation then entered into an agreement to lend the proceeds to the Hospital. The term of the original agreement was to expire on the anniversary of the effective date of the agreement or when payments were no longer owed to the foundation. In February 2019 the Foundation and Hospital renewed the agreement for amounts up to \$1,000,000. Total proceeds of \$999,954 for the 2019 agreement and \$1,262,553 for the 2017 agreement were drawn on the agreement by the Foundation and transferred to the Hospital during the years ended April 30, 2019 and 2018, respectively. In return, the Hospital entered into a promissory note with the Foundation, which is secured by a pledge of the Hospital's patient accounts receivable. The terms of the note include a 2% discount on the pledged receivables, which is payable to the Foundation in addition to the amounts transferred to the Hospital. Repayments of \$615,841 and \$871,202, which include the 2% discount, were made to the Foundation during the years ended April 30, 2019 and 2018. The February 2019 note payable matures either upon the anniversary of the effective date or when payments were no longer owed to the foundation. Subsequent to year end on October 9, 2019 the Hospital and foundation renewed the agreement with the same terms for amounts up to \$1,500,000.

Long-Term Debt

A schedule of changes in the Hospital's long-term debt for 2019 and 2018 is as follows:

	Balance April 30, 2018	Additions	Payments	Balance April 30, 2019	Due Within One Year
Bonds Payable					
2016 Public Building Commission bond advance refunding	\$ 4,310,000	\$ -	\$ -	\$ 4,310,000	\$ 240,000
Reoffering premium	217,745	-	16,331	201,414	16,331
Total bonds	4,527,745	-	16,331	4,511,414	256,331
Capital Leases (Note 6)	987,875	-	364,625	623,250	322,754
	<u>\$ 5,515,620</u>	<u>\$ -</u>	<u>\$ 380,956</u>	<u>\$ 5,134,664</u>	<u>\$ 579,085</u>
	Balance April 30, 2017	Additions	Payments	Balance April 30, 2018	Due Within One Year
Bonds Payable					
2016 Public Building Commission bond advance refunding	\$ 4,310,000	\$ -	\$ -	\$ 4,310,000	\$ -
Reoffering premium	234,076	-	16,331	217,745	16,331
Total bonds	4,544,076	-	16,331	4,527,745	16,331
Capital Leases (Note 6)	1,332,497	-	344,622	987,875	345,727
	<u>\$ 5,876,573</u>	<u>\$ -</u>	<u>\$ 360,953</u>	<u>\$ 5,515,620</u>	<u>\$ 362,058</u>

Public Building Commission Bonds Payable

As of September 1, 2016, the Public Building Commission bonds payable consist of Geary County, Kansas Public Building Commission Revenue Bonds Series 2016 in the original amount of \$4,310,000 bearing 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 through August 1, 2031.

The bond document requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage and maintaining a debt-service coverage ratio of at least 1.25 to 1. As of April 30, 2019 and 2018, the Hospital was not in compliance with one or more of the restrictive covenants listed above. As a result of the noncompliance, the Hospital is to retain an outside consultant to review operations. However, the bonds are not callable as a result of not being in compliance with the covenants.

The debt service requirements of the bonds payable as of April 30, 2019, are as follows:

Years Ending April 30,	Bonds Payable		Total
	Principal	Interest	
2020	\$ 240,000	\$ 118,750	\$ 358,750
2021	285,000	113,500	398,500
2022	290,000	107,750	397,750
2023	300,000	100,350	400,350
2024	310,000	91,200	401,200
2025 - 2029	1,710,000	308,100	2,018,100
2030 - 2032	1,175,000	53,625	1,228,625
	<u>\$ 4,310,000</u>	<u>\$ 893,275</u>	<u>\$ 5,203,275</u>

Note 7 - Pension Plan

Plan Description

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.

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.

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 state wide 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, 2019 and 2018, was 9.89% (8.89% and the 1% for death and dismemberment) and 9.46% (8.46% and the 1% for death and dismemberment starting on September 30, 2017) of annual payroll.

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 contractually required contributions to KPERS for the pension plan for the years ended April 30, 2019 and 2018, were \$1,388,885 and \$1,288,556. At April 30, 2019 and 2018, the Hospital had not yet remitted \$638,506 and \$176,451 of the contractually required contributions and \$86,299 and \$112,550 of the employees contribution. State statues under which the Plan was formed require all amounts due to be paid within three days of the end of the period covered, therefore the Hospital was not in compliance at April 30, 2019.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plan

At April 30, 2019 and 2018, the Hospital reported a liability of \$12,264,253 and \$14,500,272, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2017 and 2016, rolled forward to June 30, 2018 and 2017. 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, 2018, the Hospital's proportion was 0.879230%, which was a decrease of 0.121854% from its proportion measured as of June 30, 2017, of 1.001085%. At June 30, 2016, the proportion was 1.011597%.

For the years ended April 30, 2019, 2018 and 2017, the Hospital recognized pension expense of \$310,383, \$1,003,650 and \$1,051,190. At April 30, 2019 and 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,244	\$ 347,241	\$ 70,132	\$ 501,389
Net difference between projected and actual earnings on pension plan investments	286,674	-	454,849	-
Changes in assumptions	530,677	59,014	780,899	106,032
Changes in proportion Hospital's contributions subsequent to the measurement date	44,981	2,395,582	99,836	1,469,357
	<u>1,124,143</u>	<u>-</u>	<u>1,014,182</u>	<u>-</u>
Total	<u>\$ 2,030,719</u>	<u>\$ 2,801,837</u>	<u>\$ 2,419,898</u>	<u>\$ 2,076,778</u>

At April 30, 2019, the Hospital reported \$1,124,143 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2019, related to pensions will be recognized in pension expense as follows:

Years Ended April 30,			
2020	\$	(288,278)	
2021		(488,992)	
2022		(701,430)	
2023		(339,922)	
2024		(76,639)	
Total	\$	(1,895,261)	

Actuarial Assumptions

The total pension liability in the December 31, 2017 and 2016, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%	
Salary increases	3.5% to 10.00%, including inflation	
Investment rate of return	7.75%, net of pension plan investment expense, including inflation	

The December 31, 2017 and 2016 actuarial valuations used mortality rates based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2017 and 2016 valuation were based on the results of an actuarial experience study for the three-year period ended January 1, 2013 through December 31, 2015. 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	2019		2018	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.9%	47%	6.8%
Fixed income	13%	1.3%	13%	1.3%
Yield driven	8%	6.6%	8%	6.6%
Real return	11%	1.7%	11%	1.7%
Real estate	11%	5.1%	11%	5.1%
Alternatives	8%	9.9%	8%	9.9%
Short-term investments	2%	-0.3%	2%	-0.3%
	100%		100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75% for the year ended December 31, 2018 and 2017. 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.

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 7.75% at December 31, 2018 and 2017. 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.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Hospital's proportionate share of the net pension liability (2019)	\$ 17,973,187	\$ 12,254,620	\$ 7,421,914
Hospital's proportionate share of the net pension liability (2018)	\$ 20,883,561	\$ 14,500,272	\$ 9,119,409

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 8 - Other Postemployment Benefits

Plan Description and Funding Policy

Geary Community Hospital participates in the KPERS Death and Disability Plan, a multiple-employer defined benefit plan. This plan provides long term disability (LTD) and life insurance benefits to eligible employees. Eligible employees consist of all individuals who are:

1. Currently active members of KPERS
2. Employees of an educational institution under the Kansas Board of Regents as defined in K.S.A. 74-4925
3. Elected officials

The Plan provides a group life insurance benefit for active members through a fully-insured program with The Standard Insurance Company. The Plan also provides a self-funded LTD benefit and a self-funded life insurance benefit for disabled members. The LTD provides benefits equal to 60% (for claims occurring prior to 1/1/2006, 66 2/3%). The LTD program is considered "Other Post-Employment Benefits" (OPEB).

K.S.A. 74-4927 authorized the KPERS Board to establish a plan of death and long-term disability benefits to be paid to the members of the retirement system. A single trust, separate from the KPERS pension trust, was established and benefits for both programs are funded by a single contribution rate from participating employers, which currently number over 1,500. Since only the long-term disability program qualifies as an OPEB, the KPERS Death and Disability Plan is administered through a non-qualifying trust per paragraph 4, item (b), of GASB Statement No. 75.

Total OPEB Liability

At April 30, 2019 and 2018, the Hospital reported a liability of \$280,997 and \$408,699, related to its total OPEB liability. The total OPEB liability was measured as of June 30, 2018 and 2017, using actuarial valuations as of December 31, 2017 and 2016, rolled forward to June 30, 2018 and 2017.

The following schedule shows the changes in the Hospital's total OPEB liability for the years ended April 30, 2019 and 2018:

	2019	2018
Total OPEB Liability, Beginning of Year	\$ 408,699	\$ 380,216
Service cost	58,293	68,352
Interest	14,129	12,195
Differences between expected and actual experience experience	(51,825)	-
Changes in assumptions or other inputs	(2,352)	(10,435)
Benefit payments	(145,947)	(41,629)
Net change	(127,702)	28,483
Total OPEB Liability, End of Year	\$ 280,997	\$ 408,699

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

There are 276 active members and 2 disabled members in the plan at the June 30, 2018 measurement date and 323 active members and 5 disabled members in the plan at the June 30, 2017 measurement date. The Hospital has recorded the following amounts related to these members' participation in the OPEB plan for the years ended April 30, 2019 and 2018:

	2019	2018
Service cost	\$ 58,293	\$ 68,352
Interest	14,129	12,195
Recognition of Deferred Inflows/Outflows of Resources		
Recognition of economic/demographic gains or losses	(5,348)	-
Recognition of assumption changes or inputs	(1,321)	(1,078)
Total OPEB expense	\$ 65,753	\$ 79,469

At April 30, 2019 and 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 46,477	\$ -	\$ -
Changes in assumptions	-	10,388	-	9,357
Hospital's contributions subsequent to the measurement date	130,699	-	101,657	-
Total	\$ 130,699	\$ 56,865	\$ 101,657	\$ 9,357

The deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year. The deferred inflows of resources at April 30, 2019, will be recognized in OPEB expense over the average expected remaining service life of the plan, which is approximately 9 years at June 30, 2018 and 2017. The recognition will be as follows:

Years Ended April 30,	Amount
2020	\$ 6,669
2021	6,669
2022	6,669
2023	6,669
2024	6,669
Thereafter	23,520
Total	\$ 56,865

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 and 2017 actuarial valuations was determined using the following actuarial assumptions:

- Inflation – 2.75%
- Salary Increases – 3.50% to 10.00%, including inflation and productivity
- Discount Rate – 3.87% and 3.58% as of June 30, 2018 and 2017, based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index
- Mortality – RP-2014 Total Dataset Mortality table fully generational using scale MP-2018
- Experience Study – Completed for the period July 1, 2014 – June 30, 2016

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Hospital, as well as what the Hospital's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rates as of June 30, 2018 and 2017:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Hospital's proportionate share of the net pension liability (2019)	\$ 288,659	\$ 280,997	\$ 272,530
	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Hospital's proportionate share of the net pension liability (2018)	\$ 422,561	\$ 408,699	\$ 394,220

Note 9 - Restricted and Designated Net Positions

At April 30, 2019 and 2018, restricted expendable net positions were available for the following purposes:

	2019	2018
Debt Service	\$ 539,598	\$ 471,118
Specific Operating activities		
Nursing scholarships	103,212	104,171
Total restricted expendable net position	\$ 642,810	\$ 575,289

Note 10 - Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of gross receivables from third-party payors and patients at April 30, 2019 and 2018 was as follows:

	2019	2018
Medicare	32%	27%
State-sponsored Medicaid program	8%	7%
Blue Cross	10%	8%
Commercial insurances	19%	24%
Patients	31%	34%
	100%	100%

Note 11 - Contingencies

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. 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.

Malpractice Insurance

The Hospital purchases medical malpractice insurance under a fixed premium which provides \$200,000 of coverage for each medical incident and \$600,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy terms, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional \$800,000 of coverage for each medical incident and \$2,400,000 of aggregate coverage for each policy year. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigations, Claims, and Disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

Self-Funded Health Plan

The Hospital was previously self-funded for health benefits for eligible employees and their dependents. On May 1, 2018, the Hospital terminated its self-funded plan. Prior to the termination, the Hospital recognized health benefit expenses on an accrual basis. At April 30, 2018, an accrued liability was recorded to estimate the incurred but not recorded claims that would be paid by the Hospital. In addition, the Hospital had stop loss insurance to cover catastrophic claims in excess of \$135,000 and an annual aggregate limit of \$1,000,000 for the plan year.

The Hospital expensed amounts representing the employer’s portion of actual claims paid, adjusted for the estimates of liabilities relating to claims resulted from services provided prior to the fiscal year end not to exceed the annual aggregate expense. The estimated liability is included in accrued expenses in the financial statements. These amounts have been estimated based on historical trends and actuarial analysis. Changes in the balance of claims liabilities during the past two years are as follows:

Year	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2019	\$ 118,607	\$ -	\$ (118,607)	\$ -
2018	371,864	1,515,319	(1,768,576)	118,607

Note 12 - Change in Accounting Principle and Prior Period Restatement

During 2019, the Hospital adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in a restatement to the April 30, 2018 financial statements, including the net position as of May 1, 2017. The impact to the statement of net position at April 30, 2018 is as follows:

	As Previously Reported	Change	As Restated
Deferred outflows of resources - OPEB	\$ -	\$ 101,657	\$ 101,657
Total deferred outflows of resources	2,419,898	101,657	2,521,555
Total assets and deferred outflows of resources	47,110,952	101,657	47,212,609
Total OPEB liability	-	408,699	408,699
Total liabilities	26,401,228	408,699	26,809,927
Deferred inflows of resources - OPEB	-	9,357	9,357
Total deferred inflows of resources	2,076,778	9,357	2,086,135
Net position - unrestricted	(12,249,911)	(316,399)	(12,566,310)
Total net position	18,632,946	(316,399)	18,316,547
Total liabilities, deferred inflows of resources, and net position	47,110,952	101,657	47,212,609

The impact to the statement of revenues, expenses and changes in net position for the year ended April 30, 2018 is as follows:

	As Previously Reported	Change	As Restated
Operating expenses - employee benefits	\$ 3,940,696	\$ (63,817)	\$ 3,876,879
Total operating expense	40,881,167	(63,817)	40,817,350
Operating loss	(6,846,505)	63,817	(6,782,688)
Expenses in excess of revenues before capital contributions and grants	(6,287,329)	63,817	(6,223,512)
Change in net position	(5,857,076)	63,817	(5,793,259)
Net position, beginning of year	24,490,022	(380,216)	24,109,806
Net position, end of year	18,632,946	(316,399)	18,316,547

The impact to the statement of cash flows for the year ended April 30, 2018 is as follows:

	As Previously Reported	Change	As Restated
Operating loss	\$ 6,846,505	\$ (63,817)	\$ 6,782,688
Changes in liabilities - total OPEB liability	-	(63,817)	(63,817)

Note 13 - Going Concern

The Hospital has incurred operating losses during the years ended April 30, 2019, 2018 and 2017. For the years ended April 30, 2019, 2018 and 2017, the Hospital experienced decreases in net position of \$3,431,686, \$5,857,076 and \$4,313,174. During the years ending April 30, 2019, 2018 and 2017 the Hospital has seen decreases in patient days and outpatient visits. As described in Notes 6 and 14 the hospital had delinquent pension contributions of approximately \$725,000 at year end and subsequent delinquent pension contributions of \$879,000. The Hospital has implemented an overall strategic plan to improve utilization in order to increase volumes and reduce cost without impacting the quality of patient care and the Hospital anticipates a significant reduction in the operating losses and improvements in the cash position of the Hospital. The effect 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 financial statements do not include any adjustments that might be necessary should the Hospital continue as a going concern.

Note 14 - Subsequent Events

The Hospital has evaluated subsequent events through January 17, 2020, the date which the financial Statements were available to be issued.

Subsequent to April 30, 2019 the Hospital had additional delinquent employer, employee and insurance Contributions to the Kansas Public Employees Retirement system which were approximately \$592,000, \$296,000 and \$49,000. The hospital paid employer, employee and insurance contributions approximately \$46,000, \$266,000 and \$44,000 of the April 30, 2019 delinquent contributions subsequent to year end.

Note 15 - 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 program in the County and the Hospital.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles for not-for-profit organizations as prescribed by the Financial Accounting Standards Board (FASB).

During 2018, the Foundation adopted the financial reporting provisions of FASB ASU 2016-14. The primary change includes the reclassification of net assets according to donor restrictions, and the aggregation of the changes in investments as a single revenue line item which is labeled "net investment return" on the statement of activities. FASB ASU 2016-14 also requires a statement of functional expense and disclosure of liquid and available resources.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of one year or less to be cash equivalents. Cash and cash equivalents consist of bank accounts and certificates of deposit located at various financial institutions and brokerages

Investments

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.

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 conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2018 and 2017, respectively.

Functional Allocation of Expenses

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

Advertising and Promotion Expense

The Foundation's advertising and promotion costs are expensed as incurred and are separately reported on the statement of functional expense as advertising and promotion expense.

Fair Value Measurement

The Foundation reports certain assets and liabilities at fair value in the consolidated 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 in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that reflect the Foundation's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

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 entire measurement requires judgment, 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.

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, each of these entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. For 2018 and 2017, 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.



Required Supplementary Information
April 30, 2019 and 2018

Geary Community Hospital
A Component Unit of Geary County, Kansas

Geary Community Hospital
Schedule of the Hospital's Proportionate Share of the Net Pension Liability (Unaudited)
Kansas Public Employees Retirement System Plan

Last 10 Fiscal Years (see Note)

	2019*	2018*	2017*	2016*	2015*
Hospital's proportion of the net pension liability	0.879230%	1.001085%	1.011597%	1.127297%	1.169507%
Hospital's proportionate share of the net pension liability	\$ 12,264,253	\$ 14,500,272	\$ 14,102,900	\$ 14,801,907	\$ 14,394,445
Hospital's covered-employee payroll	\$ 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	77.61%	82.23%	84.44%	81.40%	79.02%
Plan fiduciary net position as a percentage of the total pension liability	68.88%	67.12%	65.10%	64.95%	66.60%

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

Note to Schedule

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

Geary Community Hospital
Schedule of the Hospital's Contributions (Unaudited)
Kansas Public Employees Retirement System Plan

Last 10 Fiscal Years (see Note)

	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
Contractually required contribution	\$ 1,388,885	\$ 1,288,557	\$ 1,537,287	\$ 1,657,442	\$ 1,712,969
Contribution in relation to the contractually required contribution	<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>\$ 638,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 16,554,052	\$ 15,231,170	\$ 16,746,046	\$ 17,669,957	\$ 18,920,865
Contributions as a percentage of covered-employee payroll	8.39%	8.46%	9.18%	9.38%	9.05%

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

Note to Schedule

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

Geary Community Hospital
Schedule of the Changes in Total OPEB Liability and Related Ratios (Unaudited)
Kansas Public Employees Retirement System Plan

Last 10 Fiscal Years (see Note)

	2018*	2017*
Service cost	\$ 58,293	\$ 68,352
Interest	14,129	12,195
Differences between expected and actual experience	(51,825)	-
Changes in assumptions or other inputs**	(2,352)	(10,435)
Benefit payments	(145,947)	(41,629)
Net change in total OPEB liability	(127,702)	28,483
Total OPEB liability - beginning of year	408,699	380,216
Total OPEB liability - end of year	\$ 280,997	\$ 408,699
Hospital's covered employee payroll	\$ 15,136,566	\$ 16,549,913
Total OPEB liability as a percentage of covered employee payroll	1.86%	2.47%

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

* Discount rate change from 3.58% to 3.87%.

Notes to Schedule

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75

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



Supplementary Information
April 30, 2019 **and 2018**

Geary Community Hospital

A Component Unit of Geary County, Kansas

Geary Community Hospital
Net Patient Service Revenue
Year Ended April 30, 2019

	2019		
	Inpatient	Outpatient	Total
Daily Patient Services			
Adults and Peds	\$ 2,791,687	\$ 970,937	\$ 3,762,624
Other Nursing Services			
Operating room	4,640,211	7,632,573	12,272,784
Central services and supply	2,159,927	1,711,294	3,871,221
Emergency room	940,593	9,515,114	10,455,707
	<u>7,740,731</u>	<u>18,858,981</u>	<u>26,599,712</u>
Other Professional Services			
Intensive Care	1,545,934	219,652	1,765,586
Nursery	414,082	133,680	547,762
Extended recovery	1,818	264,407	266,225
Anesthesiology	810,931	1,660,061	2,470,992
Radiology, CT, MRI and Ultrasound	1,970,057	20,499,799	22,469,856
Nuclear medicine	33,944	1,353,937	1,387,881
Laboratory	2,558,297	17,724,624	20,282,921
Intravenous therapy	14,805	990,877	1,005,682
Physical therapy	176,677	23,260	199,937
Occupational therapy	107,392	14,598	121,990
Speech therapy	39,461	16,141	55,602
Telemetry	486,131	191,403	677,534
Cardiac pulmonary rehabilitation	2,210,499	2,772,217	4,982,716
Sleep lab	6,370	1,450,975	1,457,345
Pharmacy	2,740,896	2,812,592	5,553,488
Obstetrics	1,838,885	170,709	2,009,594
Hospitalist	-	392,143	392,143
RHC clinics	-	5,722,563	5,722,563
Home medical equipment	-	2,608,404	2,608,404
Orthopedic clinic	-	2,259,083	2,259,083
Chapman clinic	-	133,147	133,147
Flint Hills Surgical clinic	-	1,459,226	1,459,226
	<u>14,956,179</u>	<u>62,873,498</u>	<u>77,829,677</u>
Gross Patient Service Revenue	<u>\$ 25,488,597</u>	<u>\$ 82,703,416</u>	<u>108,192,013</u>
Charity care			<u>444,140</u>
Total patient service revenue			<u>107,747,873</u>
Less Contractual Adjustments			
Medicare and Medicaid			40,783,747
Other			<u>25,019,285</u>
Total contractual adjustments			<u>65,803,032</u>
Provision for Bad Debts			<u>8,372,401</u>
Net Patient Service Revenue			<u>\$ 33,572,440</u>

Geary Community Hospital
Net Patient Service Revenue
Year Ended April 30, 2018

	2018		
	Inpatient	Outpatient	Total
Daily Patient Services			
Adults and Peds	\$ 1,943,501	\$ 1,700,155	\$ 3,643,656
Other Nursing Services			
Operating room	5,749,319	7,907,876	13,657,195
Central services and supply	3,015,577	2,219,994	5,235,571
Emergency room	933,902	10,158,964	11,092,866
	<u>9,698,798</u>	<u>20,286,834</u>	<u>29,985,632</u>
Other Professional Services			
Intensive Care	1,247,084	177,253	1,424,337
Nursery	403,571	132,298	535,869
Extended recovery	1,584	445,927	447,511
Anesthesiology	1,010,916	1,771,516	2,782,432
Radiology, CT, MRI and Ultrasound	2,080,274	21,401,053	23,481,327
Nuclear medicine	30,279	1,369,855	1,400,134
Laboratory	2,610,440	18,500,966	21,111,406
Intravenous therapy	18,044	639,446	657,490
Physical therapy	189,049	28,238	217,287
Occupational therapy	122,547	13,179	135,726
Speech therapy	59,811	20,490	80,301
Cardiac pulmonary rehabilitation	2,123,019	2,596,195	4,719,214
Sleep lab	6,370	2,279,340	2,285,710
Pharmacy	2,872,320	2,824,119	5,696,439
Observation	-	1,700,155	1,700,155
Telemetry	284,670	141,372	426,042
Hospitalist	-	39,068	39,068
RHC clinics	979,329	5,876,079	6,855,408
Home medical equipment	-	2,557,068	2,557,068
Orthopedic clinic	422	1,866,341	1,866,763
Chapman clinic	-	148,720	148,720
Flint Hills Surgical clinic	(952)	491,331	490,379
Community wellness	-	312	312
	<u>14,038,777</u>	<u>65,020,321</u>	<u>79,059,098</u>
Gross Patient Service Revenue	<u>\$ 25,681,076</u>	<u>\$ 87,007,310</u>	<u>112,688,386</u>
Charity care			<u>455,567</u>
Total patient service revenue			<u>112,232,819</u>
Less Contractual Adjustments			
Medicare and Medicaid			42,646,660
Other			<u>28,187,278</u>
Total contractual adjustments			<u>70,833,938</u>
Provision for Bad Debts			<u>8,069,815</u>
Net Patient Service Revenue			<u>\$ 33,329,066</u>

Geary Community Hospital
Other Operating Revenues
Years Ended April 30, 2019 and 2018

Other Operating Revenues

	<u>2019</u>	<u>2018</u>
Other Revenue		
Dietary meals	\$ 299,522	\$ 297,030
Medical records	8,973	7,206
Rental income	264,372	193,294
Miscellaneous	<u>43,232</u>	<u>208,066</u>
Total Other Revenue	<u>\$ 616,099</u>	<u>\$ 705,596</u>

Geary Community Hospital

Operating Expenses

Year Ended April 30, 2019

	2019		
	Salaries	Other	Total
Nursing Services	\$ 1,510,805	\$ 451,748	\$ 1,962,553
Intensive care	546,942	124,787	671,729
Nursery	266,941	3,701	270,642
Operating room	944,431	1,438,476	2,382,907
Anesthesiology	-	210,168	210,168
Radiology, CT, MRI and Ultrasound	824,518	577,442	1,401,960
Nuclear medicine	59,724	78,492	138,216
Laboratory	863,349	1,078,418	1,941,767
Intravenous therapy	73,556	61,572	135,128
Inhalation therapy	541,096	52,069	593,165
Physical therapy	-	61,585	61,585
Occupational therapy	-	31,976	31,976
Speech therapy	-	8,198	8,198
Cardiac pulmonary rehabilitation	78,278	1,338	79,616
Sleep lab	91,985	24,449	116,434
Central supply	156,071	43,689	199,760
Pharmacy	432,443	449,322	881,765
Emergency room	916,678	1,931,562	2,848,240
RHC clinics	4,158,217	1,402,959	5,561,176
Home medical equipment	215,240	462,735	677,975
Home health	-	61	61
Depreciation	-	2,145,182	2,145,182
Employee health and welfare	-	1,947,422	1,947,422
Administrative and general	2,942,549	3,434,274	6,376,823
Operation of plant	408,522	1,300,569	1,709,091
Laundry and linen	37,044	34,540	71,584
Housekeeping	-	869,076	869,076
Dietary	112	1,077,081	1,077,193
Dietician	2,588	623	3,211
Nursing administrative	1,054,394	226,552	1,280,946
Foundation	(112,386)	16,145	(96,241)
Public relations	113,984	117,608	231,592
Chapman clinic	314	26,580	26,894
Flint hills Surgical clinic	988,849	286,199	1,275,048
Psych clinic	-	1,516	1,516
Ortho clinic	102,397	893,285	995,682
Community wellness	263	522	785
Medical arts building	-	361,033	361,033
	\$ 17,218,904	\$ 21,232,954	\$ 38,451,858

Geary Community Hospital

Operating Expenses

Year Ended April 30, 2018

	2018 (Restated)		
	Salaries	Other	Total
Nursing Services	\$ 1,545,065	\$ 380,287	\$ 1,925,352
Intensive care	556,378	125,327	681,705
Nursery	341,359	4,316	345,675
Operating room	942,735	1,818,566	2,761,301
Anesthesiology	-	242,169	242,169
Radiology, CT, MRI and Ultrasound	868,142	607,792	1,475,934
Nuclear medicine	58,154	84,312	142,466
Laboratory	866,493	1,305,870	2,172,363
Intravenous therapy	56,332	39,995	96,327
Inhalation therapy	457,429	80,400	537,829
Physical therapy	-	67,935	67,935
Occupational therapy	-	34,641	34,641
Speech therapy	-	12,048	12,048
Cardiac pulmonary rehabilitation	165,205	1,927	167,132
Sleep lab	119,561	33,522	153,083
Central supply	170,170	98,587	268,757
Pharmacy	423,327	553,288	976,615
Emergency room	999,307	1,976,325	2,975,632
RHC clinics	4,489,852	1,184,657	5,674,509
Home medical equipment	209,788	569,425	779,213
Home health	587	18,710	19,297
Hospice	-	(169)	(169)
Depreciation	-	2,271,609	2,271,609
Employee health and welfare	-	3,876,879	3,876,879
Administrative and general	2,639,411	2,944,037	5,583,448
Operation of plant	445,103	1,287,851	1,732,954
Laundry and linen	33,446	29,182	62,628
Housekeeping	-	894,038	894,038
Dietary	502	1,111,836	1,112,338
Dietician	9,312	456	9,768
Nursing administrative	699,408	156,038	855,446
Foundation	67,015	(2,827)	64,188
Public relations	95,878	135,528	231,406
Chapman clinic	13,086	33,746	46,832
Flint hills Surgical clinic	1,025,850	96,782	1,122,632
Ortho clinic	151,489	927,647	1,079,136
Community wellness	75	1,190	1,265
Medical arts building	-	362,969	362,969
	\$ 17,450,459	\$ 23,366,891	\$ 40,817,350