

Hospital District No. 1 of Rice County

Independent Auditor's Report and Financial Statements

April 30, 2018 and 2017



Hospital District No. 1 of Rice County
April 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 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
October 18, 2018

Hospital District No. 1 of Rice County

Balance Sheets

April 30, 2018 and 2017

Assets and Deferred Outflows of Resources

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash	\$ 1,185,581	\$ 498,595
Restricted cash and investments - current	242,305	242,305
Patient accounts receivable, net of allowance; 2018 - \$479,709, 2017 - \$540,131	1,709,868	1,636,577
Property taxes receivable	575,207	491,542
Estimated amounts due from third-party payers	-	829,783
Supplies	121,352	128,742
Prepaid expenses and other	107,695	118,586
	<u>3,942,008</u>	<u>3,946,130</u>
Noncurrent Cash and Investments		
Held by trustee for debt service	242,303	242,303
Held by Rice Community Healthcare Foundation	1,796,771	1,975,625
Restricted by donors for capital acquisitions and specific operating activities	109,864	109,864
	<u>2,148,938</u>	<u>2,327,792</u>
Less amount required to meet current obligations	242,305	242,305
	<u>1,906,633</u>	<u>2,085,487</u>
Capital Assets, Net	<u>4,727,954</u>	<u>5,366,579</u>
	<u>10,576,595</u>	<u>11,398,196</u>
Deferred Outflows of Resources		
Pension	1,174,759	1,504,047
Deferred amount on refunding	86,678	99,844
	<u>1,261,437</u>	<u>1,603,891</u>
Total deferred outflows of resources	<u>1,261,437</u>	<u>1,603,891</u>
Total assets and deferred outflows of resources	<u>\$ 11,838,032</u>	<u>\$ 13,002,087</u>

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

	<u>2018</u>	<u>2017</u>
Current Liabilities		
Current maturities of long-term debt	\$ 589,343	\$ 610,106
Accounts payable	467,385	395,983
Estimated amounts due to third-party payers	351,000	-
Accrued wages and vacation benefits	1,020,690	1,061,307
Other accrued liabilities	464,516	441,382
	<hr/>	<hr/>
Total current liabilities	2,892,934	2,508,778
Unearned Revenue	1,021,917	800,279
Long-term Debt	3,200,168	3,682,411
Net Pension Liability	5,583,550	5,931,002
	<hr/>	<hr/>
Total liabilities	12,698,569	12,922,470
	<hr/>	<hr/>
Deferred Inflows of Resources - Pension	414,001	441,593
	<hr/>	<hr/>
Net Position (Deficit)		
Net investment of capital assets	1,025,121	1,173,906
Restricted - expendable for		
Debt service	242,303	242,303
Capital acquisitions	85,419	85,419
Specific operating activities	24,445	24,445
Unrestricted deficit	(2,651,826)	(1,888,049)
	<hr/>	<hr/>
Total net position (deficit)	(1,274,538)	(361,976)
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 11,838,032</u>	<u>\$ 13,002,087</u>

Hospital District No. 1 of Rice County
Statements of Revenues, Expenses and Changes in Net Position
Years Ended April 30, 2018 and 2017

	2018	2017
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2018 – \$498,712, 2017 – \$258,914	\$ 12,060,961	\$ 12,969,943
Other	268,048	300,651
Total operating revenues	12,329,009	13,270,594
Operating Expenses		
Salaries and wages	6,933,083	7,239,449
Employee benefits	2,574,276	2,505,349
Supplies and other	4,240,820	4,139,007
Depreciation	805,201	890,715
Total operating expenses	14,553,380	14,774,520
Operating Loss	(2,224,371)	(1,503,926)
Nonoperating Revenues (Expenses)		
Property taxes	1,190,572	1,081,865
Investment income (loss)	126,278	196,611
Interest expense	(90,792)	(249,384)
Noncapital grants and gifts	85,751	78,772
Total nonoperating revenues	1,311,809	1,107,864
Change in Net Position	(912,562)	(396,062)
Net Position (Deficit), Beginning of Year	(361,976)	34,086
Net Position (Deficit), End of Year	\$ (1,274,538)	\$ (361,976)

Hospital District No. 1 of Rice County
Statements of Cash Flows
Years Ended April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 13,168,453	\$ 12,937,940
Payments to suppliers and contractors	(4,128,003)	(4,421,422)
Payments to employees	(9,593,732)	(9,771,702)
Other receipts, net	<u>268,048</u>	<u>300,651</u>
Net cash used in operating activities	<u>(285,234)</u>	<u>(954,533)</u>
Noncapital Financing Activities		
Property taxes	1,328,545	1,020,656
Noncapital grants and gifts	<u>85,751</u>	<u>78,772</u>
Net cash provided by noncapital financing activities	<u>1,414,296</u>	<u>1,099,428</u>
Capital and Related Financing Activities		
Purchases of capital assets	(56,576)	(84,000)
Issuance of long-term debt	-	4,330,000
Principal paid on long-term debt	(613,006)	(4,693,033)
Interest paid on long-term debt	<u>(77,626)</u>	<u>(236,217)</u>
Net cash used in capital and related financing activities	<u>(747,208)</u>	<u>(683,250)</u>
Investing Activities		
Net change in noncurrent cash and investments	178,854	31,060
Investment income	<u>126,278</u>	<u>196,611</u>
Net cash provided by investing activities	<u>305,132</u>	<u>227,671</u>
Increase (Decrease) in Cash	686,986	(310,684)
Cash, Beginning of Year	<u>498,595</u>	<u>809,279</u>
Cash, End of Year	<u>\$ 1,185,581</u>	<u>\$ 498,595</u>

Hospital District No. 1 of Rice County
Statements of Cash Flows (Continued)
Years Ended April 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net		
Cash Used in Operating Activities		
Operating loss	\$ (2,224,371)	\$ (1,503,926)
Depreciation	805,201	890,715
Provision for uncollectible accounts	498,712	258,914
Changes in operating assets and liabilities		
Patient accounts receivable	(572,003)	20,126
Estimated amounts due from third-party payers	1,180,783	(311,043)
Supplies	7,390	(4,467)
Prepaid expenses and other	10,891	301,875
Accounts payable and accrued expenses	53,919	(455,579)
Net pension liability	(347,452)	1,079,947
Deferred outflows of resources	329,288	(900,709)
Deferred inflows of resources	(27,592)	(330,386)
	<u>\$ (285,234)</u>	<u>\$ (954,533)</u>
Net cash used in operating activities	<u>\$ (285,234)</u>	<u>\$ (954,533)</u>
Supplemental Cash Flows Information		
Capital lease obligations incurred for capital assets	\$ 110,000	\$ -

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

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, 2018 and 2017. 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, 2018 and 2017

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, 2018 and 2017, 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 8.7% and 7.5% in 2018 and 2017, respectively, 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, 2018 and 2017

The Hospital District is 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.

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 market.

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, 2018 and 2017

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 increases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. Deferred outflows of resources for pension consist of unrecognized items not yet charged to pension expense for contributions from the employer after the measurement date but before the end of the employer's reporting period. 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.

Deferred Inflows of Resources

The Hospital District reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its statements of net position.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

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.

The amount of charges foregone for services and supplies furnished under the Hospital District's charity care policy was \$21,164 and \$28,570 in 2018 and 2017, respectively. The Hospital District's direct and indirect costs for services and supplies furnished under the Hospital District's charity care policy totaled \$19,997 and \$30,317 in 2018 and 2017, respectively. Costs were calculated using the overall cost-to-charge ratio from the April 30, 2018 and 2017, filed Medicare cost reports.

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.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

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.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records (EHR) technology. CAHs are eligible to receive incentive payments for up to four years under the Medicare program for its reasonable costs of the purchase of certified EHR technology multiplied by the Hospital District's Medicare utilization plus 20%, limited to 100% of the costs incurred. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year under both programs is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital District recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

The Hospital District recorded revenue under the Medicaid EHR program of approximately \$0 and \$180,000, which is included in net patient service revenue in the statement of revenues, expenses and changes in net position for the years ended April 30, 2018 and 2017, respectively.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

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. Beginning April 1, 2013, a mandatory payment reduction, known as sequestration, of 2% went into effect. Under current legislation, sequestration is scheduled to last until 2025.

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.

Approximately 55% and 59% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended April 30, 2018 and 2017, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The 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:

	<u>2018</u>	<u>2017</u>
Gross patient service revenue	\$ 14,662,067	\$ 13,741,283
Plus (less)		
Contractual adjustments		
Medicare	(157,089)	896,328
Medicaid	(313,971)	290,627
Other	(1,631,334)	(1,699,381)
Provision for uncollectible accounts	<u>(498,712)</u>	<u>(258,914)</u>
Net patient service revenue	<u>\$ 12,060,961</u>	<u>\$ 12,969,943</u>

Note 3: Deposits and Investments

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

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, 2018 and 2017, respectively, none of the Hospital District's bank balances of \$1,573,072 and \$918,322 were exposed to custodial credit risk.

Summary of Carrying Values

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

	<u>2018</u>	<u>2017</u>
Carrying value		
Deposits	<u>\$ 1,185,581</u>	<u>\$ 498,595</u>
Included in the following balance sheet captions		
Cash	<u>\$ 1,185,581</u>	<u>\$ 498,595</u>

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.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

Noncurrent cash and investments consist of the following at April 30, 2018 and 2017:

		April 30, 2018		
		Maturities in Years		
Type	Fair Value	Less than 1	1-5	6-10
U.S. agencies obligations	\$ 181,756	\$ 24,939	\$ 156,817	\$ -
Corporate bonds	226,885	226,885	-	-
Money market mutual funds	346,293	346,293	-	-
		<u>\$ 598,117</u>	<u>\$ 156,817</u>	<u>\$ -</u>
Cash	40,079			
Surrender value of life insurance	16,150			
Corporate stocks	1,337,775			
	<u>\$ 2,148,938</u>			

		April 30, 2017		
		Maturities in Years		
Type	Fair Value	Less than 1	1-5	6-10
U.S. agencies obligations	\$ 219,821	\$ 45,010	\$ 174,811	\$ -
Corporate bonds	10,015	10,015	-	-
Money market mutual funds	454,928	454,928	-	-
		<u>\$ 509,953</u>	<u>\$ 174,811</u>	<u>\$ -</u>
Cash	44,923			
Surrender value of life insurance	16,176			
Corporate stocks	1,581,929			
	<u>\$ 2,327,792</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

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

(NRSROs). At April 30, 2018 and 2017, 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, 2018 and 2017, 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.

Concentration of Credit Risk – The Hospital District places no limit on the amount that may be invested in any one issuer. At April 30, 2018 and 2017, 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:

	<u>2018</u>		<u>2017</u>
Federal Home Loan Bank	3%	*	5%
iShares Core S&P 500 ETF	11%		13%

*Investment did not meet the 5% threshold for each respective year.

Reconciliation of noncurrent assets to balance sheets:

	<u>2018</u>		<u>2017</u>
Held by trustee for debt service	\$ 242,303	\$	242,303
Restricted by donors for capital acquisitions and specific operating activities	109,864		109,864
Held by Rice Community Healthcare Foundation	<u>1,796,771</u>		<u>1,975,625</u>
Total noncurrent cash and investments	<u>\$ 2,148,938</u>	<u>\$</u>	<u>2,327,792</u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

Investment Income

Investment income for the years ended April 30 consisted of:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 37,858	\$ 34,724
Increase in fair value of investments	88,420	161,887
	<u>\$ 126,278</u>	<u>\$ 196,611</u>

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:

	<u>2018</u>	<u>2017</u>
Medicare	\$ 407,672	\$ 521,137
Medicaid	158,421	115,595
Blue Cross	267,331	165,831
Other third-party payers	332,913	325,566
Patients	1,023,240	1,048,579
	<u>2,189,577</u>	<u>2,176,708</u>
Less allowance for uncollectible accounts	479,709	540,131
	<u>\$ 1,709,868</u>	<u>\$ 1,636,577</u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

Note 5: Capital Assets

Capital assets activity for the years ended April 30 was:

	2018			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 143,104	\$ -	\$ -	\$ 143,104
Land improvements	621,908	-	-	621,908
Building	10,626,101	-	-	10,626,101
Fixed equipment	713,344	18,114	(11,345)	720,113
Major moveable equipment	3,766,778	149,122	(3,590)	3,912,310
	<u>15,871,235</u>	<u>167,236</u>	<u>(14,935)</u>	<u>16,023,536</u>
Less accumulated depreciation				
Land improvements	508,637	18,902	-	527,539
Buildings	6,230,665	528,396	-	6,759,061
Fixed equipment	504,681	30,498	(10,683)	524,496
Major moveable equipment	3,260,673	227,405	(3,592)	3,484,486
	<u>10,504,656</u>	<u>805,201</u>	<u>(14,275)</u>	<u>11,295,582</u>
Capital assets, net	<u>\$ 5,366,579</u>	<u>\$ (637,965)</u>	<u>\$ (660)</u>	<u>\$ 4,727,954</u>
	2017			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 143,104	\$ -	\$ -	\$ 143,104
Land improvements	621,908	-	-	621,908
Building	10,626,101	-	-	10,626,101
Fixed equipment	687,092	26,252	-	713,344
Major moveable equipment	3,730,274	57,748	(21,244)	3,766,778
	<u>15,808,479</u>	<u>84,000</u>	<u>(21,244)</u>	<u>15,871,235</u>
Less accumulated depreciation				
Land improvements	487,876	20,761	-	508,637
Buildings	5,665,901	564,764	-	6,230,665
Fixed equipment	474,316	30,365	-	504,681
Major moveable equipment	3,007,092	274,825	(21,244)	3,260,673
	<u>9,635,185</u>	<u>890,715</u>	<u>(21,244)</u>	<u>10,504,656</u>
Capital assets, net	<u>\$ 6,173,294</u>	<u>\$ (806,715)</u>	<u>\$ -</u>	<u>\$ 5,366,579</u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

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, 2018 and 2017:

	2018				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2016 revenue bonds payable	\$ 4,080,000	\$ -	\$ 505,000	\$ 3,575,000	\$ 510,000
Capital lease obligations	212,517	110,000	108,006	214,511	79,343
	<u>\$ 4,292,517</u>	<u>\$ 110,000</u>	<u>\$ 613,006</u>	<u>\$ 3,789,511</u>	<u>\$ 589,343</u>
	2017				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2011 revenue bonds payable	\$ 4,330,000	\$ -	\$ 4,330,000	\$ -	\$ -
2016 revenue bonds payable	-	4,330,000	250,000	4,080,000	505,000
Capital lease obligations	325,550	-	113,033	212,517	105,106
	<u>\$ 4,655,550</u>	<u>\$ 4,330,000</u>	<u>\$ 4,693,033</u>	<u>\$ 4,292,517</u>	<u>\$ 610,106</u>

2011 Revenue Bonds Payable

Due December 1, 2024, principal payable annually beginning December 1, 2012, plus semiannual interest payments at interest rates from 2.00% to 4.25%; secured by trustee-held assets. The 2011 bonds were called and retired in June 2016 through the issuance of the 2016 revenue bonds.

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.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

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, 2018, are as follows:

Year Ending April 30,	Total to be Paid	Principal	Interest
2019	\$ 580,213	\$ 510,000	\$ 70,213
2020	582,778	520,000	62,778
2021	579,263	525,000	54,263
2022	584,650	540,000	44,650
2023	583,456	550,000	33,456
2024-2025	<u>956,931</u>	<u>930,000</u>	<u>26,931</u>
	<u>\$ 3,867,291</u>	<u>\$ 3,575,000</u>	<u>\$ 292,291</u>

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, 2018 and 2017, totaled \$211,634 and \$203,971, respectively, net of accumulated depreciation of \$400,886 and \$298,549, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 0% to 2.45% together with the present value of the future minimum lease payments as of April 30, 2018:

Year Ending April 30,	
2019	\$ 83,266
2020	49,523
2021	47,344
2022	23,368
2023	<u>20,624</u>
Total minimum lease payments	224,125
Less amount representing interest	<u>9,614</u>
Present value of future minimum lease payments	<u>\$ 214,511</u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

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. The Hospital District is 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 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 81,399	\$ 510,419
Current year claims incurred and changes in estimates for claims incurred in prior years	1,649,000	1,658,000
Claims and expenses paid	<u>(1,605,410)</u>	<u>(2,087,020)</u>
Balance, end of year	<u>\$ 124,989</u>	<u>\$ 81,399</u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

Note 8: 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 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, 2018 and 2017

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, 2018 and 2017, was 8.70% and 8.94% 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, 2018 and 2017, were \$583,041 and \$635,285, respectively.

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

At April 30, 2018 and 2017, the Hospital District reported a liability of \$5,583,550 and \$5,931,002, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2016 and 2015, respectively, rolled forward to June 30, 2017 and 2016, 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, 2017, the Hospital District's proportion was 0.385483%, which was an increase of 0.002103% from its proportion measured as of June 30, 2016, of 0.383380%. At June 30, 2015, the proportion was 0.369451%.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

For the years ended April 30, 2018 and 2017, the Hospital District recognized pension expense of \$499,004 and \$485,958, respectively. At April 30, 2018 and 2017, the Hospital District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,005	\$ 193,068
Net difference between projected and actual earnings on pension plan investments	175,146	-
Changes of assumptions	300,697	40,829
Changes in proportion	199,690	180,104
Hospital District's contributions subsequent to the measurement date	472,221	-
Total	\$ 1,174,759	\$ 414,001

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,424	\$ 107,049
Net difference between projected and actual earnings on pension plan investments	700,628	-
Changes of assumptions	-	55,481
Changes in proportion	229,385	279,063
Hospital District's contributions subsequent to the measurement date	539,610	-
Total	\$ 1,504,047	\$ 441,593

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

At April 30, 2018, the Hospital District reported \$472,221 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2018, related to pensions will be recognized in pension expense as follows:

2018		\$	(52,860)
2019			182,585
2020			177,618
2021			(38,150)
2022			19,344
			19,344
		\$	288,537

Actuarial Assumptions

The total pension liability in the December 31, 2016 and 2015, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2016	2015
Price inflation	2.75%	3.00%
Wage inflation	3.50%	4.00%
Salary increases, including inflation	3.5% to 12%	4% to 16%
Investment rate of return, net of pension plan investment expense, including inflation	7.75%	8.00%

The mortality rates used in the April 30, 2017, valuation 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.

The mortality rates used in the April 30, 2016, valuation were based on the RP-2000 Healthy Annuitant Table for males or females, as appropriate with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2016 and 2015, valuations were based on the results of an actuarial experience study for the three-year periods ended December 31, 2015 and 2012, respectively.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

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	2017		2016	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.80%	47%	6.80%
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 for the years ended June 30, 2018 and 2017, was 7.75% and 8%, respectively. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate. Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

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	\$ 8,041,533	\$ 5,583,550	\$ 3,511,567

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: 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	\$ 15,189,529
Capital outlays	529,682
Depreciation	(833,706)
Provision for uncollectible accounts	(418,779)
Annualized calendar expenses	14,466,726
Budgeted expenditures	15,562,455
Unfavorable variance	\$ 1,095,729

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

Note 10: 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.

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.

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

Note 11: 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, 2018 and 2017:

	April 30, 2018		
	Hospital District	Foundation	Total
Assets			
Current assets	\$ 3,942,008	\$ -	\$ 3,942,008
Capital assets, net	4,707,632	20,322	4,727,954
Other assets	-	1,906,633	1,906,633
Total assets	<u>8,649,640</u>	<u>1,926,955</u>	<u>10,576,595</u>
Deferred Outflows of Resources	<u>1,261,437</u>	<u>-</u>	<u>1,261,437</u>
Total assets and deferred outflows of resources	<u>\$ 9,911,077</u>	<u>\$ 1,926,955</u>	<u>\$ 11,838,032</u>
Liabilities			
Current liabilities	\$ 2,892,934	\$ -	\$ 2,892,934
Noncurrent liabilities	9,805,635	-	9,805,635
Total liabilities	<u>12,698,569</u>	<u>-</u>	<u>12,698,569</u>
Deferred Inflows of Resources	<u>414,001</u>	<u>-</u>	<u>414,001</u>
Net Position (Deficit)			
Net investments in capital assets	1,025,121	-	1,025,121
Restricted expendable	242,303	109,864	352,167
Unrestricted	<u>(4,468,917)</u>	<u>1,817,091</u>	<u>(2,651,826)</u>
Total net position (deficit)	<u>(3,201,493)</u>	<u>1,926,955</u>	<u>(1,274,538)</u>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 9,911,077</u>	<u>\$ 1,926,955</u>	<u>\$ 11,838,032</u>

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

	April 30, 2017		
	Hospital District	Foundation	Total
Assets			
Current assets	\$ 3,946,130	\$ -	\$ 3,946,130
Capital assets, net	5,346,257	20,322	5,366,579
Other assets	-	2,085,487	2,085,487
	9,292,387	2,105,809	11,398,196
Deferred Outflows of Resources	1,603,891	-	1,603,891
Total assets and deferred outflows of resources	\$ 10,896,278	\$ 2,105,809	\$ 13,002,087
Liabilities			
Current liabilities	\$ 2,508,778	\$ -	\$ 2,508,778
Noncurrent liabilities	10,413,692	-	10,413,692
	12,922,470	-	12,922,470
Deferred Inflows of Resources	441,593	-	441,593
Net Position (Deficit)			
Net investments in capital assets	1,173,906	-	1,173,906
Restricted expendable	242,303	109,864	352,167
Unrestricted	(3,883,994)	1,995,945	(1,888,049)
	(2,467,785)	2,105,809	(361,976)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 10,896,278	\$ 2,105,809	\$ 13,002,087

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

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, 2018 and 2017:

	April 30, 2018		
	Hospital District	Foundation	Total
Operating Revenues			
Net patient service revenue	\$ 12,060,961	\$ -	\$ 12,060,961
Other	264,556	3,492	268,048
Total operating revenues	12,325,517	3,492	12,329,009
Operating Expenses			
Salaries and wages	6,933,083	-	6,933,083
Employee benefits	2,574,276	-	2,574,276
Supplies and other	4,226,557	14,263	4,240,820
Depreciation and amortization	805,201	-	805,201
Total operating expenses	14,539,117	14,263	14,553,380
Operating Loss	(2,213,600)	(10,771)	(2,224,371)
Nonoperating Revenues (Expenses)			
Noncapital appropriations - Rice County	1,190,572	-	1,190,572
Investment income	1,065	125,213	126,278
Interest expense	(90,792)	-	(90,792)
Noncapital grants and gifts	379,047	(293,296)	85,751
Total nonoperating revenues (expenses)	1,479,892	(168,083)	1,311,809
Change in Net Position	(733,708)	(178,854)	(912,562)
Net Position, Beginning of Year	(2,467,785)	2,105,809	(361,976)
Net Position, End of Year	\$ (3,201,493)	\$ 1,926,955	\$ (1,274,538)

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

	April 30, 2017		
	Hospital District	Foundation	Total
Operating Revenues			
Net patient service revenue	\$ 12,969,943	\$ -	\$ 12,969,943
Other	286,552	14,099	300,651
Total operating revenues	13,256,495	14,099	13,270,594
Operating Expenses			
Salaries and wages	7,239,449	-	7,239,449
Employee benefits	2,505,349	-	2,505,349
Supplies and other	4,119,489	19,518	4,139,007
Depreciation	890,715	-	890,715
Total operating expenses	14,755,002	19,518	14,774,520
Operating Loss	(1,498,507)	(5,419)	(1,503,926)
Nonoperating Revenues (Expenses)			
Noncapital appropriations - Rice County	1,081,865	-	1,081,865
Investment income	944	195,667	196,611
Interest expense	(249,384)	-	(249,384)
Noncapital grants and gifts	46,969	31,803	78,772
Total nonoperating revenues (expenses)	880,394	227,470	1,107,864
Change in Net Position	(368,113)	(27,949)	(396,062)
Net Position, Beginning of Year	(2,099,672)	2,133,758	34,086
Net Position (Deficit), End of Year	\$ (2,467,785)	\$ 2,105,809	\$ (361,976)

Hospital District No. 1 of Rice County

Notes to Financial Statements

April 30, 2018 and 2017

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, 2018 and 2017:

	April 30, 2018			
	Hospital District	Foundation	Eliminations	Total
Net Cash Used in Operating Activities	\$ (285,234)	\$ -	\$ -	\$ (285,234)
Net Cash Provided by (Used in) Noncapital Financing Activities	1,761,139	(346,843)	-	1,414,296
Net Cash Used in Capital and Related Financing Activities	(747,208)	-	-	(747,208)
Net Cash Provided by Investing Activities	(41,711)	346,843	-	305,132
Decrease in Cash	686,986	-	-	686,986
Cash, Beginning of Year	498,595	-	-	498,595
Cash, End of Year	\$ 1,185,581	\$ -	\$ -	\$ 1,185,581

	April 30, 2017			
	Hospital District	Foundation	Eliminations	Total
Net Cash Used in Operating Activities	\$ (954,533)	\$ -	\$ -	\$ (954,533)
Net Cash Provided by Noncapital Financing Activities	1,349,428	(250,000)	-	1,099,428
Net Cash Used in Capital and Related Financing Activities	(683,250)	-	-	(683,250)
Net Cash Provided by Investing Activities	(22,329)	250,000	-	227,671
Increase in Cash	(310,684)	-	-	(310,684)
Cash, Beginning of Year	809,279	-	-	809,279
Cash, End of Year	\$ 498,595	\$ -	\$ -	\$ 498,595

Required Supplementary Information

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

	<u>2018 *</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>
Hospital District's proportion of the net pension liability	0.385483%	0.383380%	0.369451%	0.362498%
Hospital District's proportionate share of the net pension liability	\$ 5,583,550	\$ 5,931,002	\$ 4,851,055	\$ 4,461,673
Hospital District's covered-employee payroll	\$ 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	77.69%	88.78%	81.40%	79.02%
Plan fiduciary net position as a percentage of the total pension liability	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

	<u>2018 *</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>
Contractually required contribution	\$ 583,041	\$ 635,285	\$ 607,610	\$ 550,276
Contribution in relation to the contractually required contribution	<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>
Hospital District's covered-employee payroll	\$ 6,701,621	\$ 7,106,096	\$ 6,477,719	\$ 6,078,159
Contributions as a percentage of covered-employee payroll	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).