

Hospital District No. 1 of Rice County

Independent Auditor's Report and Financial Statements

April 30, 2020 and 2019

Hospital District No. 1 of Rice County

April 30, 2020 and 2019

Contents

Independent Auditor's Report	1
---	----------

Financial Statements

Balance Sheets	3
Statements of Revenues, Expenses and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	7

Required Supplementary Information

Schedule of the Hospital District's Proportionate Share of the Net Pension Liability	40
Schedule of the Hospital District's Pension Contributions	41
Schedule of Changes in the Hospital District's Total OPEB Liability and Related Ratios.....	42

Independent Auditor's Report

Board of Directors
Hospital District No. 1 of Rice County
Lyons, Kansas

We have audited the accompanying financial statements of Hospital District No. 1 of Rice County (Hospital District), as of and for the years ended April 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Hospital District No. 1 of Rice County'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 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital District No. 1 of Rice County as of April 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

BKD, LLP

Wichita, Kansas
November 17, 2020

Hospital District No. 1 of Rice County

Balance Sheets

April 30, 2020 and 2019

Assets and Deferred Outflows of Resources

	2020	2019
Current Assets		
Cash	\$ 3,939,794	\$ 733,971
Restricted cash and investments - current	248,372	251,492
Patient accounts receivable, net of allowance; 2020 - \$539,088, 2019 - \$508,471	1,770,644	1,996,125
Property taxes receivable	575,875	466,881
Estimated amounts due from third-party payers	32,941	805,000
Supplies	106,812	137,559
Prepaid expenses and other	112,790	114,340
340B contract pharmacy receivable	128,635	293
Total current assets	6,915,863	4,505,661
Noncurrent Cash and Investments		
Held by trustee for debt service	248,370	251,490
Held by Rice Community Healthcare Foundation	1,434,808	1,440,065
Restricted by donors for capital acquisitions and specific operating activities	109,864	109,864
	1,793,042	1,801,419
Less amount required to meet current obligations	248,372	251,492
	1,544,670	1,549,927
Capital Assets, Net	4,251,778	4,601,738
Total assets	12,712,311	10,657,326
Deferred Outflows of Resources		
Pension	881,070	998,865
Other postemployment benefits	3,347	-
Deferred amount on refunding	60,345	73,512
Total deferred outflows of resources	944,762	1,072,377
Total assets and deferred outflows of resources	\$ 13,657,073	\$ 11,729,703

Liabilities, Deferred Inflows of Resources and Net Position (Deficit)

	2020	2019
Current Liabilities		
Current maturities of long-term debt	\$ 1,210,931	\$ 637,616
Accounts payable	538,500	1,155,504
Estimated amounts due to third-party payers	272,941	-
Accrued wages and vacation benefits	1,128,695	1,002,806
Other accrued liabilities	246,455	467,459
Unearned revenue	446,746	121,960
Total current liabilities	3,844,268	3,385,345
Long-term Debt	3,249,645	2,911,261
Net Pension Liability	5,103,581	5,168,410
Total Other Postemployment Benefits Liability	221,360	210,933
Total liabilities	12,418,854	11,675,949
Deferred Inflows of Resources		
Property taxes	1,070,771	861,799
Pension	324,059	416,021
Other postemployment benefits	33,913	26,098
Total deferred inflows of resources	1,428,743	1,303,918
Net Position (Deficit)		
Net investment in capital assets	1,232,647	1,126,373
Restricted - expendable for		
Debt service	248,370	251,490
Capital acquisitions	85,419	85,419
Specific operating activities	24,445	24,445
Unrestricted	(1,781,405)	(2,737,891)
Total net position (deficit)	(190,524)	(1,250,164)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 13,657,073	\$ 11,729,703

Hospital District No. 1 of Rice County
Statements of Revenues, Expenses and Changes in Net Position
Years Ended April 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2020 – \$657,228, 2019 – \$511,867	\$ 13,368,518	\$ 13,580,799
340B drug pricing program	1,983,580	-
Other	218,395	245,862
	<u>15,570,493</u>	<u>13,826,661</u>
Operating Expenses		
Salaries and wages	7,423,279	7,383,493
Employee benefits	2,575,893	2,564,249
Supplies and other	5,408,157	4,273,600
Depreciation	604,094	654,698
	<u>16,011,423</u>	<u>14,876,040</u>
Operating Loss	<u>(440,930)</u>	<u>(1,049,379)</u>
Nonoperating Revenues (Expenses)		
Property taxes	1,435,414	1,269,555
Investment income (loss)	(17,841)	47,138
Interest expense	(89,884)	(82,481)
Noncapital grants and gifts	156,186	62,422
CARES Act funding	16,695	-
	<u>1,500,570</u>	<u>1,296,634</u>
Change in Net Position	<u>1,059,640</u>	<u>247,255</u>
Net Deficit, Beginning of Year	<u>(1,250,164)</u>	<u>(1,497,419)</u>
Net Deficit, End of Year	<u>\$ (190,524)</u>	<u>\$ (1,250,164)</u>

Hospital District No. 1 of Rice County
Statements of Cash Flows
Years Ended April 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	\$ 14,510,657	\$ 12,138,249
Payments to suppliers and contractors	(6,213,868)	(3,605,390)
Payments to employees	(9,897,384)	(10,188,702)
Other receipts, net	2,526,761	245,862
	<u>926,166</u>	<u>(1,409,981)</u>
Cash Flows from Noncapital Financing Activities		
Property taxes	1,535,392	1,339,723
Noncapital grants and gifts	172,881	62,422
Proceeds from issuance of long-term debt	1,381,100	-
	<u>3,089,373</u>	<u>1,402,145</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(49,409)	(174,081)
Principal paid on long-term debt	(674,126)	(595,035)
Interest paid on long-term debt	(76,717)	(69,315)
	<u>(800,252)</u>	<u>(838,431)</u>
Cash Flows from Investing Activities		
Net change in noncurrent cash and investments	8,377	347,519
Investment income (loss)	(17,841)	47,138
	<u>(9,464)</u>	<u>394,657</u>
Increase (Decrease) in Cash	3,205,823	(451,610)
Cash, Beginning of Year	<u>733,971</u>	<u>1,185,581</u>
Cash, End of Year	<u><u>\$ 3,939,794</u></u>	<u><u>\$ 733,971</u></u>

Hospital District No. 1 of Rice County
Statements of Cash Flows (Continued)
Years Ended April 30, 2020 and 2019

	2020	2019
Reconciliation of Operating Loss to Net Cash		
Provided by (Used in) Operating Activities		
Operating loss	\$ (440,930)	\$ (1,049,379)
Depreciation	604,094	654,698
Provision for uncollectible accounts	657,228	511,867
Changes in operating assets and liabilities		
Patient accounts receivable	(431,747)	(798,124)
Estimated amounts due from third-party payers	1,045,000	(1,156,000)
Supplies	30,747	(16,207)
Prepaid expenses and other	(126,792)	(6,938)
Accounts payable and accrued expenses	(712,119)	673,178
Unearned revenue	324,786	-
Net pension liability	(64,829)	(415,140)
Total other postemployment benefits liability	10,427	(5,095)
Deferred outflows of resources - pension and OPEB	114,448	175,894
Deferred inflows of resources - pension and OPEB	(84,147)	21,265
	<u>\$ 926,166</u>	<u>\$ (1,409,981)</u>
Net cash provided by (used in) operating activities		
Noncash Investing, Capital and Financing Activities:		
Capital lease obligations incurred for capital assets	\$ 204,725	\$ 354,401

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

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

Nature of Operations and Reporting Entity

Hospital District No. 1 of Rice County (Hospital District) is a municipality of the State of Kansas and is governed by a Board of Directors who is elected by the residents of the District. The Hospital District provides general, acute, outpatient and limited long-term hospital care and services. The Hospital District is a licensed critical access hospital (CAH) located in Lyons, Kansas.

The Rice Community Healthcare Foundation (the Foundation), is a 501(c)3 nonprofit organization, established in order to promote and support Hospital District No. 1 of Rice County in the provision of health care. The Foundation is a separate legal entity but is financially integrated with the Hospital and is reported as a blended component unit of the Hospital and does not issue separate financial statements.

Basis of Accounting and Presentation

The financial statements of the Hospital District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred outflows and inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Budgetary Principles

The Hospital District is required by state statutes to adopt annual budgets on or before August 25 for the ensuing calendar year. The Hospital District's Board of Directors may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of individual funds.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the calendar year. There were no encumbrances at April 30, 2020 and 2019. Budgeted revenue and expenditure amounts represent the original budget adopted by the Hospital District's Board of Directors.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

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, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Hospital District considers all liquid investments with original maturities of three months or less to be cash equivalents except for noncurrent cash and investments held by Rice Community Healthcare Foundation. At April 30, 2020 and 2019, there were no cash equivalents.

Property Tax Revenues

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The county treasurer is the tax collection agent for all taxing entities within the county. State statutes prohibit the county treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At April 30 such taxes are a lien on the property and are recorded as taxes receivable, net of amounts received and anticipated delinquencies. Taxes receivable are also deferred and amortized ratably to income throughout the fiscal year.

The Hospital District received approximately 8% in both 2020 and 2019, of its financial support from property taxes. One hundred percent of these funds were used to support operations in both years.

Risk Management

The Hospital District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

During 2019 and part of 2020 the Hospital District was self-insured for a portion of its exposure to risk of loss from employee health claims up to \$30,000 per individual. Claims in excess of \$30,000 per individual or \$1,000,000 aggregate Hospital District claims are covered through a reinsurance policy. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported. The Hospital District terminated the self-insured plan and began a fully insured health plan in July 2019.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes interest, dividends, and gains and losses, both realized and unrealized, on investments.

Patient Accounts Receivable

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

Supplies

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital District:

Land improvements	12 – 15 years
Building	10 – 50 years
Fixed equipment	10 – 20 years
Major moveable equipment	5 – 20 years

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Capital Asset Impairment

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

No asset impairment was recognized during the years ended April 30, 2020 and 2019.

Compensated Absences

Hospital District policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Deferred Outflows of Resources

The Hospital District reports the consumption of net position that is applicable to future reporting periods as deferred outflows of resources in a separate section of its balance sheets. Deferred outflows of resources for pension consist of pension items not yet charged to expense or pension liability. Deferred outflows of resources for deferred amount on refunding is related to benefit incurred on refunding previous debt and are being amortized over the term of the replacement debt using the straight-line method.

Cost-Sharing Defined Benefit Pension Plan

The Hospital District 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' 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.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Defined Benefit Other Postemployment Benefit Plan

The Hospital has a single employer defined benefit other postemployment benefit (OPEB) Plan, Long-Term Disability (LTD) Plan (the OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

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

Net Position (Deficit)

Net position (deficit) of the Hospital District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position (deficit) is the remaining net position (deficit) that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

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

Charity Care

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

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

The amount of charges foregone for services and supplies furnished under the Hospital District's charity care policy was \$25,780 and \$54,463 in 2020 and 2019, respectively. The Hospital District's direct and indirect costs for services and supplies furnished under the Hospital District's charity care policy totaled \$22,829 and \$51,246 in 2020 and 2019, respectively. Costs were calculated using the overall cost-to-charge ratio from the April 30, 2020 and 2019, filed Medicare cost reports.

COVID-19 Pandemic & CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

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

The extent of the COVID-19 pandemic's adverse effect on the Hospital District's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital District's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

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

Provider Relief Fund

During the year ended April 30, 2020, the Hospital District received \$366,569 of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

Subsequent to year-end, the Hospital District received approximately an additional \$3,500,000 in Provider Relief Fund distributions.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

The Hospital District is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital District's operating revenues and expenses through April 30, 2020, the Hospital District recognized \$16,695, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenue – *CARES Act* funding in our statement of revenues, expenses and changes in net position.

Subsequent to year-end, HHS issued Post Payment Notice of the Reporting Requirements on September 19, 2020, which was amended on October 22, 2020 and again amended on November 2, 2020. The guidance outlined a two-step approach to support the funds received and expands the definition of health care related expenses and also limits the amount of lost revenue claimed to any negative change in net patient care operating income from calendar year 2019 to 2020. Additional guidance is expected and guidance may change. As a result, the amounts recorded in the financial statements compared to the Hospital District's Provider Relief Fund reporting could differ. This difference cannot be currently estimated but could be material.

The Hospital District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital District's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital District is unable to attest to or comply with current or future terms and conditions the Hospital District's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Paycheck Protection Program (PPP) Loan

The *CARES Act* and other subsequent legislation also provides a Small Business Administration (SBA) loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Payroll Protection Program (PPP) loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Hospital District received a PPP loan of \$1,381,100 on April 29, 2020. The loan has an interest rate of 1 percent, with monthly payments of \$77,659 due monthly starting six months after the receipt of the loan. The loan, if not forgiven, matures on April 29, 2022.

The Hospital District is accounting for the PPP loan in accordance with GASB Statement 62. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. The PPP loan is included on the accompanying balance sheet as long-term debt in accordance with the term of the PPP loan agreement. See *Note 6* for additional information.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Income Taxes

As an essential government entity, the Hospital District is generally exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Foundation

The Rice Community Healthcare Foundation (Foundation) is a legally separate, not-for-profit 501(c)(3) corporation organized under the Kansas General Corporation Code for exclusively charitable purposes. Membership in the Foundation is limited to the Hospital District. As the Hospital District may impose its will on the Foundation, and as it exists to provide services entirely to the Hospital District, the Foundation is, accordingly, included as a component unit in the Hospital District's financial statements using the blended method. All significant intercompany accounts and transactions have been eliminated in the accompanying financial statements.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Net Patient Service Revenue

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

Medicare. The Hospital District is recognized as a CAH, and is paid for inpatient acute care, skilled swing-bed and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. Rural Health Clinic services are reimbursed on a cost reimbursement methodology. The Hospital District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital District and audits thereof by the Medicare Administrative Contractor.

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

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Approximately 54% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for both the years ended April 30, 2020 and 2019. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital District 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 District under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Net patient service revenue consists of the following for the year ended April 30:

	2020	2019
Gross patient service revenue	\$ 16,849,931	\$ 15,900,388
Plus (less)		
Contractual adjustments		
Medicare	(433,068)	56,120
Medicaid	(180,818)	(2,119)
Other	(2,210,299)	(1,861,723)
Provision for uncollectible accounts	(657,228)	(511,867)
Net patient service revenue	<u>\$ 13,368,518</u>	<u>\$ 13,580,799</u>

Note 3: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas, bonds of any city, county, school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At April 30, 2020 and 2019, respectively, none of the Hospital District's bank balances of \$4,309,337 and \$1,059,995 were exposed to custodial credit risk.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Summary of Carrying Values

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

	2020	2019
Carrying value		
Deposits	\$ 3,939,794	\$ 733,971
Included in the following balance sheet captions		
Cash	\$ 3,939,794	\$ 733,971

Noncurrent Cash and Investments

Noncurrent cash and investments held by the Hospital District and the Foundation are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain securities, it is reasonably possible that changes in the values of securities will occur in the near term and that such changes could materially affect the amount reported in the statements of revenues, expenses and changes in net position.

Noncurrent cash and investments consist of the following at April 30, 2020 and 2019:

		April 30, 2020		
		Maturities in Years		
Type	Fair Value	Less than 1	1-5	6-10
U.S. agencies obligations	\$ 91,886	\$ -	\$ 91,886	\$ -
Corporate bonds	318,837	318,837	-	-
Money market mutual funds	341,174	341,174	-	-
		\$ 660,011	\$ 91,886	\$ -
Cash	57,005			
Surrender value of life insurance	16,150			
Corporate stocks	967,990			
	\$ 1,793,042			

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Type	Fair Value	April 30, 2019		
		Maturities in Years		
		Less than 1	1-5	6-10
U.S. agencies obligations	\$ 158,983	\$ 24,969	\$ 134,014	\$ -
Corporate bonds	194,729	194,729	-	-
Money market mutual funds	472,418	472,418	-	-
		<u>\$ 692,116</u>	<u>\$ 134,014</u>	<u>\$ -</u>
Cash	37,192			
Surrender value of life insurance	16,150			
Corporate stocks	<u>921,947</u>			
	<u>\$ 1,801,419</u>			

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital District’s investment policy does not limit the percentage of investment in various term investments. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital District’s policy to limit its investments in corporate bonds to investment grade ratings issued by nationally recognized statistical rating organizations (NRSROs). At April 30, 2020 and 2019, the Hospital District’s investments in corporate bonds were rated from AA to A- by Standard & Poor’s and from AA2 to A3 by Moody’s Investors Service. At those dates, the Hospital District’s investments in U.S. agencies obligations not directly guaranteed by the U.S. government were rated AA+ by Standard & Poor’s and its investments in money market mutual funds were not rated by Standard & Poor’s or Moody’s Investors Service.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Hospital District’s investments in repurchase agreements at April 30, 2020 and 2019, are held by the counterparties in other than the Hospital District’s name. The Hospital District’s investment policy does not address how securities underlying repurchase agreements are to be held.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Concentration of Credit Risk – The Hospital District places no limit on the amount that may be invested in any one issuer. At April 30, 2020 and 2019, the Hospital District's investments not directly guaranteed by the U.S. government that constituted more than 5% of its total investments are as follows:

	2020	2019
iShares Core S&P 500 ETF	10%	10%

Reconciliation of noncurrent assets to balance sheets:

	2020	2019
Held by trustee for debt service	\$ 248,370	\$ 251,490
Restricted by donors for capital acquisitions and specific operating activities	109,864	109,864
Held by Rice Community Healthcare Foundation	<u>1,434,808</u>	<u>1,440,065</u>
Total noncurrent cash and investments	<u><u>\$ 1,793,042</u></u>	<u><u>\$ 1,801,419</u></u>

Investment Income (Loss)

Investment income (loss) for the years ended April 30 consisted of:

	2020	2019
Interest and dividend income	\$ 44,174	\$ 47,493
Decrease in fair value of investments	<u>(62,015)</u>	<u>(355)</u>
	<u><u>\$ (17,841)</u></u>	<u><u>\$ 47,138</u></u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Note 4: Patient Accounts Receivable

The Hospital District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at April 30 consisted of:

	2020	2019
Medicare	\$ 539,051	\$ 669,514
Medicaid	143,309	111,627
Blue Cross	264,283	205,086
Other third-party payers	242,399	386,338
Patients	1,120,690	1,132,031
	<u>2,309,732</u>	<u>2,504,596</u>
Less allowance for uncollectible accounts	<u>539,088</u>	<u>508,471</u>
	<u>\$ 1,770,644</u>	<u>\$ 1,996,125</u>

Note 5: Capital Assets

Capital assets activity for the years ended April 30 was:

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 143,104	\$ -	\$ -	\$ -	\$ 143,104
Land improvements	621,908	-	-	-	621,908
Building	10,636,101	-	-	-	10,636,101
Fixed equipment	720,113	-	-	-	720,113
Major moveable equipment	3,770,148	205,839	(72,028)	186,131	4,090,090
Construction in process	146,606	48,295	-	(186,131)	8,770
	<u>16,037,980</u>	<u>254,134</u>	<u>(72,028)</u>	<u>-</u>	<u>16,220,086</u>
Less accumulated depreciation					
Land improvements	546,441	18,902	-	-	565,343
Buildings	7,192,341	348,403	-	-	7,540,744
Fixed equipment	554,936	30,668	-	-	585,604
Major moveable equipment	3,142,524	206,121	(72,028)	-	3,276,617
	<u>11,436,242</u>	<u>604,094</u>	<u>(72,028)</u>	<u>-</u>	<u>11,968,308</u>
Capital assets, net	<u>\$ 4,601,738</u>	<u>\$ (349,960)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,251,778</u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

	2019				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 143,104	\$ -	\$ -	\$ -	\$ 143,104
Land improvements	621,908	-	-	-	621,908
Building	10,626,101	10,000	-	-	10,636,101
Fixed equipment	720,113	-	-	-	720,113
Major moveable equipment	3,912,310	371,876	(514,038)	-	3,770,148
Construction in process	-	146,606	-	-	146,606
	<u>16,023,536</u>	<u>528,482</u>	<u>(514,038)</u>	<u>-</u>	<u>16,037,980</u>
Less accumulated depreciation					
Land improvements	527,539	18,902	-	-	546,441
Buildings	6,759,061	433,280	-	-	7,192,341
Fixed equipment	524,496	30,440	-	-	554,936
Major moveable equipment	<u>3,484,486</u>	<u>172,076</u>	<u>(514,038)</u>	<u>-</u>	<u>3,142,524</u>
	<u>11,295,582</u>	<u>654,698</u>	<u>(514,038)</u>	<u>-</u>	<u>11,436,242</u>
Capital assets, net	<u>\$ 4,727,954</u>	<u>\$ (126,216)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,601,738</u>

Note 6: Long-term Debt

The following is a summary of long-term obligation transactions for the Hospital District for the years ended April 30, 2020 and 2019:

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2016 revenue bonds payable	\$ 3,065,000	\$ -	\$ 520,000	\$ 2,545,000	\$ 525,000
Capital lease obligations	483,877	204,725	154,126	534,476	154,829
SBA PPP Loan	-	1,381,100	-	1,381,100	531,102
	<u>\$ 3,548,877</u>	<u>\$ 1,585,825</u>	<u>\$ 674,126</u>	<u>\$ 4,460,576</u>	<u>\$ 1,210,931</u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2016 revenue bonds payable	\$ 3,575,000	\$ -	\$ 510,000	\$ 3,065,000	\$ 520,000
Capital lease obligations	214,511	354,401	85,035	483,877	117,616
	<u>\$ 3,789,511</u>	<u>\$ 354,401</u>	<u>\$ 595,035</u>	<u>\$ 3,548,877</u>	<u>\$ 637,616</u>

2016 Revenue Bonds Payable

Due December 1, 2024, principal payable semiannually beginning December 1, 2016, plus semiannual interest payments at interest rates from 0.90% to 2.75%; secured by trustee-held assets.

Under the terms of the Hospital District's Revenue Bond Indentures, the Hospital District is required to maintain certain funds with a trustee. Accordingly, these funds are included as restricted cash and investments – current and noncurrent cash and investments held by trustee for debt service in the accompanying balance sheets.

The debt service requirements as of April 30, 2020, are as follows:

Year Ending April 30,	Total to be Paid	Principal	Interest
2021	\$ 579,263	\$ 525,000	\$ 54,263
2022	584,650	540,000	44,650
2023	583,456	550,000	33,456
2024	580,675	560,000	20,675
2025	376,256	370,000	6,256
	<u>\$ 2,704,300</u>	<u>\$ 2,545,000</u>	<u>\$ 159,300</u>

SBA PPP Loan

The Hospital District entered into the Paycheck Protection Program (PPP) loan on April 29, 2020, in the amount of \$1,381,100. The loan has provisions that, if met, allow for the Hospital District to be forgiven up to 100% of the loan amount. Management believes that 100% of the loan will be forgiven. If any amounts are not forgiven, interest and principal payments begin 6 months from the date of the loan origination date. The loan has an interest rate of 1% and is due in full 2 years from date of issuance. The loan is a program under the Small Business Administration (SBA) and is fully guaranteed by the SBA.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Capital Lease Obligations

The Hospital District is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at April 30, 2020 and 2019, totaled \$727,407 and \$587,852, respectively, net of accumulated depreciation of \$268,876 and \$121,664, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 2.33% to 6.86% together with the present value of the future minimum lease payments as of April 30, 2020:

Year Ending April 30,	
2021	\$ 167,919
2022	140,169
2023	138,355
2024	114,552
2025	<u>2,642</u>
Total minimum lease payments	563,637
Less amount representing interest	<u>29,161</u>
Present value of future minimum lease payments	<u>\$ 534,476</u>

Note 7: Employee Health Claims

Substantially all of the Hospital District's employees and their dependents are eligible to participate in the Hospital District's employee health insurance plan. During 2019 and part of 2020, the Hospital District was self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$30,000 per covered employee. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital District's estimate will change by a material amount in the near term.

Activity in the Hospital District's accrued employee health claims liability during 2020 and 2019 is summarized as follows:

	2020	2019
Balance, beginning of year	\$ 149,154	\$ 124,989
Current year claims incurred and changes in estimates for claims incurred in prior years	367,000	1,667,000
Claims and expenses paid	<u>(516,154)</u>	<u>(1,642,835)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 149,154</u>

The Hospital District changed to a fully insured health plan July 1, 2019.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Note 8: Pension Plan

Plan Description

The Hospital District contributes to the Kansas Public Employees Retirement System (KPERS) plan a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees. The KPERS 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, 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 District'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 10 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.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

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 District's contractually required contribution rate for the years ended April 30, 2020 and 2019, was 8.89% and 8.39% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital District's contributions to KPERS for pensions for the years ended April 30, 2020 and 2019, were \$622,535 and \$603,340, respectively.

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

At April 30, 2020 and 2019, the Hospital District reported a liability of \$5,103,581 and \$5,168,410, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2018 and 2017, respectively, rolled forward to June 30, 2019 and 2018, respectively. The Hospital District's proportion of the net pension liability was based on the ratio of the Hospital District's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2019, the Hospital District's proportion was 0.365227%, which was a decrease of 0.005590% from its proportion measured as of June 30, 2018, of 0.370817%. At June 30, 2017, the proportion was 0.385483%.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

For the years ended April 30, 2020 and 2019, the Hospital District recognized pension expense of \$562,113 and \$347,143, respectively. At April 30, 2020 and 2019, the Hospital District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,171	\$ 128,530
Net difference between projected and actual earnings on pension plan investments	120,071	-
Changes of assumptions	155,984	10,344
Changes in proportion	81,514	185,185
Hospital District's contributions subsequent to the measurement date	512,330	-
Total	<u>\$ 881,070</u>	<u>\$ 324,059</u>

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,660	\$ 146,450
Net difference between projected and actual earnings on pension plan investments	120,906	-
Changes of assumptions	223,814	24,889
Changes in proportion	140,602	244,682
Hospital District's contributions subsequent to the measurement date	494,883	-
Total	<u>\$ 998,865</u>	<u>\$ 416,021</u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

At April 30, 2020, the Hospital District reported \$512,330 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2020, related to pensions will be recognized in pension expense as follows:

2021	\$ 132,296
2022	(73,668)
2023	(20,389)
2024	8,995
2025	(2,553)
	<hr/>
	\$ 44,681
	<hr/>

Actuarial Assumptions

The total pension liability in the December 31, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	2017
Price inflation	2.75%	2.75%
Wage inflation	3.50%	3.50%
Salary increases, including inflation	3.5% to 12%	3.5% to 10%
Investment rate of return, net of pension plan investment expense, including inflation	7.75%	7.75%

Mortality rates were based on the RP-2014 Healthy Annuitant Table for males or females, as appropriate with adjustments for mortality improvements based on Scale MP-16 for the December 31, 2018 and 2017, actuarial valuations.

The actuarial assumptions used in the December 31, 2018 and 2017, valuations were based on the results of an actuarial experience study for the three-year period ended December 31, 2015.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

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%	6.85%	47%	6.85%
Fixed income	13%	1.25%	13%	1.25%
Yield driven	8%	6.55%	8%	6.55%
Real return	11%	1.71%	11%	1.71%
Real estate	11%	5.05%	11%	5.05%
Alternatives	8%	9.85%	8%	9.85%
Short-term investments	2%	-0.25%	2%	-0.25%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75% for the years ended June 30, 2019 and 2018. 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.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

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

The Hospital District's proportionate share of the net pension liability has been calculated using a discount rate of 7.75%. The following presents the Hospital District'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 District's proportionate share of the net pension liability	\$ 7,622,305	\$ 5,103,581	\$ 2,996,714

Pension Plan Fiduciary Net Position

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

Note 9: Other Postemployment Benefit Plan

Plan Description

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

Benefits Provided

The OPEB Plan provides LTD and life insurance benefits to eligible disabled members. Benefits provided are self-funded, and the full cost of the benefits is covered by the OPEB Plan. The monthly benefit is 60% of the member's monthly rate of compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever first occurs. Upon the death of a member who is receiving monthly disability benefits, the plan will pay a lump sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary.

The employees covered by the benefit terms at June 30, 2019 and 2018, (the measurement date), are:

	2019	2018
Active employees	133	129
Disabled employees	1	2
	134	131

Total OPEB Liability

The Hospital District's total OPEB liability of \$221,360 and \$210,933 was measured as of June 30, 2019 and 2018, for the years ended April 30, 2020 and 2019, respectively, and was determined by actuarial valuations as of December 31, 2018 and 2017, respectively, and rolled forward to June 30, 2019 and 2018, respectively.

The total OPEB liability in the December 31, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Inflation	2.75%	2.75%
Discount rate	3.50%	3.87%
Salary increases, including inflation	3.50% to 10%	3.50% to 10%

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index. The discount rate changed from 3.58% in 2017 to 3.87% in 2018 and to 3.50% in 2019.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate with adjustments for mortality improvements based on MP-2019 Mortality Tables for the December 31, 2018, actuarial valuation.

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups, as appropriate with adjustments for mortality improvements based on MP-2018 Mortality Tables for the December 31, 2017, actuarial valuation.

The actuarial assumptions used in the December 31, 2018 and 2017, valuations were based on the results of an actuarial experience study for 2013 - 2015.

Changes in the Total OPEB Liability

Changes in the total OPEB liability are:

	2020	2019
Balance, beginning of year	\$ 210,933	\$ 216,028
Changes for the year:		
Service cost	24,316	24,015
Interest	8,830	8,326
Differences between expected and actual experience	(12,159)	(19,480)
Changes of assumptions	3,730	(2,859)
Benefit payments	(14,290)	(15,097)
Net changes	10,427	(5,095)
Balance, end of year	\$ 221,360	\$ 210,933

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

The total OPEB liability of the Hospital District, at April 30, 2020, has been calculated using a discount rate of 3.50%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the 2020 discount rate.

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Hospital District's total OPEB liability	\$ 231,407	\$ 221,360	\$ 211,314

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

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

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

For the years ended April 30, 2020 and 2019, the Hospital District recognized OPEB expense of \$29,185 and \$29,247, respectively. At April 30, 2020 and 2019, the Hospital District reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (26,369)
Changes of assumptions	3,347	(7,544)
Total	<u>\$ 3,347</u>	<u>\$ (33,913)</u>

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (17,470)
Changes of assumptions	-	(8,628)
Total	<u>\$ -</u>	<u>\$ (26,098)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2020, related to OPEB will be recognized in OPEB expense as follows:

2021	\$ (3,961)
2022	(3,961)
2023	(3,961)
2024	(3,961)
2025	(3,961)
Thereafter	<u>(10,761)</u>
	<u>\$ (30,566)</u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Note 10: 340B Drug Pricing Program

The Hospital District participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital District to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital District recorded revenues of \$1,983,580 and \$0 for the years ending April 30, 2020 and 2019, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Hospital District recorded expenses of \$840,160 and \$0 for the years ending April 30, 2020 and 2019, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 11: Compliance with Kansas Law

Kansas statutes require that fixed budgets be legally adopted for all enterprise and debt service funds. Budgets are prepared utilizing the modified accrual basis of accounting. Kansas statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures, which is prepared on a calendar year basis. Calendar year budgeted expenditures are compared to the Hospital District's enterprise fund, which are on an annualized calendar year basis as follows:

Operating expenses	\$ 16,330,338
Capital outlays	647,762
Depreciation	(620,962)
Provision for uncollectible accounts	(608,774)
Annualized calendar expenses	<u>15,748,364</u>
Budgeted expenditures	<u>15,703,918</u>
Unfavorable variance	<u>\$ (44,446)</u>

Note 12: Medical Malpractice Coverage and Claims

The Hospital District purchases medical malpractice insurance under a claims-made policy with a fixed premium, which provides \$1,000,000 of coverage for each medical incident and \$3,000,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

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

Note 13: Future Changes in Accounting Principles

Fiduciary Activities

GASB Statement No. 84 (GASB 84), *Fiduciary Activities* establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries.

Certain provisions of GASB 84 related to financial burden criteria have been amended by GASB 97, *Certain Component Unit Criteria*, and *Accounting and Financial Reporting for Internal Revenue Code Section Deferred Compensation Plans* and are effective immediately. Defined contributions plans are not exempt based on financial burden criteria.

GASB 84 is effective for financial statements for fiscal years beginning after December 15, 2019. The Hospital District is evaluating the impact the statement will have on the financial statements.

Leases

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

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

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

Note 14: Subsequent Events

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

On May 6, 2020, the Hospital District received approximately \$3,401,000 of additional stimulus funds from HHS. Certain conditions are required to be met to retain these funds. If the conditions are met, the funds will be retained by the Hospital District with no repayment obligations. Management has attested to the requirements and believes the Hospital District will retain a portion, if not all, of the stimulus payments.

On May 20, 2020, the Hospital District received approximately \$99,000 of additional stimulus funds from HHS. Congress has directed this funding to address the expenses Rural Health Clinics (RHCs) are incurring for COVID-19 testing. Certain conditions are required to be met to retain these funds. If the conditions are met, the funds will be retained by the Hospital District with no repayment obligations. Management has attested to the requirements and believes the Hospital District will retain a portion, if not all, of the stimulus payments.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

Note 15: Condensed Combining Information

The following tables include condensed combining balance sheet information for the Hospital District and its blended component unit as of April 30, 2020 and 2019:

	April 30, 2020		
	Hospital District	Foundation	Total
Assets			
Current assets	\$ 6,915,863	\$ -	\$ 6,915,863
Capital assets, net	4,231,456	20,322	4,251,778
Other assets	-	1,544,670	1,544,670
Total assets	11,147,319	1,564,992	12,712,311
Deferred Outflows of Resources	944,762	-	944,762
Total assets and deferred outflows of resources	<u>\$ 12,092,081</u>	<u>\$ 1,564,992</u>	<u>\$ 13,657,073</u>
Liabilities			
Current liabilities	\$ 3,844,268	\$ -	\$ 3,844,268
Noncurrent liabilities	8,574,586	-	8,574,586
Total liabilities	12,418,854	-	12,418,854
Deferred Inflows of Resources	1,428,743	-	1,428,743
Net Position (Deficit)			
Net investments in capital assets	1,232,647	-	1,232,647
Restricted expendable	248,370	109,864	358,234
Unrestricted	(3,236,533)	1,455,128	(1,781,405)
Total net position (deficit)	(1,755,516)	1,564,992	(190,524)
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 12,092,081</u>	<u>\$ 1,564,992</u>	<u>\$ 13,657,073</u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

	April 30, 2019		
	Hospital District	Foundation	Total
Assets			
Current assets	\$ 4,505,661	\$ -	\$ 4,505,661
Capital assets, net	4,581,416	20,322	4,601,738
Other assets	-	1,549,927	1,549,927
Total assets	9,087,077	1,570,249	10,657,326
Deferred Outflows of Resources	1,072,377	-	1,072,377
Total assets and deferred outflows of resources	<u>\$ 10,159,454</u>	<u>\$ 1,570,249</u>	<u>\$ 11,729,703</u>
Liabilities			
Current liabilities	\$ 3,385,345	\$ -	\$ 3,385,345
Noncurrent liabilities	8,290,604	-	8,290,604
Total liabilities	11,675,949	-	11,675,949
Deferred Inflows of Resources	1,303,918	-	1,303,918
Net Position (Deficit)			
Net investments in capital assets	1,126,373	-	1,126,373
Restricted expendable	251,490	109,864	361,354
Unrestricted	(4,198,276)	1,460,385	(2,737,891)
Total net position (deficit)	(2,820,413)	1,570,249	(1,250,164)
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 10,159,454</u>	<u>\$ 1,570,249</u>	<u>\$ 11,729,703</u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

The following tables include condensed combining statement of revenues, expenses and changes in net position information for the Hospital District and its blended component unit for the years ended April 30, 2020 and 2019:

	April 30, 2020		
	Hospital District	Foundation	Total
Operating Revenues			
Net patient service revenue	\$ 13,368,518	\$ -	\$ 13,368,518
340B drug pricing program	1,983,580	-	1,983,580
Other	208,639	9,756	218,395
Total operating revenues	15,560,737	9,756	15,570,493
Operating Expenses			
Salaries and wages	7,423,279	-	7,423,279
Employee benefits	2,575,893	-	2,575,893
Supplies and other	5,380,196	27,961	5,408,157
Depreciation	604,094	-	604,094
Total operating expenses	15,983,462	27,961	16,011,423
Operating Loss	(422,725)	(18,205)	(440,930)
Nonoperating Revenues (Expenses)			
Property taxes	1,435,414	-	1,435,414
Investment income (loss)	2,965	(20,806)	(17,841)
Interest expense	(89,884)	-	(89,884)
Noncapital grants and gifts	122,432	33,754	156,186
CARES Act funding	16,695	-	16,695
Total nonoperating revenues (expenses)	1,487,622	12,948	1,500,570
Change in Net Position	1,064,897	(5,257)	1,059,640
Net Position (Deficit), Beginning of Year	(2,820,413)	1,570,249	(1,250,164)
Net Position (Deficit), End of Year	\$ (1,755,516)	\$ 1,564,992	\$ (190,524)

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

	April 30, 2019		
	Hospital District	Foundation	Total
Operating Revenues			
Net patient service revenue	\$ 13,580,799	\$ -	\$ 13,580,799
Other	235,445	10,417	245,862
Total operating revenues	13,816,244	10,417	13,826,661
Operating Expenses			
Salaries and wages	7,383,493	-	7,383,493
Employee benefits	2,564,249	-	2,564,249
Supplies and other	4,235,647	37,953	4,273,600
Depreciation	654,698	-	654,698
Total operating expenses	14,838,087	37,953	14,876,040
Operating Loss	(1,021,843)	(27,536)	(1,049,379)
Nonoperating Revenues (Expenses)			
Property taxes	1,269,555	-	1,269,555
Investment income	1,902	45,236	47,138
Interest expense	(82,481)	-	(82,481)
Noncapital grants and gifts	436,828	(374,406)	62,422
Total nonoperating revenues (expenses)	1,625,804	(329,170)	1,296,634
Change in Net Position	603,961	(356,706)	247,255
Net Position (Deficit), Beginning of Year	(3,424,374)	1,926,955	(1,497,419)
Net Position (Deficit), End of Year	\$ (2,820,413)	\$ 1,570,249	\$ (1,250,164)

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2020 and 2019

The following tables include condensed combining statement of cash flows information for the Hospital District and its blended component unit for the years ended April 30, 2020 and 2019:

	April 30, 2020			
	Hospital District	Foundation	Eliminations	Total
Net Cash Provided by Operating Activities	\$ 926,166	\$ -	\$ -	\$ 926,166
Net Cash Provided by Noncapital Financing Activities	3,089,373	-	-	3,089,373
Net Cash Used in Capital and Related Financing Activities	(800,252)	-	-	(800,252)
Net Cash Used in Investing Activities	(9,464)	-	-	(9,464)
Increase in Cash	3,205,823	-	-	3,205,823
Cash, Beginning of Year	733,971	-	-	733,971
Cash, End of Year	<u>\$ 3,939,794</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,939,794</u>
	April 30, 2019			
	Hospital District	Foundation	Eliminations	Total
Net Cash Used in Operating Activities	\$(1,409,981)	\$ -	\$ -	\$(1,409,981)
Net Cash Provided by (Used in) Noncapital Financing Activities	1,824,804	(422,659)	-	1,402,145
Net Cash Used in Capital and Related Financing Activities	(838,431)	-	-	(838,431)
Net Cash Provided by (Used in) Investing Activities	(28,002)	422,659	-	394,657
Decrease in Cash	(451,610)	-	-	(451,610)
Cash, Beginning of Year	1,185,581	-	-	1,185,581
Cash, End of Year	<u>\$ 733,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 733,971</u>

Required Supplementary Information

Hospital District No. 1 of Rice County
Schedule of the Hospital's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2020 *	2019 *	2018 *	2017 *	2016 *	2015 *
Hospital District's proportion of the net pension liability	0.365227%	0.370817%	0.385483%	0.383380%	0.369451%	0.369451%
Hospital District's proportionate share of the net pension liability	\$ 5,103,581	\$ 5,168,410	\$ 5,583,550	\$ 5,931,002	\$ 4,851,055	\$ 4,461,673
Hospital District's covered-employee payroll	\$ 6,562,520	\$ 6,664,660	\$ 7,186,627	\$ 6,680,349	\$ 5,959,684	\$ 5,646,414
Hospital District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.77%	77.55%	77.69%	88.78%	81.40%	79.02%
Plan fiduciary net position as a percentage of the total pension liability	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%

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

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

Hospital District No. 1 of Rice County
Schedule of the Hospital District's Pension Contributions
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2020 *	2019 *	2018 *	2017 *	2016 *	2015 *
Contractually required contribution	\$ 622,535	\$ 603,340	\$ 583,041	\$ 635,285	\$ 607,610	\$ 550,276
Contribution in relation to the contractually required contribution	<u>622,535</u>	<u>603,340</u>	<u>583,041</u>	<u>635,285</u>	<u>607,610</u>	<u>550,276</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Hospital District's covered-employee payroll	\$ 7,068,906	\$ 7,181,194	\$ 6,701,621	\$ 7,106,096	\$ 6,477,719	\$ 6,078,159
Contributions as a percentage of covered-employee payroll	8.81%	8.40%	8.70%	8.94%	9.38%	9.05%

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

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

Hospital District No. 1 of Rice County
Schedule of Changes in the Hospital District's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years

	2020 *	2019 *	2018 *
Total OPEB Liability			
Service cost	\$ 24,316	\$ 24,015	\$ 26,998
Interest	8,830	8,326	6,965
Differences between expected and actual experience	(12,159)	(19,480)	-
Changes in assumptions	3,730	(2,859)	(7,642)
Benefit payments	(14,290)	(15,097)	(55,020)
Net Change in Total OPEB Liability	10,427	(5,095)	(28,699)
Hospital District's Total OPEB Liability - Beginning	210,933	216,028	244,727
Hospital District's Total OPEB Liability - Ending	<u>\$ 221,360</u>	<u>\$ 210,933</u>	<u>\$ 216,028</u>
Hospital District's Covered-Employee Payroll	\$ 6,825,225	\$ 6,431,491	\$ 6,506,287
Hospital District's Total OPEB Liability as a percentage of covered-employee payroll	3.24%	3.28%	3.32%

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

Changes in assumptions: Discount rate changed from 2.85% in 2016 to 3.58% for 2017 to 3.87% for 2018 and to 3.50% for 2019.

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