Hospital District No. 1 of Rice County

Independent Auditor's Report and Financial Statements

April 30, 2021 and 2020

Hospital District No. 1 of Rice County

April 30, 2021 and 2020

Contents

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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, 2021 and 2020, 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, 2021 and 2020, 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
February 15, 2022

Hospital District No. 1 of Rice County
Balance Sheets
April 30, 2021 and 2020

Assets and Deferred Outflows of Resources

	2021	2020
Current Assets		
Cash	$ 7,530,547	$ 3,939,794
Restricted cash and investments - current	252,431	248,372
Patient accounts receivable, net of allowance; 2021 - $508,953, 2020 - $539,088	2,419,009	1,770,644
Property taxes receivable	592,859	575,875
Estimated amounts due from third-party payers	99,612	32,941
Supplies	167,597	106,812
Prepaid expenses and other	240,597	112,790
340B contract pharmacy receivable	97,657	128,635
Total current assets	11,400,309	6,915,863
Noncurrent Cash and Investments		
Held by trustee for debt service	252,429	248,370
Held by Rice Community Healthcare Foundation	2,027,577	1,434,808
Restricted by donors for capital acquisitions and specific operating activities	109,864	109,864
	2,389,870	1,793,042
Less amount required to meet current obligations	252,431	248,372
	2,137,439	1,544,670
Capital Assets, Net	4,704,081	4,251,778
Total assets	18,241,829	12,712,311
Deferred Outflows of Resources		
Pension	1,838,502	881,070
Other postemployment benefits	85,712	3,347
Deferred amount on refunding	47,179	60,345
Total deferred outflows of resources	1,971,393	944,762
Total assets and deferred outflows of resources	$ 20,213,222	$ 13,657,073

See Notes to Financial Statements

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

	2021	2020
Current Liabilities		
Current maturities of long-term debt	$ 2,080,435	$ 1,210,931
Accounts payable	750,427	538,500
Estimated amounts due to third-party payers	-	272,941
Accrued wages and vacation benefits	1,334,933	1,128,695
Other accrued liabilities	476,027	246,455
Unearned revenue	1,796,633	446,746
Total current liabilities	6,438,455	3,844,268
Long-term Debt	1,761,679	3,249,645
Net Pension Liability	6,365,457	5,103,581
Total Other Postemployment Benefits Liability	316,698	221,360
Total liabilities	14,882,289	12,418,854
Deferred Inflows of Resources		
Property taxes	1,076,386	1,070,771
Pension	213,651	324,059
Other postemployment benefits	29,569	33,913
Total deferred inflows of resources	1,319,606	1,428,743
Net Position (Deficit)		
Net investment in capital assets	2,290,246	1,232,647
Restricted - expendable for		
Debt service	252,429	248,370
Capital acquisitions	85,419	85,419
Specific operating activities	24,445	24,445
Unrestricted	1,358,788	(1,781,405)
Total net position (deficit)	4,011,327	(190,524)
Total liabilities, deferred inflows of resources and net position (deficit)	$ 20,213,222	$ 13,657,073

Hospital District No. 1 of Rice County

Statements of Revenues, Expenses and Changes in Net Position

Years Ended April 30, 2021 and 2020

	2021	2020
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2021 – $493,530, 2020 – $657,228	$ 14,583,176	$ 13,368,518
340B drug pricing program	3,997,322	1,983,580
Other	215,382	218,395
Total operating revenues	18,795,880	15,570,493
Operating Expenses		
Salaries and wages	8,344,641	7,423,279
Employee benefits	2,822,672	2,575,893
Supplies and other	7,230,563	5,408,157
Depreciation	658,800	604,094
Total operating expenses	19,056,676	16,011,423
Operating Loss	(260,796)	(440,930)
Nonoperating Revenues (Expenses)		
Property taxes	1,662,264	1,435,414
Investment income (loss)	453,494	(17,841)
Interest expense	(77,339)	(89,884)
Noncapital grants and gifts	344,545	156,186
Provider Relief Funds *(CARES Act)*	2,079,683	16,695
Total nonoperating revenues	4,462,647	1,500,570
Change in Net Position	4,201,851	1,059,640
Net Deficit, Beginning of Year	(190,524)	(1,250,164)
Net Position (Deficit), End of Year	$ 4,011,327	$ (190,524)

Hospital District No. 1 of Rice County
Statements of Cash Flows
Years Ended April 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	$ 13,626,177	$ 14,510,657
Payments to suppliers and contractors	(7,274,250)	(6,213,868)
Payments to employees	(10,758,410)	(9,897,384)
Other receipts, net	5,562,591	2,526,761
Net cash provided by operating activities	1,156,108	926,166
Cash Flows from Noncapital Financing Activities		
Property taxes	1,650,895	1,535,392
Noncapital grants and gifts	2,424,228	172,881
Proceeds from issuance of long-term debt	-	1,381,100
Net cash provided by noncapital financing activities	4,075,123	3,089,373
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(729,509)	(49,409)
Principal paid on long-term debt	(703,462)	(674,126)
Interest paid on long-term debt	(64,173)	(76,717)
Net cash used in capital and related financing activities	(1,497,144)	(800,252)
Cash Flows from Investing Activities		
Net change in noncurrent cash and investments	(596,828)	8,377
Investment income (loss)	453,494	(17,841)
Net cash used in investing activities	(143,334)	(9,464)
Increase in Cash	3,590,753	3,205,823
Cash, Beginning of Year	3,939,794	733,971
Cash, End of Year	$ 7,530,547	$ 3,939,794

Hospital District No. 1 of Rice County
Statements of Cash Flows (Continued)
Years Ended April 30, 2021 and 2020

	2021	2020
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (260,796)	$ (440,930)
Depreciation	658,800	604,094
Provision for uncollectible accounts	493,530	657,228
Changes in operating assets and liabilities		
Patient accounts receivable	(1,141,895)	(431,747)
Estimated amounts due from third-party payers	(339,612)	1,045,000
Supplies	(60,785)	30,747
Prepaid expenses and other	(96,829)	(126,792)
Accounts payable and accrued expenses	351,143	(712,119)
Unearned revenue	1,349,887	324,786
Net pension liability	1,261,876	(64,829)
Total other postemployment benefits liability	95,338	10,427
Deferred outflows of resources - pension and OPEB	(1,039,797)	114,448
Deferred inflows of resources - pension and OPEB	(114,752)	(84,147)
Net cash provided by operating activities	$ 1,156,108	$ 926,166
Noncash Investing, Capital and Financing Activities:		
Capital lease obligations incurred for capital assets	$ 85,000	$ 204,725
Capital assets acquisitions included in accounts payable	$ 296,594	$ -

Hospital District No. 1 of Rice County
Notes to Financial Statements
April 30, 2021 and 2020

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 District 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, 2021 and 2020. Budgeted revenue and expenditure amounts represent the original budget adopted by the Hospital District's Board of Directors.

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, 2021 and 2020, 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 2021 and 2020, 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.

During 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

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, 2021 and 2020.

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.

Defined Benefit Other Postemployment Benefit Plan

The Hospital District 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.

The amount of charges foregone for services and supplies furnished under the Hospital District's charity care policy was $3,120 and $25,780 in 2021 and 2020, respectively. The Hospital District's direct and indirect costs for services and supplies furnished under the Hospital District's charity care policy totaled approximately $3,000 and $23,000 in 2021 and 2020, respectively. Costs were calculated using the overall cost-to-charge ratio from the April 30, 2021 and 2020, filed Medicare cost reports.

Provider Relief Funds (CARES Act)

On March 27, 2020, President Trump signed into law the *CARES Act*, as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The *CARES Act* contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the Department of Health and Human Services (HHS). The Hospital District is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been substantially met and are reported as Provider Relief Funds (*CARES Act*) in the accompanying statements of revenues, expenses, and changes in net position. The unrecognized amount of the Provider Relief Funds (*CARES Act*) is recorded as unearned revenue in the accompanying balance sheets.

Contributions

Contributions are provided to the Hospital District either with or without restrictions placed on the gift by the donor/grantor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor/grantor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Hospital District overcoming a donor/grantor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor/grantor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor/grantor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor/grantor restrictions are reclassified to net assets without donor/grantor restrictions and reported in the statements of operations as net assets released from restrictions. Absent explicit donor/grantor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor/grantor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor/grantor restrictions and then released from restriction.

Conditional contributions having donor/grantor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

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 was forgiven in its entirety in August 2021.

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.

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.

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.

Approximately 55% and 54% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended April 30, 2021 and 2020, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The 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:

	2021	2020
Gross patient service revenue	$ 18,389,864	$ 16,849,931
Plus (less)		
Contractual adjustments		
Medicare	(672,959)	(433,068)
Medicaid	(503,641)	(180,818)
Other	(2,136,558)	(2,210,299)
Provision for uncollectible accounts	(493,530)	(657,228)
Net patient service revenue	$ 14,583,176	$ 13,368,518

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, 2021 and 2020, respectively, none of the Hospital District's bank balances of $7,961,385 and $4,309,337 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:

	2021	2020
Carrying value		
Deposits	$ 7,530,547	$ 3,939,794
Included in the following balance sheet captions		
Cash	$ 7,530,547	$ 3,939,794

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, 2021 and 2020:

		April 30, 2021		
		Maturities in Years		
Type	Fair Value	Less than 1	1-5	6-10
U.S. agencies obligations	$ 65,844	$ -	$ 65,844	$ -
Money market mutual funds	345,108	345,108	-	-
		$ 345,108	$ 65,844	$ -
Cash	33,382			
Surrender value of life insurance	16,150			
Corporate stocks and mutual funds	1,929,386			
	$ 2,389,870			

		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 and mutual funds	967,990			
	$ 1,793,042			

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, 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, 2021 and 2020, 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, 2021 and 2020, 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:

	2021	2020
iShares Core S&P 500 ETF	0%	10%

Reconciliation of noncurrent assets to balance sheets:

	2021	2020
Held by trustee for debt service	$ 252,429	$ 248,370
Restricted by donors for capital acquisitions and specific operating activities	109,864	109,864
Held by Rice Community Healthcare Foundation	2,027,577	1,434,808
Total noncurrent cash and investments	$ 2,389,870	$ 1,793,042

Investment Income (Loss)

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

	2021	2020
Interest and dividend income	$ 40,428	$ 44,174
Increase (decrease) in fair value of investments	413,066	(62,015)
	$ 453,494	$ (17,841)

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:

	2021	2020
Medicare	$ 865,202	$ 539,051
Medicaid	185,044	143,309
Blue Cross	366,381	264,283
Other third-party payers	413,248	242,399
Patients	1,098,087	1,120,690
	2,927,962	2,309,732
Less allowance for uncollectible accounts	508,953	539,088
	$ 2,419,009	$ 1,770,644

Note 5: Capital Assets

Capital assets activity for the years ended April 30 was:

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 143,104	$ -	$ -	$ -	$ 143,104
Land improvements	621,908	-	-	-	621,908
Building	10,636,101	142,167	-	-	10,778,268
Fixed equipment	720,113	3,540	-	-	723,653
Major moveable equipment	4,090,090	628,764	-	-	4,718,854
Construction in process	8,770	336,632	-	-	345,402
	16,220,086	1,111,103	-	-	17,331,189
Less accumulated depreciation					
Land improvements	565,343	18,902	-	-	584,245
Buildings	7,540,744	330,950	-	-	7,871,694
Fixed equipment	585,604	23,690	-	-	609,294
Major moveable equipment	3,276,617	285,258	-	-	3,561,875
	11,968,308	658,800	-	-	12,627,108
Capital assets, net	$ 4,251,778	$ 452,303	$ -	$ -	$ 4,704,081

	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
	16,037,980	254,134	(72,028)	-	16,220,086
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
	11,436,242	604,094	(72,028)	-	11,968,308
Capital assets, net	$ 4,601,738	$ (349,960)	$ -	$ -	$ 4,251,778

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, 2021 and 2020:

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2016 revenue bonds payable	$ 2,545,000	$ -	$ 525,000	$ 2,020,000	$ 540,000
Capital lease obligations	534,476	85,000	178,462	441,014	159,335
SBA PPP Loan	1,381,100	-	-	1,381,100	1,381,100
	$ 4,460,576	$ 85,000	$ 703,462	$ 3,842,114	$ 2,080,435

	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
	$ 3,548,877	$ 1,585,825	$ 674,126	$ 4,460,576	$ 1,210,931

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, 2021, are as follows:

Year Ending April 30,	Total to be Paid	Principal	Interest
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
	$ 2,125,037	$ 2,020,000	$ 105,037

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. The loan was forgiven subsequent to year-end and will be shown as gain on debt forgiveness in fiscal year 2022.

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, 2021 and 2020, totaled $898,194 and $727,407, respectively, net of accumulated depreciation of $447,027 and $268,876, 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, 2021:

Year Ending April 30,	
2022	$ 169,557
2023	167,734
2024	119,221
2025	2,428
Total minimum lease payments	458,940
Less amount representing interest	17,926
Present value of future minimum lease payments	$ 441,014

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 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 2021 and 2020 is summarized as follows:

	2021	2020
Balance, beginning of year	$ -	$ 149,154
Current year claims incurred and changes in estimates for claims incurred in prior years	-	367,000
Claims and expenses paid	-	(516,154)
Balance, end of year	$ -	$ -

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

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, 2021 and 2020, was 8.87% and 8.89% 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, 2021 and 2020, were $651,953 and $622,535, respectively.

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

At April 30, 2021 and 2020, the Hospital District reported a liability of $6,365,457 and $5,103,581, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2019 and 2018, respectively, rolled forward to June 30, 2020 and 2019, 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, 2020, the Hospital District's proportion was 0.367170%, which was an increase of 0.001943% from its proportion measured as of June 30, 2019, of 0.365227%. At June 30, 2018, the proportion was 0.370817%.

For the years ended April 30, 2021 and 2020, the Hospital District recognized pension expense of $846,952 and $562,113, respectively. At April 30, 2021 and 2020, the Hospital District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 106,284	$ 81,836
Net difference between projected and actual earnings on pension plan investments	742,691	-
Changes of assumptions	383,412	-
Changes in proportion	48,511	131,815
Hospital District's contributions subsequent to the measurement date	557,604	-
Total	$ 1,838,502	$ 213,651

	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	$ 881,070	$ 324,059

At April 30, 2021, the Hospital District reported $557,604 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2021, related to pensions will be recognized in pension expense as follows:

2022	$	211,762
2023		265,447
2024		294,840
2025		283,113
2026		12,085
	$	1,067,247

Actuarial Assumptions

The total pension liability in the December 31, 2019 and 2018, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Price inflation	2.75%	2.75%
Wage inflation	3.50%	3.50%
Salary increases, including inflation	3.25% to 11.75%	3.5% to 12%
Investment rate of return, net of pension plan investment expense, including inflation	7.50%	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-2019 and MP-2018 for the December 31, 2019 and 2018, actuarial valuations.

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

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:

	2021	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equities	23.50%	5.20%
Non-U.S. Equities	23.50%	6.40%
Private Equity	8.00%	9.50%
Private Real Estate	11.00%	4.45%
Yield Driven	8.00%	4.70%
Real Return	11.00%	3.25%
Fixed Income	11.00%	1.55%
Short-term investments	4.00%	0.25%
	100%	

	2020	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	47.00%	6.85%
Fixed Income	13.00%	1.25%
Yield Driven	8.00%	6.55%
Real Return	11.00%	1.71%
Real Estate	11.00%	5.05%
Alternatives	8.00%	9.85%
Short-term investments	2.00%	-0.25%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50% and 7.75% for the years ended June 30, 2020 and 2019, 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.

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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Hospital District's proportionate share of the net pension liability	$ 8,958,746	$ 6,365,457	$ 4,185,177

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 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, 2020 and 2019, (the measurement date), are:

	2020	2019
Active employees	118	133
Disabled employees	2	1
	120	134

Total OPEB Liability

The Hospital District's total OPEB liability of $316,698 and $221,360 was measured as of June 30, 2020 and 2019, for the years ended April 30, 2021 and 2020, respectively, and was determined by actuarial valuations as of December 31, 2019 and 2018, respectively, and rolled forward to June 30, 2020 and 2019, respectively.

The total OPEB liability in the December 31, 2019 and 2018, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Inflation	2.75%	2.75%
Discount rate	2.21%	3.50%
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 3.87% in 2018 to 3.50% in 2019 and to 3.50% in 2020.

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-2020 Mortality Tables for the December 31, 2019, 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-2019 Mortality Tables for the December 31, 2018, 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:

	2021	2020
Balance, beginning of year	$ 221,360	$ 210,933
Changes for the year:		
Service cost	26,659	24,316
Interest	8,134	8,830
Differences between expected and actual experience	73,988	(12,159)
Changes of assumptions	18,068	3,730
Benefit payments	(31,511)	(14,290)
Net changes	95,338	10,427
Balance, end of year	$ 316,698	$ 221,360

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

The total OPEB liability of the Hospital District, at April 30, 2021, has been calculated using a discount rate of 2.21%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the 2021 discount rate.

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Hospital District's total OPEB liability	$ 329,872	$ 316,698	$ 303,450

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, 2021 and 2020, the Hospital District recognized OPEB expense of $40,140 and $29,185, respectively. At April 30, 2021 and 2020, the Hospital District reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 66,507	$ (23,109)
Changes of assumptions	19,205	(6,460)
Total	$ 85,712	$ (29,569)

	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	$ 3,347	$ (33,913)

Amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2021, related to OPEB will be recognized in OPEB expense as follows:

2022	$	5,347
2023		5,347
2024		5,347
2025		5,347
2026		5,347
Thereafter		29,408
	$	56,143

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 $3,997,322 and $1,983,580 for the years ending April 30, 2021 and 2020, respectively, which is included in other operating revenue in the accompanying statements of revenues and expenses and changes in net position. The Hospital District recorded expenses of $1,926,719 and $840,160 for the years ending April 30, 2021 and 2020, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

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

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

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

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

In addition, the Hospital District received $3,499,950 and $366,569 in general and targeted Provider Relief Fund distributions, both as provided for under the *Coronavirus Aid, Relief, and Economic Security Act* (*CARES Act*) during 2021 and 2020, respectively; a PPP loan of $1,381,100 during 2020; and other COVID-19 funding of $23,000 and $100,000 during 2021 and 2020, respectively.

The extent of the COVID-19 pandemic's adverse impact 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 impact of the pandemic on the Hospital District's business. Decreases in cash flows and results of operations may have an impact 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 Funds

The Hospital District received $3,499,950 and $366,569 from the *CARES Act* Provider Relief Fund for the years ended April 30, 2021 and 2020, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital District 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 (HHS).

The Hospital is accounting for such payments as voluntary nonexchange transactions. As such, payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital District's revenues and expenses through April 30, 2021 and 2020, the Hospital District recognized $2,079,683 and $16,695, respectively, related to the distributions from the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of $1,770,141 and $349,874, at April 30, 2021 and 2020, respectively, is recorded as a component of unearned revenue in the accompanying balance sheets.

Subsequent to year-end, HHS issued guidance on the use of payments from the Provider Relief Fund. The Hospital District considers the guidance issued subsequent to year-end to be substantive changes in guidance rather than clarifications of guidance existing at April 30, 2021. As a result, the amounts recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. The estimated amount of lost revenue related to the period January 1, 2021 – June 30, 2021 is approximately $315,000, however due to being a governmental entity the Hospital District was precluded from recording as revenue due to fiscal year ending prior to the close of the reporting period and governmental accounting rules specifically prohibiting estimates of lost revenues in the situation where the fiscal year and reporting period were not the same.

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 Fund 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, our ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

On June 10, 2021, the Hospital District received $200,000 of stimulus funds from HHS. Congress has directed this funding to address the expenses Rural Health Clinics (RHCs) are incurring due to COVID-19. 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.

Paycheck Protection Program (PPP) Loan

During 2020, the Hospital District received a PPP loan of $1,381,100 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustments could be required to the recognition of revenue. On August 5, 2021, the Hospital District received legal notice that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the fiscal year 2022 statements of revenues, expenses and changes in net position.

Other COVID-19 Funding

During 2021, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50

beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital District received and recognized $20,000 during 2021, related to this grant. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

During 2021, HHS provided $100 million in aid to hospitals and health care systems in preparing for a surge in COVID-19 patients. Of that funding, $50 million was allotted to State Hospitals Associations for distribution through competitive grant applications. KHA received $784,542 in funds, which were distributed on May 1. In addition, KHA was awarded an additional $1.95 million to be distributed in the future. The Hospital District received and recognized $3,000 during 2021, related to this grant. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

On April 16, 2020, Kansas Governor Laura Kelly announced a special emergency grant funding program for Kansas hospitals. This emergency funding was requested by the Kansas Hospital Association (KHA) on behalf of Kansas hospitals and was distributed to help offset current financial strains caused by the COVID-19 pandemic. To facilitate the timely release of funds, hospitals were not required to complete an application. There are no specific requirements tied to utilization of the funds. The intent is for the grant payments to serve as a bridge to aid hospitals in meeting their basic operational expenditures. On April 28, 2020, the Hospital District received and recognized $100,000 related to this special emergency grant. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 12: 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	$ 18,671,208
Capital outlays	642,308
Depreciation	(640,565)
Provision for uncollectible accounts	(548,096)
Annualized calendar expenses	18,124,855
Budgeted expenditures	17,135,894
Unfavorable variance	$ (988,961)

Note 13: 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.

Note 14: Future Changes in Accounting Principles

Leases

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

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

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, 2021 and 2020:

	April 30, 2021		
	Hospital District	Foundation	Total
Assets			
Current assets	$ 11,400,309	$ -	$ 11,400,309
Capital assets, net	4,683,759	20,322	4,704,081
Other assets	-	2,137,439	2,137,439
Total assets	16,084,068	2,157,761	18,241,829
Deferred Outflows of Resources	1,971,393	-	1,971,393
Total assets and deferred outflows of resources	$ 18,055,461	$ 2,157,761	$ 20,213,222
Liabilities			
Current liabilities	$ 6,438,455	$ -	$ 6,438,455
Noncurrent liabilities	8,443,834	-	8,443,834
Total liabilities	14,882,289	-	14,882,289
Deferred Inflows of Resources	1,319,606	-	1,319,606
Net Position (Deficit)			
Net investments in capital assets	2,290,246	-	2,290,246
Restricted expendable	252,429	109,864	362,293
Unrestricted	(689,109)	2,047,897	1,358,788
Total net position	1,853,566	2,157,761	4,011,327
Total liabilities, deferred inflows of resources and net position	$ 18,055,461	$ 2,157,761	$ 20,213,222

Hospital District No. 1 of Rice County
Notes to Financial Statements
April 30, 2021 and 2020

	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	$ 12,092,081	$ 1,564,992	$ 13,657,073
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)	$ 12,092,081	$ 1,564,992	$ 13,657,073

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, 2021 and 2020:

	April 30, 2021		
	Hospital District	Foundation	Total
Operating Revenues			
Net patient service revenue	$ 14,583,176	$ -	$ 14,583,176
340B drug pricing program	3,997,322	-	3,997,322
Other	207,101	8,281	215,382
Total operating revenues	18,787,599	8,281	18,795,880
Operating Expenses			
Salaries and wages	8,344,641	-	8,344,641
Employee benefits	2,822,672	-	2,822,672
Supplies and other	7,213,367	17,196	7,230,563
Depreciation	658,800	-	658,800
Total operating expenses	19,039,480	17,196	19,056,676
Operating Loss	(251,881)	(8,915)	(260,796)
Nonoperating Revenues (Expenses)			
Property taxes	1,662,264	-	1,662,264
Investment income (loss)	13,503	439,991	453,494
Interest expense	(77,339)	-	(77,339)
Noncapital grants and gifts	182,852	161,693	344,545
CARES Act funding	2,079,683	-	2,079,683
Total nonoperating revenues (expenses)	3,860,963	601,684	4,462,647
Change in Net Position	3,609,082	592,769	4,201,851
Net Position (Deficit), Beginning of Year	(1,755,516)	1,564,992	(190,524)
Net Position, End of Year	$ 1,853,566	$ 2,157,761	$ 4,011,327

Hospital District No. 1 of Rice County
Notes to Financial Statements
April 30, 2021 and 2020

	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	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)

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, 2021 and 2020:

	April 30, 2021			
	Hospital District	Foundation	Eliminations	Total
Net Cash Provided by Operating Activities	$ 1,156,108	$ -	$ -	$ 1,156,108
Net Cash Provided by (Used in) Noncapital Financing Activities	4,209,830	(134,707)	-	4,075,123
Net Cash Used in Capital and Related Financing Activities	(1,497,144)	-	-	(1,497,144)
Net Cash Provided by (Used in) Investing Activities	(278,041)	134,707	-	(143,334)
Increase in Cash	3,590,753	-	-	3,590,753
Cash, Beginning of Year	3,939,794	-	-	3,939,794
Cash, End of Year	$ 7,530,547	$ -	$ -	$ 7,530,547

	April 30, 2020			
	Hospital District	Foundation	Eliminations	Total
Net Cash Used in 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 Provided by Investing Activities	(9,464)	-	-	(9,464)
Decrease in Cash	3,205,823	-	-	3,205,823
Cash, Beginning of Year	733,971	-	-	733,971
Cash, End of Year	$ 3,939,794	$ -	$ -	$ 3,939,794

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

	2021 *	2020 *	2019 *	2018 *	2017 *	2016 *	2015 *
Hospital District's proportion of the net pension liability	0.367170%	0.365227%	0.370817%	0.385483%	0.383380%	0.369451%	0.362498%
Hospital District's proportionate share of the net pension liability	$ 6,365,457	$ 5,103,581	$ 5,168,410	$ 5,583,550	$ 5,931,002	$ 4,851,055	$ 4,461,673
Hospital District's covered-employee payroll	$ 6,839,673	$ 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	93.07%	77.77%	77.55%	77.69%	88.78%	81.40%	79.02%
Plan fiduciary net position as a percentage of the total pension liability	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%

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

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

	2021 *	2020 *	2019 *	2018 *	2017 *	2016 *	2015 *
Contractually required contribution	$ 651,953	$ 622,535	$ 603,340	$ 583,041	$ 635,285	$ 607,610	$ 550,276
Contribution in relation to the contractually required contribution	651,953	622,535	603,340	583,041	635,285	607,610	550,276
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hospital District's covered-employee payroll	$ 7,386,174	$ 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	8.83%	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

	2021 *	2020 *	2019 *	2018 *
Total OPEB Liability				
Service cost	$ 26,659	$ 24,316	$ 24,015	$ 26,998
Interest	8,134	8,830	8,326	6,965
Differences between expected and actual experience	73,988	(12,159)	(19,480)	-
Changes in assumptions	18,068	3,730	(2,859)	(7,642)
Benefit payments	(31,511)	(14,290)	(15,097)	(55,020)
Net Change in Total OPEB Liability	95,338	10,427	(5,095)	(28,699)
Hospital District's Total OPEB Liability - Beginning	221,360	210,933	216,028	244,727
Hospital District's Total OPEB Liability - Ending	$ 316,698	$ 221,360	$ 210,933	$ 216,028
Hospital District's Covered-Employee Payroll	$ 6,448,933	$ 6,825,225	$ 6,431,491	$ 6,506,287
Hospital District's Total OPEB Liability as a percentage of covered-employee payroll	4.91%	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 to 3.50% for 2019 and to 2.21% for 2020.

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