

**NOLAN COUNTY HOSPITAL DISTRICT
d/b/a ROLLING PLAINS MEMORIAL HOSPITAL
SWEETWATER, TEXAS**

**AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND 2019**



INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management
Nolan County Hospital District
d/b/a Rolling Plains Memorial Hospital
Sweetwater, Texas

We have audited the accompanying statements of net position of Nolan County Hospital District, d/b/a Rolling Plains Memorial Hospital (the "District"), as of September 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's financial statements.

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. 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 District'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 District'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.

Durbin & Company, L.L.P.
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nolan County Hospital District, d/b/a Rolling Plains Memorial Hospital, as of September 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A-1 through A-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Durbin & Company, L.L.P.

Durbin & Company, L.L.P.
Lubbock, Texas
June 25, 2021

**NOLAN COUNTY HOSPITAL DISTRICT
d/b/a ROLLING PLAINS MEMORIAL HOSPITAL
SWEETWATER, TEXAS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND 2019**

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019
UNAUDITED**

Our discussion and analysis of Nolan County Hospital District, d/b/a Rolling Plains Memorial Hospital's (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended September 30, 2020 and 2019. Please read it in conjunction with the District's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$6,046,310 or 29.7% in 2020, and decreased by \$842,638 or 4.0% in 2019.
- Net patient service revenue decreased by \$156,801 or 0.6% in 2020, and increased by \$1,658,282 or 6.6% in 2019.
- The District reported an operating loss of \$10,404,435 in 2020 compared to an operating loss of \$10,352,871 in 2019. The operating loss increased by \$51,564 or 0.5% over the loss reported in 2019.
- Total operating expenses increased in 2020 by \$86,380 or 0.2% in comparison to the increase of \$734,640 or 1.9% in 2019.

USING THIS ANNUAL REPORT

The District's financial statements consist of three statements, a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, and enabling legislation.

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

Our analysis of the District's finances begins on page A-2. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's patient base and measure of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as “Where did cash come from?” “What was cash used for?” and “What was the change in cash balance during the reporting period?”

THE DISTRICT'S NET POSITION

The District's net position is the difference between its assets and liabilities reported in the Statement of Net Position on pages 1 and 2. The District's net position increased by \$6,046,310 or 29.7% in 2020 and decreased by \$842,638 or 4.0% in 2019 as you can see from **Table 1**.

Table 1: Assets, Liabilities, and Net Position

A significant component of the decrease in the District's current assets is due to the decrease in prepaid and other current assets. A significant component of the increase in the District's total liabilities is attributable to an increase in long-term debt.

Assets:	2020	2019	2018
Current Assets	\$ 6,340,345	\$ 8,694,629	\$ 9,103,788
Capital Assets (net)	35,849,582	38,021,242	39,824,125
Other Non-Current Assets	21,305,285	2,930,504	2,711,439
Total Assets	<u>\$63,495,212</u>	<u>\$49,646,375</u>	<u>\$51,639,352</u>
Liabilities and Net Position:			
Long-Term Debt Outstanding	\$28,822,701	\$25,859,438	\$26,317,620
Other Current and Non-Current	3,776,729	3,407,507	4,099,664
Total Liabilities	<u>32,599,430</u>	<u>29,266,945</u>	<u>30,417,284</u>
Deferred Inflows of Resources	4,470,042	-	-
Net Position			
Net Investment In Capital Assets	7,026,881	12,161,804	13,506,505
Designated			
For Debt Service	677,201	625,491	594,225
Unrestricted	<u>18,721,658</u>	<u>7,592,135</u>	<u>7,121,338</u>
Total Net Position	<u>26,425,740</u>	<u>20,379,430</u>	<u>21,222,068</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$63,495,212</u>	<u>\$49,646,375</u>	<u>\$51,639,352</u>

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION

In 2020, the District's net position increased by \$6,046,310, and in 2019, the District's net position decreased by \$842,638. The following table reflects the operating results for fiscal years 2020, 2019, and 2018:

Table 2: Operating Results and Changes in Net Position

	2020	2019	2018
OPERATING REVENUES:			
Net Patient Service Revenue	\$26,441,205	\$26,598,006	\$24,939,724
Delivery System Reform Incentive Program	1,289,001	1,105,626	1,277,146
Other Revenue	589,290	581,048	550,589
Total Operating Revenues	<u>28,319,496</u>	<u>28,284,680</u>	<u>\$26,760,140</u>
OPERATING EXPENSES:			
Salaries and Employee Benefits	20,110,963	20,869,613	20,446,305
Professional Fees and Purchased Services	9,162,497	8,935,117	8,779,112
Supplies and Other Operating	6,631,153	5,979,080	5,876,664
Depreciation and Amortization	2,819,318	2,853,741	2,800,830
Total Operating Expenses	<u>38,723,931</u>	<u>38,637,551</u>	<u>37,902,911</u>
Operating Loss	(10,404,435)	(10,352,871)	(11,142,771)
NONOPERATING REVENUES (EXPENSES):			
Property Tax Revenue	8,121,006	7,597,366	6,075,658
Payment in Lieu of Tax	1,091,919	1,166,942	1,567,921
COVID-19 Federal Financial Assistance	7,553,296	-	-
Noncapital Grants and Contributions	221,104	52,000	51,622
Community Benefit Support	2,197,882	5,963,103	5,989,705
Intergovernmental Transfer Expense	(1,949,882)	(4,300,549)	(4,287,191)
Investment Income	108,678	77,431	65,909
Interest Expense	(995,634)	(1,104,279)	(154,294)
Unrealized Gain (Loss) on Investment	83,422	55,545	(1,557)
Gain (Loss) on Disposal of Assets	18,954	2,674	(7,538)
Total Nonoperating Revenues (Expenses)	<u>16,450,745</u>	<u>9,510,233</u>	<u>9,300,235</u>
Increases (Decrease) in Net Position	6,046,310	(842,638)	(1,842,536)
Net Position, Beginning of Year	<u>20,379,430</u>	<u>21,222,068</u>	<u>23,064,604</u>
Net Position, End of Year	<u>\$ 26,425,740</u>	<u>\$ 20,379,430</u>	<u>\$ 21,222,068</u>

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

OPERATING LOSS

The first component of the overall change in the District's net position is its operating loss - generally, the difference between net patient service revenues and the expenses incurred to perform those services. The District has reported an operating loss this year of \$10,404,435 with a reported loss in the prior year of \$10,352,871.

The primary component of the increase in operating loss for 2020 is:

- Increase in supplies and other operating expense of \$652,073 or 10.9%.

The primary component of the decrease in operating loss for 2019 is:

- Increase in net patient service revenue of \$1,658,282 or 6.6%.

The future of net revenues is almost impossible to predict since the District relies on the reimbursement by Medicare, Medicaid and other Third-Party payors, local population trends, economy, and other factors.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the District, payment in lieu of taxes, community benefit support, intergovernmental transfer expense, interest expense on long-term debt, and investment income.

Grants, Contributions, and Endowments

The District receives grants from local, state and federal agencies, as well as contributions from individuals and private organizations.

THE DISTRICT'S CASH FLOWS

Changes in the District's cash flows are consistent with changes in long-term debt, operating losses and nonoperating revenues and expenses, discussed earlier.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2020 and 2019, the District had \$35,849,582 and \$38,021,242, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 9 of the financial statements. The District purchased \$649,498 and \$1,055,199 in capital assets in fiscal years 2020 and 2019, respectively.

Debt

At September 30, 2020 and 2019, the District had \$28,822,701 and \$26,059,438, respectively, in notes payable and long-term debt outstanding, as detailed in Notes 10 and 11 of the financial statements. During fiscal years 2020 and 2019, the District made principal payments of \$1,696,006 and \$4,991,942, respectively, on outstanding debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the administration office of Nolan County Hospital District, d/b/a Rolling Plains Memorial Hospital at 200 East Arizona, Sweetwater, Texas.

**NOLAN COUNTY HOSPITAL DISTRICT
d/b/a ROLLING PLAINS MEMORIAL HOSPITAL
SWEETWATER, TEXAS**

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND 2019**

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL**

STATEMENTS OF NET POSITION

AS OF SEPTEMBER 30, 2020 AND 2019

ASSETS:	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 9,540	\$ 162,316
Assets Whose Use is Limited	1,152,703	885,114
Patient Accounts Receivable, Net of Allowance	2,285,597	2,892,656
Estimated Third-Party Payor Settlements	870,006	1,155,238
Other Receivables	626,820	434,184
Inventory of Supplies	999,115	845,942
Prepaid and Other Current Assets	<u>396,564</u>	<u>2,319,179</u>
Total Current Assets	6,340,345	8,694,629
ASSETS WHOSE USE IS LIMITED - LONG-TERM	21,158,772	2,930,504
CAPITAL ASSETS		
Land	170,237	170,237
Construction-in-Progress	154,386	27,700
Depreciable Capital Assets, Net	<u>35,524,959</u>	<u>37,823,305</u>
Total Capital Assets, Net	<u>35,849,582</u>	<u>38,021,242</u>
Total Assets	<u><u>\$63,495,212</u></u>	<u><u>\$49,646,375</u></u>

The accompanying notes are an integral part of these financial statements.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL**

STATEMENTS OF NET POSITION

AS OF SEPTEMBER 30, 2020 AND 2019

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND NET POSITION:**

	2020	2019
CURRENT LIABILITIES		
Overdrafts	\$ 90,779	\$ -
Current Portion of Long-Term Debt	3,688,111	1,361,015
Notes Payable	-	200,000
Accounts Payable	834,861	636,894
Accrued Payroll, Benefits, and Related Liabilities	1,506,965	1,279,536
Self-Funded Health Insurance	229,000	151,000
Other Accrued Liabilities	1,115,124	1,140,077
Total Current Liabilities	7,464,840	4,768,522
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	25,134,590	24,498,423
Total Liabilities	32,599,430	29,266,945
DEFERRED INFLOWS OF RESOURCES		
Provider Relief Funds	1,866,657	-
Medicare Accelerated Advance Payment	2,603,385	-
Total Deferred Inflows of Resources	4,470,042	-
NET POSITION		
Net Investment In Capital Assets	7,026,881	12,161,804
Designated:		
For Debt Service	677,201	625,491
Unrestricted	18,721,658	7,592,135
Total Net Position	26,425,740	20,379,430
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 63,495,212	\$ 49,646,375

The accompanying notes are an integral part of these financial statements.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES:		
Net Patient Service Revenue	\$26,441,205	\$26,598,006
Delivery System Reform Incentive Program	1,289,001	1,105,626
Other Revenue	589,290	581,048
Total Operating Revenues	28,319,496	28,284,680
OPERATING EXPENSES:		
Salaries and Wages	16,660,479	16,448,715
Employee Benefits	3,450,484	4,420,898
Professional Fees and Purchased Services	9,162,497	8,935,117
Supplies and Other	6,631,153	5,979,080
Depreciation and Amortization	2,819,318	2,853,741
Total Operating Expenses	38,723,931	38,637,551
Operating Loss	(10,404,435)	(10,352,871)
NONOPERATING REVENUES (EXPENSES):		
Property Tax Revenue	8,121,006	7,597,366
Payment in Lieu of Tax	1,091,919	1,166,942
COVID-19 Federal Financial Assistance	7,553,296	-
Noncapital Grants and Contributions	221,104	52,000
Community Benefit Support	2,197,882	5,963,103
Intergovernmental Transfer Expense	(1,949,882)	(4,300,549)
Investment Income	108,678	77,431
Interest Expense	(995,634)	(1,104,279)
Unrealized Gain on Investment	83,422	55,545
Gain on Disposal of Assets	18,954	2,674
Total Nonoperating Revenues (Expenses)	16,450,745	9,510,233
Increase (Decrease) in Net Position	6,046,310	(842,638)
Net Position, Beginning of Year	20,379,430	21,222,068
Net Position, End of Year	\$26,425,740	\$20,379,430

The accompanying notes are an integral part of these financial statements.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL**

STATEMENTS OF CASH FLOWS

AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	\$ 29,939,882	\$ 27,176,049
Payments to Suppliers and Contractors	(13,455,645)	(8,941,287)
Payments to Employees	(19,805,534)	(21,326,281)
Other Receipts and Payments, net	1,650,193	2,367,544
Net Cash Used by Operating Activities	(1,671,104)	(723,975)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	108,678	77,431
Purchase of Investments	(19,900,000)	(1,300,000)
Proceeds From Sale of Investments	16,318,378	1,408,267
Net Cash Provided (Used) by Investing Activities	(3,472,944)	185,698
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	-	-
Property Taxes Restricted for Debt Service	2,069,317	2,027,737
Proceeds from Issuance of Long-Term Debt	4,523,509	1,015,000
Principal Payments on Long-Term Debt	(1,496,006)	(1,424,942)
Interest Payments on Long-Term Debt	(1,080,870)	(1,115,471)
Proceeds From Sale of Capital Assets	18,864	6,300
Purchase of Capital Assets	(647,568)	(1,074,054)
Net Cash Provided (Used) by Capital and Related Financing Activities	3,387,246	(565,430)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	6,051,689	5,569,629
Payment in Lieu of Taxes	1,091,919	1,166,942
COVID-19 Federal Financial Assistance	9,419,953	-
Noncapital Grants and Contributions	74,591	198,513
Payments for Intergovernmental Transfers	-	(5,205,652)
Principal Payments on Notes Payable	(200,000)	(3,567,000)
Proceeds From Issuance of Notes Payable	-	2,467,000
Interest Payments on Notes Payable	(3,313)	(53,108)
Net Cash Provided by Noncapital Financing Activities	16,434,839	576,324
Net Increase (Decrease) in Cash and Cash Equivalents	14,678,037	(527,383)
Cash and Cash Equivalents, Beginning of Year	1,639,822	2,167,205
Cash and Cash Equivalents, End of Year	\$ 16,317,859	\$ 1,639,822

The accompanying notes are an integral part of these financial statements.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL**

STATEMENTS OF CASH FLOWS (CONTINUED)

AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and cash equivalents presented under the following titles:		
Cash and Cash Equivalents	\$ 9,540	\$ 162,316
Assets Whose Use is Limited - Current	1,152,703	885,114
Assets Whose Use is Limited - Long-Term	15,155,616	592,392
	\$ 16,317,859	\$ 1,639,822
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	\$ (10,404,435)	\$ (10,352,871)
Adjustments to Reconcile Operating Loss to Net Cash Flows Used by Operating Activities:		
Depreciation and Amortization	2,819,318	2,853,741
Provision for Bad Debts	3,689,263	3,963,724
Community Benefit Support	2,197,882	5,963,103
(Increase) Decrease in:		
Accounts Receivable	(3,082,204)	(3,253,645)
Prepaid Expenses and Other Current Assets	(373,076)	407,795
Estimated Third-Party Payor Settlements	285,232	(749,295)
Increase (Decrease) in:		
Overdrafts Payable	90,779	-
Accounts Payable	197,967	55,390
Accrued Salaries and Benefits Payable	227,429	(96,776)
Other Accrued Liabilities	77,356	484,859
Deferred Inflows of Resources	2,603,385	-
	\$ (1,671,104)	\$ (723,975)
 Net Cash Used By Operating Activities	 \$ (1,671,104)	 \$ (723,975)
 Supplemental disclosure of noncash investing and financing activities		
Cost of New Equipment Under Capital Lease	\$ -	\$ 16,000
 New Obligations Under Capital Lease	 \$ -	 \$ 16,000

The accompanying notes are an integral part of these financial statements.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Nolan County Hospital District, d/b/a Rolling Plains Memorial Hospital (the “District”), located in Sweetwater, Texas was created by a law of the State of Texas in 1989. The District is governed by a 7 member board of directors who are elected by the residents of the hospital district. The District operates a public 85 bed hospital. As dictated by state law creating the District, the District is responsible for the health care of indigent residents of Sweetwater, Texas and is funded, in part, by ad valorem taxes on real and personal property within the jurisdiction.

Enterprise Fund Accounting – The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The District has elected to apply the provisions based on Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*. The District has also elected to apply the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

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

Cash and Cash Equivalents - The District considers highly liquid investments with an original maturity of three months or less to be cash equivalents, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.

Patient Accounts Receivable - The allowance for estimated uncollectible patient accounts receivable is maintained at a level which, in management’s judgment, is adequate to absorb patient account balance write-offs inherent in the billing process. The amount of the allowance is based on management’s evaluation of the collectability of patient accounts receivable, including the nature of the accounts, credit concentrations, and trends in historical write-off experience, specific impaired accounts, and economic conditions. Allowances for uncollectibles and contractuals are generally determined by applying historical percentages to financial classes within accounts receivable. The allowances are increased by a provision for bad debt expenses and contractual adjustments, and reduced by write-offs, net of recoveries.

Investments – Investments are carried at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

Inventory of Supplies - Inventory is stated at historical cost using the First-In, First-Out (FIFO) method.

Assets Whose Use is Limited - Assets whose use is limited include assets set aside by the board of directors to be used for capital expenditures and debt service in accordance with indenture agreements. The board retains control and may at its discretion subsequently use these assets for other purposes.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets – Capital assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets. The District has elected to capitalize expenditures over \$3,000 and provide for depreciation of capital assets by the straight-line method at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life as follows:

Land Improvements	15 to 20 years
Building (Components)	5 to 50 years
Fixed Equipment	7 to 25 years
Major Moveable Equipment	3 to 20 years

Property Taxes – The District received approximately 18% and 20% of its financial support from property taxes for the years ended September 30, 2020 and 2019, respectively. These funds were used as follows:

	2020	2019
Percentage Used to Support Operations	75%	73%
Percentage Levied for Debt Service	25%	27%
	<u>100%</u>	<u>100%</u>

Property taxes are levied by the county on the District’s behalf on October 1 and are intended to finance the District’s activities for the next calendar year. Amounts levied are based on assessed property values as of the preceding January 1.

Property taxes are considered delinquent as of February 1 of the following year.

Deferred Outflows/Inflows of Resources – Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources, respectively.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position – Net position of the District is classified into three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position, if any, is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by revenue bond indentures. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of net investment in capital assets or restricted.

Operating Revenues and Expenses – For purposes of display, the District’s statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses result from exchange transactions associated with providing health care services - the District’s principal activity. Non-exchange revenues and expenses, including taxes, grants and contributions, and intergovernmental transfers received for purposes other than capital asset acquisition, are reported as non-operating revenues and expenses. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Federal Income Taxes - The District is a governmental entity and qualifies as a tax-exempt organization; therefore, no expense has been provided for income taxes in the accompanying financial statements.

Charity Care – The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Management’s policy for provision of charity care is to request income, residency status and any other pertinent information to determine if the patient is medically or financially indigent. The District has also set eligibility at 200% of the Federal Poverty Guideline, with no provision made for additional household members. Eligibility is determined by the Nolan County Indigent Care Coordinator. Because the District does not pursue the collection of amounts determined to qualify as charity care, charity care is excluded from net patient revenue.

Compensated Absences – Upon termination, employees of the District are compensated for any vacation time earned, but not taken. Compensated absence liability as of September 30, 2020 and 2019 was \$976,861 and \$835,680, respectively, and is included in accrued payroll and related liabilities on the statements of net position.

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

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management - The 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 disaster; and employee health, dental, and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters except for employee health coverage for which the District is partially self-insured.

Newly Adopted Accounting Pronouncements:

GASB Statement No. 88 – Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for periods beginning after June 15, 2018.

Pending Adoption of Recent Accounting Pronouncements:

GASB Statement No. 87 – Governmental Accounting Standards Board Statement No. 87, *Leases*. The objective of this Statement is to provide financial statement users with improved accounting and financial reporting for leases by establishing a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for periods beginning after December 15, 2019. See GASB Statement No. 95 for notice of implementation postponement.

GASB Statement No. 89 – Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about the capital assets and the cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. See GASB Statement No. 95 for notice of implementation postponement.

GASB Statement No. 91 – Governmental Accounting Standards Board Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2020. See GASB Statement No. 95 for notice of implementation postponement.

GASB Statement No. 92 – In January 2020, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Adoption of Recent Accounting Pronouncements (Continued):

- The effective date of GASB Statement No. 87, *Leases* to be effective for *fiscal years* beginning after December 15, 2019 and is effective for all reporting periods thereafter;
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB);
- The applicability of GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits;
- The applicability of certain requirements of GASB Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements;
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition;
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers;
- Reference to nonrecurring fair value measurements of assets and liabilities in authoritative literature;
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance;
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020;
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020;
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Management is currently evaluating the effect this statement will have on the financial statements and related disclosures. See GASB Statement No. 95 for notice of implementation postponement.

GASB Statement No. 95 – In May 2020, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stake holders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for the periods beginning after June 15, 2018, or later.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Adoption of Recent Accounting Pronouncements (Continued):

- The effective date for GASB Statement No. 87 has been postponed from reporting periods beginning after December 15, 2019 to reporting periods beginning after June 15, 2021.
- The effective date for GASB Statement No. 89 has been postponed from reporting periods beginning after December 15, 2019 to reporting periods beginning after December 15, 2020.
- The effective date for GASB Statement No. 91 has been postponed from reporting periods beginning after December 15, 2020 to reporting periods beginning after December 15, 2021.
- The effective date for GASB Statement No. 92 has been postponed from reporting periods beginning after June 15, 2020 to reporting periods beginning after June 15, 2021.

Accounting Standards Update (ASU) No. 2014-09 – In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 was implemented by the FASB to determine whether an entity should recognize revenue. An entity should recognize revenue to depict the transfers of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018, with early implementation permitted. Management is currently evaluating the effects this pronouncement will have on the financial statements and related disclosures. See ASU 2020-05 for notice of implementation postponement.

Accounting Standards Update No. 2016-02: In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2016-02 (“ASU 2016-02”), *Leases (Topic 842)*. ASU 2016-02 was implemented by FASB to increase transparency and comparability among entities by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, with early implementation permitted. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures. See ASU 2020-05 for notice of implementation postponement.

Accounting Standards Update (ASU) No. 2020-05 – In June 2020, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*. ASU 2020-05 was implemented by FASB to provide a limited deferral of the effective date (including amendments issued after the issuance of the original Update) to provide immediate, near-term relief for certain entities for whom ASU No. 2014-09 and ASU No. 2016-02 are either currently effective or imminently effective. The effective date for ASU No. 2014-09 has been postponed from reporting periods beginning after December 15, 2018 to reporting periods beginning after December 15, 2019. The effective date for ASU No. 2016-02 has been postponed from reporting periods beginning after December 15, 2019 to reporting periods beginning after December 15, 2021.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 2 - NET PATIENT SERVICE REVENUE

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

Medicare – Inpatient acute care service and rehabilitation services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services and distinct part unit psychiatric services are paid at prospectively determined per-diem rates that are based on the patient’s acuity. Certain inpatient non-acute services are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

Medicaid - Inpatient services are paid under prospectively determined rates per discharge, which include reimbursement for capital costs, based on a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined rates are not subject to retroactive adjustment. Outpatient services are paid based on the lower of reasonable costs or customary charges, a fee schedule or blended rates.

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

Net patient service revenue is comprised as follows:

	<u>2020</u>	<u>2019</u>
Routine Patient Services	\$ 3,857,471	\$ 3,950,698
Ancillary Patient Services		
Inpatient	9,344,336	9,179,236
Outpatient	<u>43,893,898</u>	<u>46,865,972</u>
Gross Patient Service Revenue	57,095,705	59,995,906
Charity	(3,885,522)	(4,485,507)
Third-Party Contractual Adjustments	(25,621,283)	(27,391,489)
Provision for Bad Debts	(3,689,263)	(3,963,724)
Medicaid Supplemental Payments and Other Credits	<u>2,541,568</u>	<u>2,442,820</u>
Net Patient Service Revenue	<u><u>\$26,441,205</u></u>	<u><u>\$26,598,006</u></u>

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 2 - NET PATIENT SERVICE REVENUE (CONTINUED)

Estimated Third-Party Payor Settlements - Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Anticipated final settlement amounts from current and prior years' cost reports are recorded in the financial statements as they are determined by the District. Estimated third-party payor settlements recorded in current assets at September 30, 2020 and 2019 are \$870,006 and \$1,155,238, respectively.

Charity Care - The value of charity care provided by the District based upon its established rates, was \$3,885,522 in 2020 and \$4,485,507 in 2019. ASU 2010-23 requires charity care to be disclosed on a cost basis. The District utilizes the cost to charge ratios, as calculated based on its most recent cost reports, to determine the total cost. The District's cost of providing charity care was approximately \$2,616,000 and \$2,807,000 for the years ended September 30, 2020 and 2019, respectively.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of September 30:

	<u>2020</u>	<u>2019</u>
Gross Accounts Receivable	\$ 6,938,685	\$ 8,649,825
Less: Allowance for Bad Debts	(2,532,721)	(2,424,550)
Allowance for Contractuals	<u>(2,120,367)</u>	<u>(3,332,619)</u>
Accounts Receivable, Net of Allowance	<u>\$ 2,285,597</u>	<u>\$ 2,892,656</u>

Concentration of Credit Risk - The District grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payers as of September 30 is as follows:

	<u>2020</u>	<u>2019</u>
Medicare	30%	24%
Medicaid	10%	14%
Other Third-Party Payors	27%	30%
Patients	<u>33%</u>	<u>32%</u>
Total	<u>100%</u>	<u>100%</u>

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 4 – INVESTMENTS

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rates not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

The District’s investments are reported at fair value, as discussed in Note 1. As of September 30, 2020 and 2019, the District has the following investments and maturities, all of which were held by the District:

September 30, 2020	Investment Type	Fair Value	Maturity (in years)			
			Less than 1	1-5	6-10	More than 10
	U.S Government Agencies	\$ 5,670,836	\$ 564,885	\$ 2,669,471	\$ 1,734,642	\$ 701,838
	Mutual Funds	137,240	137,240	-	-	-
	Common Stock	391,741	240,741	-	-	151,000
		<u>\$ 6,199,817</u>	<u>\$ 942,866</u>	<u>\$ 2,669,471</u>	<u>\$ 1,734,642</u>	<u>\$ 852,838</u>

September 30, 2019	Investment Type	Fair Value	Maturity (in years)			
			Less than 1	1-5	6-10	More than 10
	U.S Government Agencies	\$ 1,965,676	\$ 333,638	\$ 507,497	\$ 168,186	\$ 956,355
	Mutual Funds	132,829	132,829	-	-	-
	Common Stock	239,607	239,607	-	-	-
		<u>\$ 2,338,112</u>	<u>\$ 706,074</u>	<u>\$ 507,497</u>	<u>\$ 168,186</u>	<u>\$ 956,355</u>

The carrying amounts of investments are included in the District’s statement of net position, with Assets Whose Use Is Limit – Long-Term.

The District’s investments may be exposed to the following types of risks:

Interest Rate Risk - Interest rate risk is the risk that market values of investments will change based on changes in market interest rates. The money market mutual funds are considered investments with a maturity of less than one year because they are redeemable in full immediately. The District’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk – Credit risk is the risk that the issuer or other counterparties to an investment will not fulfill its obligations. The District’s investment policy allows investing in obligations of the United States or its agencies and instrumentalities. Amounts invested in bond funds that were unrated totaled \$212,804 and \$211,670 as of September 30, 2020 and 2019, respectively.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 4 – INVESTMENTS (CONTINUED)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The District places no limit, except for mutual funds, on the amount it may invest in any one issuer.

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2020 and 2019, the carrying amount of the District’s deposits with financial institutions was \$1,160,557 and \$1,045,744, respectively. The bank balance at September 30, 2020 and 2019 was \$1,408,172 and \$1,733,605, respectively. The bank balance is categorized as follows:

	<u>2020</u>	<u>2019</u>
Amount insured by the FDIC	\$ 287,287	\$ 279,906
Amount collateralized with securities held by the pledging financial institution's trust department in the District's name	<u>1,120,885</u>	<u>1,453,699</u>
Total Bank Balance	<u>\$ 1,408,172</u>	<u>\$ 1,733,605</u>

NOTE 6 – ASSETS WHOSE USE IS LIMITED

The components of assets whose use is limited are set forth in the following table. Investments are stated at fair value and are comprised of U.S. Government Agencies, Mutual Funds and Common Stock.

	<u>2020</u>	<u>2019</u>
Assets Whose Use is Limited - Current		
Internally designated for Capital Acquisitions:		
Cash & Cash Equivalents	\$ 475,502	\$ 165,938
Internally designated for Debt Service:		
Cash & Cash Equivalents	<u>677,201</u>	<u>625,491</u>
Total Assets Whose Use is Limited - Current	<u>\$ 1,152,703</u>	<u>\$ 791,429</u>
Assets Whose Use is Limited - Long-Term		
Internally designated for Capital Acquisitions:		
Cash & Cash Equivalents	\$15,155,616	\$ 592,392
Other Investments - Long-Term	<u>6,003,156</u>	<u>2,338,112</u>
Total Assets Whose Use is Limited - Long-Term	<u>\$21,158,772</u>	<u>\$ 2,930,504</u>

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 7– PROPERTY TAXES RECEIVABLE

Property taxes are levied on October 1 of each year and become delinquent as of February 1 of the following year. Taxes are reported as revenues in the period for which they are levied. For the years ended September 30, 2020 and 2019, taxes were assessed at rates of \$0.42200 and \$0.40000 per \$100 valuation, respectively. Tax revenue, net of related expenses for 2020 and 2019 was \$8,121,006 and \$7,597,366, respectively. As of September 30, 2020 and 2019, the balance of property taxes receivable and its related allowance for uncollectible taxes are as follows:

	<u>2020</u>	<u>2019</u>
Taxes Receivables	\$ 134,737	\$ 134,737
Allowanace for Uncollectable Taxes	<u>(134,737)</u>	<u>(134,737)</u>
Net Taxes Receivable	<u>\$ -</u>	<u>\$ -</u>

NOTE 8 – PAYMENTS IN LIEU OF TAXES

The District enters into property tax abatement agreements with local businesses under the Texas Property Redevelopment and Tax Abatement Act, Tax Code Chapter 312. Under the Act, the District may grant property tax abatements of a business’ property tax bill for the purpose of attracting new industries and to encourage the retention and development of existing businesses that are located within a reinvestment zone designated under Chapter 312, Texas Tax Code.

The District has entered into tax abatement agreements for the development of wind powered electric power generating facilities (wind farms) located in Nolan County, Texas. As a result, the District will forego assessment and collection of ad valorem property taxes on wind farms according to the terms of the agreements. In the event of a default, the District is entitled to recapture any and all property taxes which have been abated as a result of the agreement.

For the fiscal years ended September 30, 2020 and 2019, the District abated property taxes totaling \$789,778 and \$777,961, respectively. The District receives payments in lieu of taxes which are levied by the District on October 1 of each year based on assessed property values as of the preceding January 1 and reduced by an agreed upon tax abatement rate. Payments in lieu of taxes are reported as revenues in the period for which they are levied. For the fiscal years ended September 30, 2020 and 2019, the District recorded revenue for payments in lieu of taxes totaling \$1,091,919 and \$1,166,942, respectively. The respective revenue is included within nonoperating revenues in the statements of revenues, expenses, and changes in net position.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 9 – CAPITAL ASSETS

The following is a summary of capital assets at cost less accumulated depreciation as of September 30:

	Balance 09/30/19	Additions	Reclass/ Retirements	Balance 09/30/20
Land	\$ 170,237	\$ -	\$ -	\$ 170,237
Land improvements	353,781	-	(2,604)	351,177
Building and improvements	45,350,768	27,543	(5,029)	45,373,282
Equipment	14,624,719	495,269	(336,175)	14,783,813
Capital leases	16,000	-	-	16,000
Construction in progress	27,700	126,686	-	154,386
Totals at Historical Cost	<u>60,543,205</u>	<u>649,498</u>	<u>(343,808)</u>	<u>60,848,895</u>
Less Accumulated Depreciation for:				
Land improvements	(199,037)	(11,951)	2,604	(208,384)
Building and improvements	(11,612,951)	(1,736,580)	28,835	(13,320,696)
Equipment	(10,707,308)	(1,153,397)	398,472	(11,462,233)
Capital leases	(2,667)	(5,333)	-	(8,000)
Total Accumulated Depreciation	<u>(22,521,963)</u>	<u>(2,907,261)</u>	<u>429,911</u>	<u>(24,999,313)</u>
Capital Assets, Net	<u>\$38,021,242</u>	<u>\$ (2,257,763)</u>	<u>\$ 86,103</u>	<u>\$35,849,582</u>
	Balance 09/30/18	Additions	Reclass/ Retirements	Balance 09/30/19
Land	\$ 170,237	\$ -	\$ -	\$ 170,237
Land improvements	367,941	-	(14,160)	353,781
Building and improvements	45,337,674	19,608	(6,514)	45,350,768
Equipment	14,480,277	1,002,569	(858,127)	14,624,719
Capital leases	303,850	16,000	(303,850)	16,000
Construction in progress	47,048	17,022	(36,370)	27,700
Totals at Historical Cost	<u>60,707,027</u>	<u>1,055,199</u>	<u>(1,219,021)</u>	<u>60,543,205</u>
Less Accumulated Depreciation for:				
Land improvements	(201,246)	(11,951)	14,160	(199,037)
Building and improvements	(9,904,189)	(1,715,276)	6,514	(11,612,951)
Equipment	(10,489,589)	(1,107,874)	890,155	(10,707,308)
Capital leases	(287,878)	(18,639)	303,850	(2,667)
Total Accumulated Depreciation	<u>(20,882,902)</u>	<u>(2,853,740)</u>	<u>1,214,679</u>	<u>(22,521,963)</u>
Capital Assets, Net	<u>\$39,824,125</u>	<u>\$ (1,798,541)</u>	<u>\$ (4,342)</u>	<u>\$38,021,242</u>

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 9 – CAPITAL ASSETS (CONTINUED)

The balance of \$154,386 and \$27,700 in construction in progress at September 30, 2020 and 2019, respectively, is related to an upgrade of the District’s IT infrastructure.

NOTE 10 – NOTES PAYABLE

Following is a summary of notes payable as of September 30:

	<u>Balance 09/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/20</u>
Notes Payable				
Bank Line of Credit (B)	\$ 200,000	\$ -	\$ (200,000)	\$ -
Total Notes Payable	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ -</u>
	<u>Balance 09/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/19</u>
Notes Payable				
Bank Line of Credit (B)	\$ 1,300,000	\$ 2,467,000	\$ (3,567,000)	\$ 200,000
Total Notes Payable	<u>\$ 1,300,000</u>	<u>\$ 2,467,000</u>	<u>\$ (3,567,000)</u>	<u>\$ 200,000</u>

Notes Payable. The terms and due dates of the District’s notes payable at September 30, 2020 and 2019 are as follows:

- B. Line of credit dated June 27, 2018 with a maximum borrowing amount of \$2,000,000, carrying an interest rate of 3.75%, originally payable on June 27, 2019, uncollateralized. On June 27, 2019, the line of credit was amended to extend the maturity date from June 27, 2019 to June 27, 2020 with a current interest rate of 3.25%. The line of credit was paid in full in 2020.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 11 – LONG-TERM DEBT

Following is a summary of long-term debt as of September 30:

	Balance 09/30/19	Additions	Reductions	Balance 09/30/20	Due Within One Year
Capital Lease Obligations:					
Capital Lease (C)	\$ 12,797	\$ -	\$ (4,671)	\$ 8,126	\$ 5,648
Total Capital Lease Obligations	12,797	-	(4,671)	8,126	5,648
Bond And Note Obligations:					
Series 2012 A&B	2,136,000	-	(236,000)	1,900,000	244,000
Series 2014	21,881,317	-	(834,244)	21,047,073	805,000
FFB Note	23,080	-	(23,080)	-	-
PPP Loan	-	3,914,509	-	3,914,509	2,159,142
Contractual Obligations:					
Series 2019	-	609,000	(119,959)	489,041	119,097
Series 2018	820,793	-	(195,395)	625,398	201,790
Series 2010	985,451	-	(146,897)	838,554	153,434
Total Bonds/Note and Contractual Obligations	25,846,641	4,523,509	(1,555,575)	28,814,575	3,682,463
Total Long-Term Debt	\$25,859,438	\$ 4,523,509	\$ (1,560,246)	\$28,822,701	\$ 3,688,111
	Balance 09/30/18	Additions	Reductions	Balance 09/30/19	Due Within One Year
Capital Lease Obligations:					
Capital Lease (A)	\$ 4,663	\$ -	\$ (4,663)	\$ -	\$ -
Capital Lease (B)	1,251	-	(1,251)	-	-
Capital Lease (C)	-	16,000	(3,203)	12,797	5,167
Total Capital Lease Obligations	5,914	16,000	(9,117)	12,797	5,167
Bond And Note Obligations:					
Series 2012 A&B	2,364,000	-	(228,000)	2,136,000	236,000
Series 2014	22,685,553	-	(804,236)	21,881,317	770,000
FFB Note	30,285	-	(7,205)	23,080	7,556
Contractual Obligations:					
Series 2018	-	1,015,000	(194,207)	820,793	195,395
Series 2014	105,778	-	(105,778)	-	-
Series 2010	1,126,090	-	(140,639)	985,451	146,897
Total Bonds/Note and Contractual Obligations	26,311,706	1,015,000	(1,480,065)	25,846,641	1,355,848
Total Long-Term Debt	\$26,317,620	\$ 1,031,000	\$ (1,489,182)	\$25,859,438	\$ 1,361,015

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 11 – LONG-TERM DEBT (CONTINUED)

Following is a schedule of maturities for long-term debt for each of the next five years:

For the Year Ending September 30,	Long-Term Debt			Capital Lease Obligations	
	Principal	Interest	Total	Principal	Interest
2021	\$ 3,682,463	\$ 1,066,944	\$ 4,705,167	\$ 5,648	\$ 436
2022	3,332,205	971,033	4,296,651	2,478	33
2023	1,642,909	895,763	2,594,589	-	-
2024	1,491,302	824,115	2,315,417	-	-
2025	1,427,623	756,422	2,184,045	-	-
2026-2030	6,076,000	2,971,374	9,047,374	-	-
2031-2035	6,895,000	1,525,350	8,420,350	-	-
2036-2037	3,175,000	191,800	3,366,800	-	-
Total	27,722,502	9,202,801	36,930,393	8,126	469
Unamortized Premium	1,092,073	-	1,092,073	-	-
Total	<u>\$28,814,575</u>	<u>\$ 9,202,801</u>	<u>\$38,022,466</u>	<u>\$ 8,126</u>	<u>\$ 469</u>

The terms and due dates of the District’s long-term debt at September 30, 2020 and 2019 is as follows:

Capital Lease Obligations:

- (A) – Capital lease obligation with vendor, bearing interest at 6.52%, due in 60 monthly installments of \$4,690, matures December 2018, collateralized by leased equipment. Paid in full in 2019.
- (B) – Capital lease obligation with vendor bearing interest at 6.53%, due in 60 monthly installments of \$1,258, matures December 2018, collateralized by leased equipment. Paid in full in 2019.
- (C) – Capital lease obligation with vendor bearing interest at 8.76%, due in 36 monthly installments of \$507, matures January 2022, collateralized by leased equipment.

Bond and Note Obligations:

- Series 2012 A&B - Nolan County Hospital District Revenue Bonds, Series 2012A, and Nolan County Hospital District Revenue Bonds, Taxable Series 2012B (collectively referred to as the “Bonds”) with interest rates of 3.15% and 3.82%. Interest is payable semi-annually in June and December. Principal payments are due annually in June; the Bonds mature June 15, 2027. Bonds are secured by pledged revenues.

**NOLAN COUNTY HOSPITAL DISTRICT
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 11 – LONG-TERM DEBT (CONTINUED)

- Series 2014 – Nolan County Hospital District Combination Tax and Revenue Bonds, Series 2014, plus unamortized premium of \$1,092,073 in 2020, and \$1,156,317 in 2019, with interest rates varying from 2% to 5%. Interest is payable semi-annually each February 15th and August 15th. Principal payments are due annually each August 15th; the Bonds mature August 15, 2037. Bonds are secured by ad valorem tax revenues.
- FFB Note – Bank note with an interest rate of 4.76%. Principal and interest due on the 15th day of each month. The note matures August 15, 2022 and is collateralized by a vehicle. Paid in full in 2020.
- PPP Loan – \$3,914,509 Paycheck Protection Program (PPP) loan payable to bank in 18 monthly installments of \$220,338 beginning December 1, 2020, carrying an interest rate of 1.00% and a maturity date of May 1, 2022. Loan is secured by the U.S. Small Business Administration (SBA). The loan was forgiven in full by the SBA in June 2021.

Contractual Obligations:

- Public Property Finance Contractual Obligations, Series 2019, with an interest rate of 3.50%. Interest is payable semi-annually in February and August. Principal payments are due annually in February. Final payment due February 2024. Contractual Obligation is secured by the District's tax levy and all other revenue.
- Public Property Finance Contractual Obligations, Series 2018, with an interest rate of 3.22%. Interest is payable semi-annually in February and August. Principal payments are due annually in February. Final payment due February 2023. Contractual Obligation is secured by the District's tax levy and all other revenue.
- Public Property Finance Contractual Obligations, Series 2014, with an interest rate of 2.25%. Interest is payable semi-annually in February and August. Principal payments are due annually in February. Final payment due August 2019. Contractual Obligation is secured by the District's tax levy and all other revenue. Paid in full in 2019.
- Public Property Finance Contractual Obligations, Series 2013, with an interest rate of 2.35%. Interest is payable semi-annually in February and August. Principal payments are due annually in February. Final payment due February 2018. Contractual Obligation is secured by the District's tax levy and all other revenue. Paid in full in 2018.
- Public Property Finance Contractual Obligations, Series 2010, with an interest rate of 4.45%. Principal and interest are payable annually in July. Final payment due July 2025. Contractual Obligation is secured by the District's tax levy and all other revenue.

The amount of interest cost incurred in 2020 and 2019 was \$995,634 and \$1,104,279, respectively, all of which was charged to operations.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 11 – LONG-TERM DEBT (CONTINUED)

Series 2012 A&B: Nolan County Hospital District Revenue Bonds, Series 2012 A&B, were issued to renovate the hospital. In accordance with the bond indenture, the following covenants are required:

- **Debt Service Ratio:** The District is to maintain a debt service ratio of at least 1.30 to 1.00. For the years ended September 30, 2020 and 2019, the debt service ratio was 0.68 and 0.50, respectively.
- **Maintain Revenues:** The District is to maintain revenues in amounts sufficient to pay the principle and interest of the bonds and any other obligations secured by pledged revenues.

Series 2014: Nolan County Hospital District Combination Tax and Revenue Bonds, Series 2014, were issued for purchasing, constructing, acquiring and equipping of buildings and making improvements to facilities within the District. In accordance with the bond indenture, the following covenant is required:

- **Interest and Sinking Fund:** The District is to maintain revenues in amounts required to pay for the principal and interest of the bond when due.

NOTE 12 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM

Uncompensated Care - The District participated in the Section 1115 Demonstration Waiver Program, a program designed to benefit rural community hospitals. This program is facilitated through the District providing an intergovernmental transfer whereby federal matching funds are provided to supplement the District for the shortfall in Medicaid funding. In connection with this program, the District provided intergovernmental transfers of \$641,395 and \$2,015,253, and received \$1,949,331 and \$4,783,324 for the years ended September 30, 2020 and 2019, respectively. The District recognized net revenue of \$1,308,236 and \$2,101,776 for the years ended September 30, 2020 and 2019, respectively. The respective revenue is included within net patient service revenue in the statements of revenues, expenses, and changes in net position.

Delivery System Reform Incentive Program - As part of the Section 1115 Demonstration Waiver Program, the District is eligible to receive incentive payments through the Delivery System Reform Incentive Payment Program (DSRIP). This incentive program is designed to improve the experience of care, improve the health of populations, and containing costs. By participating in the DSRIP program, the District provides an intergovernmental transfer to finance the non-federal share of the incentive payments. In connection with this program, the District provided intergovernmental transfers of \$632,301 and \$794,401, and received \$1,921,302 and \$1,900,027 for the years ended September 30, 2020 and 2019, respectively. The District recognized net revenue of \$1,289,001 and \$1,105,626 for the year ended September 30, 2020 and 2019, respectively. The respective revenue is included in other operating revenues in the statements of revenues, expenses and changes in net position.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 12 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM (CONTINUED)

Indigent Care Affiliation - Under the demonstration waiver, the District is part of an indigent care affiliation agreement with the Service Organization of Big Country, a non-profit corporation, and affiliated hospitals. This agreement is intended to increase funding for the Medicaid population and to access federal funding for the indigent population. Under this program, the District contributes certain governmental funds to the State of Texas. The Service Organization of Big Country then provides care to the Medicaid and non-Medicaid indigent in the region and surrounding communities. These services were valued at \$2,197,882 and \$5,963,103 for the years ended September 30, 2020 and 2019, respectively. As part of the affiliation agreement, the District provided \$-0- and \$5,205,654 in funding to the program for the years ended September 30, 2020 and 2019, respectively. Additionally, the District has funded \$-0- and \$1,949,882, which has been recorded as prepaid services in the accompanying statements of net position at September 30, 2020 and 2019, respectively.

Uniform Hospital Rate Increase Program – The District participated in the Uniform Hospital Rate Increase Program (UHRIP), a program designed to direct a Medicaid managed care organization (MCO) to provide a uniform percentage rate increase to hospitals in the MCO’s network in a participating service delivery area for the provision of inpatient services, outpatient services, or both. The State of Texas determines eligibility for rate increases by the service delivery area or the class of the hospital. This program is facilitated through the District providing an intergovernmental transfer whereby federal matching funds are provided to supplement the District’s shortfall in Medicaid funding. In connection with this program, the District provided intergovernmental transfers of \$551,856 and \$389,266 for the years ended September 30, 2020 and 2019, respectively. Additionally, the District funded \$223,735 and \$209,355 as of September 30, 2020 and 2019, respectively, which has been recorded as prepaid services and is included in prepaid and other current assets in the accompanying statements of net position.

NOTE 13 – MEDICAID NETWORK ACCESS IMPROVEMENT PROGRAM

The District participated in the Medicaid Network Access Improvement Program (NAIP), a program designed to increase the availability and effectiveness of primary care for Medicaid beneficiaries by incentivizing health-related institutions and public hospitals to provide quality, well-coordinated, and continuous care. Under this program, the District contributes certain governmental funds from or on behalf of public hospitals. In connection with this program, the District provided intergovernmental transfers of \$226,681 and \$191,807, and received \$468,364 and \$432,336 for the years ended September 30, 2020 and 2019, respectively. Additionally, the District recorded a receivable of \$36,028 and \$18,591 at September 30, 2020 and 2019, respectively. The District recognized net revenue of \$259,110 and \$223,083 for the years ended September 30, 2020 and 2019, respectively. The respective revenue is included in net patient service revenue in the statements of revenues, expenses and changes in net position.

**NOLAN COUNTY HOSPITAL DISTRICT
D/B/A ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 14 – MEDICAID DISPROPORTIONATE SHARE

The Indigent Health Care and Treatment Act, passed by the 69th Texas Legislature in 1985, first apportioned funds to the Texas Department of Human Services (DHS) to provide assistance to hospitals providing a disproportionate share of indigent health care. The State of Texas created a mechanism whereby governmental transfers were made between selected district and country hospitals to generate additional federal matching funds. Hospitals participating in the Medicaid program that meet the conditions of participation and that serve a disproportionate share of low-income patients as defined by state law are eligible for additional reimbursement from the disproportionate share hospital fund. There are direct and indirect implied expectations regarding purposes of this funding. The focus of the funds is to benefit the health care needs of the medically indigent, including recipients of Medicaid benefits, those eligible for Medicaid benefits, the uninsured poor, and others for whom the cost of medical and hospital care has exceeded their ability to pay. However, state and federal law offer considerable flexibility to recipient hospital regarding specific use of funds. The District recognized \$974,222 and \$890,961 in disproportionate share revenue for the years ending September 30, 2020 and 2019, respectively.

NOTE 15 – COVID-19 FEDERAL FINANCIAL ASSISTANCE

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136), the Paycheck Protection Program (PPP) and Health Care Enhancement Act (P.L. 116-139), and the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (P.L. 116-123) appropriated funds to reimburse eligible healthcare providers for healthcare related expenses or lost revenues attributable to coronavirus. These funds were distributed by the Health Resources and Services Administration (HRSA) through the Provider Relief Fund (PRF) program. The District received relief funds through Phase 1-3 Stimulus payments and targeted distributions such as Rural Distribution, and Allocation for Safety Net Hospitals. Recipients of these funds agreed to Terms and Conditions, which require compliance with reporting requirements as specified by the Secretary of Health and Human Services in program instructions.

- **Stimulus Phases 1-3** – By accepting the Relief Funds, the District must maintain compliance with the Secretary's terms and conditions, including but not limited to, using the Relief Funds to prevent, prepare for, and respond to coronavirus, and shall reimburse the District only for health care related expenses or lost revenues that are attributable to coronavirus. The District's commitment to full compliance with all terms and conditions is material to the Secretary's decision to disburse these funds. Non-compliance with any terms and conditions is grounds for the secretary to recoup some or all of the payment made from the Relief Fund. The District received stimulus funds in the amount of \$499,706 and \$-0- for the years ended September 30, 2020 and 2019, respectively.
- **Rural Distribution** – The provider Relief Funds designated to rural hospitals is for those hospitals that are located in a geography that is a non-Metro county, is an independent rural health clinic, critical access hospital, or has a Rural-Urban Commuting Area (RUCA) code of 2, 3, or 4-10. The funds received by the District shall reimburse the expenses used to prevent, prepare for, and respond to coronavirus or lost revenues attributable to coronavirus. The District received rural distribution funds in the amount of \$3,870,786 and \$-0- for the years ended September 30, 2020 and 2019, respectively.

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NOTE 15 – COVID-19 FEDERAL FINANCIAL ASSISTANCE (CONTINUED)

- **Safety Net** – The provider Relief Funds designated to safety net hospitals is for those hospitals that disproportionately provide care to the most vulnerable and operate on thin margins. Acute care hospitals meeting the revised profitability threshold of less than 3% averaged consecutively over two or more of the last 5 cost reporting periods, as reported to CMS in its Cost Report filings, a Medicare disproportionate payment percentage of 20.2% or greater, and an average uncompensated care per bed of \$25,000 or more. The funds received by the District shall reimburse the expenses used to prevent, prepare for, and respond to coronavirus or lost revenues attributable to coronavirus. The District received safety net funds in the amount of \$5,000,000 and \$-0- for the years ended September 30, 2020 and 2019, respectively.
- **Rural Health Clinic Testing** – The Department of Health and Human Services distributed funds received from the Public Health and Social Services Emergency Fund, as appropriated in P.L. 116-139 (“Rural Testing Relief Fund”). In connection with this program, the District received \$49,461 in Rural Testing Relief Funds for the year ended September 30, 2020. The District is to use the funding to reimburse for COVID-19 testing requirements, including purchasing supplies (such as test kits and other testing supplies).

In accordance with the Department of Health and Human Services Post-Payment Notice of Reporting Requirements released June 11, 2021, the recipients must submit their use of PRF payments by reporting healthcare related expenses attributable to coronavirus that another source has not reimbursed then applying actual patient care lost revenues to the remaining funds. The period of availability of funds is based on the date the payment is received. Funds received between April 10 through June 30, 2020 must be fully expended by June 30, 2021, and funds received between July 1 through December 31, 2020 must be fully expended by December 31, 2021. If recipients do not expend PRF funds in full by these deadlines, the funds may become subject to recoupment. For the years ended September 30, 2020 and 2019, the District incurred qualifying expenditures and recognized COVID-19 federal financial assistance revenue in the amount of \$7,553,296 and \$-0-, respectively. The respective revenue is included within nonoperating revenues in the accompanying statements of revenues, expenses, and changes in net position. As of September 30, 2020 and 2019, the District had remaining PRF funds in the amount of \$1,866,657 and \$-0-, respectively, which are recorded in deferred inflows of resources in the accompanying statements of net position.

NOTE 16 – MEDICARE ACCELERATED ADVANCED PAYMENTS

On March 28, 2020, Centers for Medicare and Medicaid Services (CMS) expanded the existing Accelerated and Advanced Payments Program (AAP) to a broader group of Medicare Part A providers and Part B Suppliers. An accelerated or advanced payment is a payment intended to provide necessary funds when there is a disruption in claims submission and/or claims processing. CMS can also offer these payments in circumstances such as national emergencies, or natural disasters, in order to accelerate cash flow to the impacted health care providers and suppliers. The passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) on March 27, 2020, amended the existing Accelerated Payments Program to provide additional benefits and flexibilities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 16 – MEDICARE ACCELERATED ADVANCE PAYMENTS (CONTINUED)

The Continuing Appropriations Act, 2021 and Other Extensions Act (P.L. 116-159), enacted on October 1, 2020, amended the repayment terms for all providers who requested and received accelerated and advanced payments during the COVID-19 Public Health Emergency. Repayment does not begin until one year from the date the accelerated or advanced payment was issued. Beginning one year from the date the payment was issued and continuing for 11 months, Medicare payments owed to providers and suppliers will be recouped at a rate of 25%. After 11 months ended, Medicare payments owed to the providers and suppliers will be recouped at a rate of 50% for another six months. After six months ended, a letter for any remaining balance of the accelerated or advanced payments will be issued. As of September 30, 2020 and 2019, the District received \$2,603,385 and \$-0-, respectively, in Medicare Accelerated Advance Payments, which are recorded within deferred inflows of resources in the accompanying statements of net position.

NOTE 17 – RETIREMENT PLAN

The District had a profit sharing plan, Rolling Plains Memorial Hospital Exclusive Benefit Plan, available to all employees after they have completed 90 days of service. Effective November 1, 2017, the District restated the plan to provide a 403(b) retirement plan, Rolling Plains Memorial Hospital 403(b) Plan, available to full-time employees upon employment commencement. The number of plan members during fiscal years September 30, 2020 and 2019 were 275 and 288, respectively. The District matches individual employee contributions on a discretionary basis. Retirement benefits equal the amount accumulated to each individual's credit as of the date of retirement. The District's retirement plan expense for the years ended September 30, 2020 and 2019 was \$521,126 and \$506,605, respectively. Total employee contributions for the years ended September 30, 2020 and 2019 was \$663,340 and \$649,531, respectively.

NOTE 18 – EMPLOYEE HEALTH CLAIMS

The District is partially self-funded for health claims of participating employees and dependents up to an annual aggregate amount of \$70,000 per participant for the years ended September 30, 2020 and 2019. Commercial stop-loss insurance coverage is purchased for claims in excess of the individual amount. Beginning September 2017, an individual was excluded from the aggregate stop-loss amount and has an individual stop-loss deductible of \$300,000. 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.

**NOLAN COUNTY HOSPITAL DISTRICT
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 18 – EMPLOYEE HEALTH CLAIMS (CONTINUED)

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

	<u>2020</u>	<u>2019</u>
Balance, Beginning of Year	\$ 151,000	\$ 510,892
Current Year Claims Incurred and Changes in Estimates for Claims Incurred in Prior Years	1,671,407	2,678,040
Claims and Expenses Paid	<u>(1,593,407)</u>	<u>(3,037,932)</u>
Balance, End of Year	<u>\$ 229,000</u>	<u>\$ 151,000</u>

NOTE 19 - COMMITMENTS AND CONTINGENCIES

Litigation – The District is a unit of government covered by the Texas Tort Claims Acts which, by statute, limits its liability to \$100,000 per person/\$300,000 per occurrence. These limits coincide with the malpractice insurance coverage maintained by the District. The District, from time to time, may be subject to claims and suits for other damages as well. In the opinion of management, the ultimate resolution of the above types of legal proceedings, if any, will not have a material effect on the District’s financial position or results of operations.

Texas Medicaid 1115 Healthcare Transformation Waiver Recoupment Liability – During 2017, several hospitals filed a lawsuit against the federal government challenging the rule calculating disproportionate share (DSH) and uncompensated care (UC) payments. The hospitals claimed the rule’s definition of “costs incurred” was contrary to the Medicaid Act. The main issue is whether payments made by Medicare and private insurers should be subtracted from a hospital’s “costs incurred” in the calculation of the Medicaid Hospital Specific Limit (HSL). In August 2019, the D.C. Circuit reinstated the 2017 Final Rule as adopted by the Centers for Medicare and Medicaid Services. As a result, the HSL was subsequently recalculated, resulting in numerous hospitals receiving DSH and UC funds in excess of the calculated limit during Demonstration Year (DY) 7 and 8. Consequently, management has recorded an estimate for the anticipated recoupment of DY 7 & DY 8 DSH and UC funds as of September 30, 2020 and 2019 in the amount of \$773,000 and \$773,000, respectively. The recoupment payable is included within other accrued liabilities in the accompanying statements of net position.

Leases – The District leases various equipment and facilities under operating leases expiring at various dates. Total rental expense, including operating leases, in 2020 and 2019 was \$30,919 and \$4,689, respectively.

**NOLAN COUNTY HOSPITAL DISTRICT
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 20 – RELATED PARTY TRANSACTIONS

The District from time to time, conducts business with organizations that are affiliated with board members. This is often a result of a limited number of vendors in smaller communities. It was noted during fiscal years 2020 and 2019 that the District maintains depository accounts, bonds, notes, and contractual obligations at a bank where a board member is the loan officer. The board member has fully disclosed this relationship and abstains from voting on matters related to these items.

NOTE 21 – SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2020, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is June 25, 2021, which is the date on which the financial statements were available to be issued.