

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
KENEDY, TEXAS**

**AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2024 AND 2023**



## INDEPENDENT AUDITOR'S REPORT

Management and the Board of Directors  
Karnes County Hospital District  
d/b/a Otto Kaiser Memorial Hospital  
Kenedy, Texas

### *Opinion*

We have audited the accompanying financial statements of the business-type activities of Karnes County Hospital District d/b/a Otto Kaiser Memorial Hospital, (the "District"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Karnes County Hospital District d/b/a Otto Kaiser Memorial Hospital's basic financial statements as presented on pages 1 - 5.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Karnes County Hospital District d/b/a Otto Kaiser Memorial Hospital as of June 30, 2024 and 2023, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and defined benefit plan information be presented on pages 27 to 29 to supplement the basic financial statements. Such information is the responsibility of management and, 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.



D & Co., L.L.P.  
Lubbock, Texas  
November 25, 2024

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
KENEDY, TEXAS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2024 AND 2023**

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 AND 2023  
(Unaudited)**

Our discussion and analysis of Karnes County Hospital District d/b/a Otto Kaiser Memorial Hospital’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal years ended June 30, 2024 and 2023. Please read it in conjunction with the District’s financial statements, which begin on page 1.

**FINANCIAL HIGHLIGHTS**

- The District’s net position reflects an increase of \$800,132, or 1.4%, and an decrease of \$88,876, or 0.2%, in 2024 and 2023, respectively.
- The District reported operating losses of \$6,727,367 and \$5,668,644 in 2024 and 2023, respectively.
- Nonoperating revenues (expenses) increased by \$1,920,328, or 35.2%, in 2024 compared to 2023. The increase is due to an increase in investment income. Investment income increased approximately \$1.2M in 2024 compared to 2023.

**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 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 it. You can think of the District’s net position—the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources—as one way to measure the District’s financial health, or net position. Over time, increases or decreases in the District’s net position is 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 measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2024 AND 2023  
(Unaudited)**

**The Statement of Cash Flows**

The final required statement is the Statement of Cash Flows. This 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 balances during the reporting period?”

**THE DISTRICT’S NET POSITION**

The District’s net position is the difference between its assets, deferred outflows of resources, liabilities, and deferred inflows of resources reported in the Statements of Net Position on page 1. The District’s net position increased by \$800,132, or 1.4%, in 2024 and decreased by \$88,876, or 0.2%, in 2023, as you can see from **Table 1**.

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

	2024	2023	2022
Assets:			
Current Assets	\$ 66,129,042	\$ 62,832,185	\$ 58,884,827
Capital and Lease Assets, Net	36,727,932	39,049,512	41,628,038
Other Long-Term Assets	58,779	58,779	1,874,807
Deferred Outflows of Resources	1,681,373	2,259,639	1,747,574
Total Assets and Deferred			
Outflows of Resources	<u>\$ 104,597,126</u>	<u>\$ 104,200,115</u>	<u>\$ 104,135,246</u>
Liabilities:			
Long-Term Debt	\$ 37,722,471	\$ 38,893,535	\$ 39,754,176
Current and Other Liabilities	10,154,372	9,386,429	4,460,920
Deferred Inflows of Resources	-	-	3,911,123
Total Liabilities and Deferred			
Inflows of Resources	47,876,843	48,279,964	48,126,219
Net Position:			
Net Investment in Capital Assets	(994,539)	155,977	1,873,862
Restricted for Debt Service	4,397,084	4,397,084	4,260,960
Unrestricted	53,317,738	51,367,090	49,874,205
Total Net Position	<u>56,720,283</u>	<u>55,920,151</u>	<u>56,009,027</u>
Total Liabilities, Deferred Inflows of			
Resources, and Net Position	<u>\$ 104,597,126</u>	<u>\$ 104,200,115</u>	<u>\$ 104,135,246</u>

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2024 AND 2023  
(Unaudited)**

**OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION**

In 2024 and 2023, the District's net position increased by \$800,132 and decreased by \$88,876, respectively.

**Table 2: Operating Results and Changes in Net Position**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Revenues:			
Net Patient Service Revenue	\$23,710,079	\$25,995,912	\$24,301,544
Other Operating Revenue	<u>523,086</u>	<u>481,439</u>	<u>402,941</u>
Total Operating Revenue	24,233,165	26,477,351	24,704,485
Operating Expenses:			
Salaries, Wages, and Benefits	17,549,530	18,643,024	13,865,431
Other Operating Expenses	9,871,699	9,873,181	9,153,977
Depreciation / Amortization	<u>3,539,303</u>	<u>3,629,790</u>	<u>3,547,722</u>
Total Operating Expenses	<u>30,960,532</u>	<u>32,145,995</u>	<u>26,567,130</u>
Operating Loss	(6,727,367)	(5,668,644)	(1,862,645)
Nonoperating Revenues and (Expenses):			
Property Tax Revenue	7,078,714	6,519,467	7,036,270
Noncapital Grants and Contributions	-	-	44,377
Interest Expense	(1,728,260)	(1,842,272)	(1,884,340)
Federal Financial Assistance	-	-	887,350
Other	<u>2,032,267</u>	<u>785,198</u>	<u>219,783</u>
Total Nonoperating Revenues (Expenses)	<u>7,382,721</u>	<u>5,462,393</u>	<u>6,303,440</u>
Excess (Deficit) of Revenues over Expenses Before Capital Grants and Contributions	655,354	(206,251)	4,440,795
Capital Grants and Contributions	<u>144,778</u>	<u>117,375</u>	<u>206,358</u>
Increase (Decrease) in Net Position	800,132	(88,876)	4,647,153
Net Position, Beginning of Year	<u>55,920,151</u>	<u>56,009,027</u>	<u>51,361,874</u>
Net Position, End of Year	<u>\$56,720,283</u>	<u>\$55,920,151</u>	<u>\$56,009,027</u>



**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2024 AND 2023  
(Unaudited)**

**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 reported operating losses in 2024 and 2023 of \$6,727,367 and \$5,668,644, respectively.

The primary components of the operating loss in 2024 are:

- Net patient service revenue decreased by \$2,285,833, or 8.8%
- Salary, wages, and benefits expense decreased by \$1,093,494, or 5.9%
- Professional fees and purchased services decreased by \$534,783, or 9.6%

The primary components of the operating loss in 2023 are:

- Net patient service revenue increased by \$1,694,368, or 7.0%
- Salary, wages, and benefits expense increased by \$4,777,593, or 34.5%
- Professional fees and purchased services increased by \$687,569, or 14.0%

**Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of property taxes levied by the District, tobacco settlement proceeds, investment income and interest expense.

**Grants and Contributions**

The District receives both capital and operating grants from various sources for specific programs. Capital grants and contributions received during 2024 and 2023 were \$144,778 and \$117,375, respectively.

**THE DISTRICT'S CASH FLOWS**

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

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2024 AND 2023  
(Unaudited)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital and Lease Assets**

As of June 30, 2024 and 2023, the District had \$36,727,932 and \$39,049,512 invested in capital lease assets, net of accumulated depreciation and amortization, as detailed in Note 8 of the financial statements. In 2024 and 2023, the District acquired \$1,217,723 and \$1,051,264 in new capital and lease assets, respectively.

**Debt**

At the end of 2024 and 2023, the District had long-term debt and lease liabilities of \$1,240,343 and \$1,183,554, respectively, as detailed in Note 9 of the financial statements. At the end of 2024 and 2023, long-term debt and lease liabilities was net of an unamortized bond issue premium of \$1,490,044 and \$1,564,547, respectively.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patients, suppliers, 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 at Otto Kaiser Memorial Hospital, 3349 S. Hwy 181, Kenedy, Texas 78119.

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
KENEDY, TEXAS**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED  
JUNE 30, 2024 AND 2023**

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL**

**STATEMENTS OF NET POSITION**

**JUNE 30, 2024 AND 2023**

**ASSETS AND DEFERRED OUTFLOWS  
OF RESOURCES:**

	<u>2024</u>	<u>2023</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 22,067,090	\$ 16,862,462
Short-Term Investments	34,000,000	34,000,000
Assets Whose Use is Limited	60,946	100,832
Cash and Cash Equivalents Restricted for Debt Service	3,328,180	1,232,270
Investments Restricted for Debt Service	1,232,423	3,164,814
Patient Accounts Receivable, Net	4,568,671	4,385,494
Estimated Third-Party Payor Settlements	179,780	2,428,540
Other Receivables	101,670	66,393
Inventory of Supplies	436,621	424,840
Prepays and Other Current Assets	124,833	138,493
Property Taxes Receivable	28,828	28,047
Total Current Assets	<u>66,129,042</u>	<u>62,832,185</u>
 CAPITAL AND LEASE ASSETS, NET	 36,727,932	 39,049,512
 OTHER ASSETS	 <u>58,779</u>	 <u>58,779</u>
 Total Assets	 102,915,753	 101,940,476
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Differences Between Expected and Actual Experience	489,970	127,768
Difference Between Projected and Actual Earnings	224,355	808,591
Changes in Assumptions	380,321	759,281
Contributions Subsequent to the Measurement Date	586,727	563,999
Total Deferred Outflows of Resources	<u>1,681,373</u>	<u>2,259,639</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 104,597,126</u></u>	 <u><u>\$ 104,200,115</u></u>

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

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL**

**STATEMENTS OF NET POSITION**

**JUNE 30, 2024 AND 2023**

<b>LIABILITIES AND NET POSITION:</b>	<u>2024</u>	<u>2023</u>
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	\$ 1,240,343	\$ 1,183,554
Accounts Payable	468,089	563,662
Accrued Payroll, Benefits, and Related Liabilities	2,536,121	1,518,538
Self Funded Health Insurance	258,214	229,183
Other Accrued Liabilities	1,320,777	822,651
Total Current Liabilities	<u>5,823,544</u>	<u>4,317,588</u>
<b>NONCURRENT LIABILITIES</b>		
Net Pension Liability	5,571,171	6,252,395
Long-Term Debt, Net of Current Portion	36,482,128	37,709,981
Total Noncurrent Liabilities	<u>42,053,299</u>	<u>43,962,376</u>
 Total Liabilities	 47,876,843	 48,279,964
<b>NET POSITION</b>		
Net Investment in Capital Assets	(994,539)	155,977
Restricted For Debt Service	4,397,084	4,397,084
Unrestricted	53,317,738	51,367,090
Total Net Position	<u>56,720,283</u>	<u>55,920,151</u>
 Total Liabilities and Net Position	 <u>\$ 104,597,126</u>	 <u>\$ 104,200,115</u>

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

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL**

**STATEMENTS OF REVENUE, EXPENSES,  
AND CHANGES IN NET POSITION**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES:		
Net Patient Service Revenue	\$ 23,710,079	\$ 25,995,912
Other Operating Revenue	<u>523,086</u>	<u>481,439</u>
Total Operating Revenues	24,233,165	26,477,351
OPERATING EXPENSES:		
Salaries and Wages	13,900,252	11,813,355
Employee Benefits	3,649,278	6,829,669
Professional Fees and Purchased Services	5,058,649	5,593,432
Supplies and Other	4,813,050	4,279,749
Depreciation and Amortization	<u>3,539,303</u>	<u>3,629,790</u>
Total Operating Expenses	<u>30,960,532</u>	<u>32,145,995</u>
Operating Loss	(6,727,367)	(5,668,644)
NONOPERATING REVENUES (EXPENSES):		
Property Tax Revenue	7,078,714	6,519,467
Tobacco Settlement Revenue	125,971	128,442
Investment Income	1,675,585	490,954
Interest Expense	(1,728,260)	(1,842,272)
Oil and Gas Royalties	22,051	24,714
Gain on Disposal of Assets	<u>208,660</u>	<u>141,088</u>
Total Nonoperating Revenues (Expenses)	<u>7,382,721</u>	<u>5,462,393</u>
Excess (Deficit) of Revenues over Expenses Before Grants and Contributions	655,354	(206,251)
Capital Grants and Contributions	<u>144,778</u>	<u>117,375</u>
Increase (Decrease) in Net Position	800,132	(88,876)
Net Position, Beginning of Year	<u>55,920,151</u>	<u>56,009,027</u>
Net Position, End of Year	<u><u>\$ 56,720,283</u></u>	<u><u>\$ 55,920,151</u></u>

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

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from and on Behalf of Patients	\$ 26,293,995	\$ 21,476,081
Payments to Suppliers and Contractors	(9,965,393)	(9,763,416)
Payments to Employees	(16,605,874)	(14,986,622)
Other Receipts and Payments, Net	<u>523,086</u>	<u>481,439</u>
Net Cash Provided (Used) by Operating Activities	245,814	(2,792,518)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Earnings	1,675,585	490,954
Proceeds from Sale of Investments	4,775,270	13,773,608
Purchase of Investments	<u>(2,842,879)</u>	<u>(36,881,737)</u>
Net Cash Provided (Used) by Investing Activities	3,607,976	(22,617,175)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital Grants and Contributions	144,778	117,375
Principal Payments on Long-term Debt	(1,171,064)	(1,239,248)
Interest Paid on Long-term Debt	(1,783,744)	(1,842,272)
Proceeds from Disposal of Capital Assets	208,660	141,088
Purchase of Capital Assets	<u>(1,217,723)</u>	<u>(672,657)</u>
Net Cash Used by Capital and Related Financing Activities	(3,819,093)	(3,495,714)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property Tax Revenues	7,077,933	6,555,485
Tobacco Settlement Proceeds	125,971	128,442
Proceeds from Oil and Gas Lease	<u>22,051</u>	<u>24,714</u>
Net Cash Provided by Noncapital Financing Activities	<u>7,225,955</u>	<u>6,708,641</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,260,652	(22,196,766)
Cash and Cash Equivalents Balance, Beginning of Year	<u>18,195,564</u>	<u>40,392,330</u>
Cash and Cash Equivalents Balance, End of Year	<u><u>\$ 25,456,216</u></u>	<u><u>\$ 18,195,564</u></u>

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

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
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	\$ 22,067,090	\$ 16,862,462
Assets Whose Use is Limited	60,946	100,832
Restricted Cash and Cash Equivalents	<u>3,328,180</u>	<u>1,232,270</u>
Total Cash and Cash Equivalents	<u><u>\$ 25,456,216</u></u>	<u><u>\$ 18,195,564</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Loss	\$ (6,727,367)	\$ (5,668,644)
Adjustments to Reconcile Operating Loss to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	3,539,303	3,629,790
Provision of Bad Debts	3,404,354	1,643,881
Pension (Income) Expense	(102,958)	3,645,235
(Increase) Decrease in:		
Patient Accounts Receivable	(3,587,531)	(2,204,122)
Estimated Third-Party Payor Settlements	2,248,760	(2,428,540)
Inventory of Supplies	(11,781)	42,567
Other Receivables	(35,277)	(66,393)
Prepaid Expenses and Other Current Assets	13,660	(59,406)
Increase (Decrease) in:		
Accounts Payable	(95,573)	126,604
Accrued Salaries, Benefits, and Payroll Liabilities	1,017,583	55,250
Self Funded Health Insurance	29,031	(44,083)
Estimated Third-Party Payor Settlements	-	(1,291,995)
Other Accrued Liabilities	<u>553,610</u>	<u>(172,662)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 245,814</u></u>	<u><u>\$ (2,792,518)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capital Assets Acquired Under Lease Obligations	<u><u>\$ -</u></u>	<u><u>\$ 378,607</u></u>

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



**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** – The Karnes County Hospital District d/b/a Otto Kaiser Memorial Hospital (the “District”), located in Kenedy, Texas, was duly created by the legislature of the State of Texas under the authority of Section 9, Article IX of the Constitution of the State of Texas and an affirmative vote of the majority of Karnes County’s taxpayers. Operations of the District are administered through a Board of Directors elected by the citizens of Karnes County, Texas. The District provides inpatient, outpatient, and emergency care services for residents of Karnes County, Texas. Admitting physicians are primarily practitioners in the local area.

The Otto Kaiser Memorial Hospital Foundation (“Foundation”) was created on August 21, 2015 and was formed as a 501(c)3 organization of Karnes County Hospital District d/b/a Otto Kaiser Memorial Hospital. The Foundation was organized, and is operating exclusively, as a supporting organization for the support and benefit of the District. At June 30, 2024 and 2023, the Foundation was not consolidated with the District and operating results of the Foundation were not material during fiscal years 2024 and 2023, but may become so in the future.

**Enterprise Fund Accounting** – The District uses enterprise fund accounting. The accompanying financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized in the accounting period when services are rendered, and expenses are recognized when incurred.

**Method of Accounting** – The District is considered a governmental organization and is subject to the pronouncements of the Governmental Accounting Standards Board (“GASB”). The District has elected to apply the provisions based on 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 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 end of the reporting period 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 all highly liquid investments with original maturities 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.

**Investments** – The District’s short-term investments are stated at fair value and are comprised of certificates of deposits with maturities in excess of three months, but less than a year, when purchased. The District’s investments in equity securities with readily determinable fair values are measured at fair value and all investments in debt securities, which typically mature in one year or less, are held to maturity and valued at amortized costs, which approximates fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in investment income.

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2024 AND 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, trends in historical write-off experience, specific impaired accounts, and economic conditions. Allowances for uncollectible patient accounts and contractual adjustments 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.

**Assets Whose Use is Limited** – Assets whose use is limited include assets held by trustees under indenture agreements and designated assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the District have been reclassified in the statements of net position at June 30, 2024 and 2023.

**Inventory of Supplies** – Inventory is stated at the lower of cost or market on the First-In, First-Out (FIFO) method.

**Capital Assets** – Capital assets are recorded at cost. The District’s policy is to capitalize acquisitions over \$500 with a useful life as shown below. Contributed capital assets are reported at their estimated fair value at the time of their donation. The District provides for depreciation of capital assets by the straight-line method and at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life. 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 those assets.

The following are a range of useful lives used by asset class:

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

**Lease Assets** – Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset in service. Lease assets are amortized on a straight-line method over the shorter of the lease term or the useful life of the underlying asset.

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2024 AND 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Defined Benefit Pension Plan** – For purposes of measuring the net pension asset/liability, deferred outflows of resources, deferred inflows of resources, and pension income/expense related to the defined benefit pension plan, information about the fiduciary net position of the Texas County and District Retirement System (“TCDRS”) defined benefit pension plan and additions to/deductions from the TCDRS’s fiduciary net position have been determined on the same basis as they are reported by TCDRS. 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.

**Net Position** – Net position of the District is classified into three components: net investment in capital, restricted, and unrestricted. The net investment in capital assets component of net position consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position is non-capital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not included in the determination of net investment in capital assets or restricted net position. When an expense is incurred for which, there are both restricted and unrestricted net position available, it is the District’s practice to apply that expense to restricted net position to the extent such are available and then to unrestricted.

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

**Federal Income Taxes** – The District is a tax-exempt organization; therefore, no expense has been provided for income taxes in the accompanying financial statements. However, the District is subject to federal income tax on any unrelated business taxable income.

**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 the provision of charity care includes an application process in which the guarantor submits financial and other information, including available assets, to determine income and other personal information. The District applies Federal Poverty Guidelines to determine patient eligibility and performs an application review each subsequent time of service if the last evaluation was more than one year prior or as determined relevant. The policy also allows management to test for presumptive financial assistance eligibility by using an outside agency to determine estimates in income if that information is not available in determining charity care eligibility and potential discounts. Presumptive eligibility is determined based on individual life circumstances, including Federal and state program eligibility and

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2024 AND 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

payment history, among others. Because the District does not pursue the collection of amounts determined to qualify as charity care, charity care is excluded from net patient service revenue.

**Grants and Contributions** – From time to time, the District receives grants from state agencies and 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.

**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; 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.

The District is self-insured for a portion of its exposure to risk of loss from employee health claims. An annual estimated provision is accrued for the self-insured portion of employee health claims and includes an estimate of the ultimate cost for both claims and claims incurred but not yet reported.

**Newly Adopted Accounting Pronouncements:**

**GASB Statement No. 100** – In June 2022, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 100 – *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for fiscal years beginning after June 15, 2023, with earlier application encouraged. Implementation of this statement had no effect on the District’s change in net position.

**Pending Adoption of Recent Accounting Pronouncements:**

**GASB Statement No. 101** – In June 2022, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023, with earlier application encouraged. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

**KARNES COUNTY HOSPITAL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2024 AND 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GASB Statement No. 103** – In April 2024, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 103 – *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The statement is effective for fiscal years beginning after June 15, 2025, with earlier application encouraged. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

**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 and Medicaid** – The District is a Critical Access Hospital. Thus, inpatient acute care services, certain inpatient non-acute care services, and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

**Charity Care** – The value of charity care provided by the District based upon its established rates was \$5,542,123 in 2024 and \$3,967,780 in 2023. 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 \$3,488,184 and \$3,064,482 for the years ended June 30, 2024 and 2023, respectively.

**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 as of June 30, 2024 and 2023 are \$179,780 and \$2,428,540, respectively.

**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.

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2024 AND 2023**

**NOTE 2 – NET PATIENT SERVICE REVENUE (CONTINUED)**

Net patient service revenue is comprised as follows:

	<u>2024</u>	<u>2023</u>
Routine Patient Services	\$ 809,704	\$ 815,328
Ancillary Patient Services:		
Inpatient	1,616,180	1,550,565
Outpatient	<u>43,582,749</u>	<u>39,148,584</u>
Gross Patient Service Revenue	46,008,633	41,514,477
Charity	(5,542,123)	(3,967,780)
Third-Party Contractual Adjustments	(13,403,636)	(12,148,496)
Provision for Bad Debts	(3,404,354)	(1,643,881)
Medicaid Supplemental Payments and Other Credits	<u>51,559</u>	<u>2,241,592</u>
Net Patient Service Revenue	<u><u>\$ 23,710,079</u></u>	<u><u>\$ 25,995,912</u></u>

**NOTE 3 – DEPOSITS WITH FINANCIAL INSTITUTIONS**

At June 30, 2024 and 2023, the carrying amount of the District's deposits with financial institutions was \$56,127,586 and \$50,962,844, respectively. The bank balance is categorized as follows:

	<u>2024</u>	<u>2023</u>
Amount Insured by the FDIC	\$ 500,000	\$ 500,000
Amount Collateralized with Securities Held by the Pledging Financial Institution's Trust Department in the District's Name	<u>55,911,526</u>	<u>50,785,334</u>
Total Bank Balance	<u><u>\$ 56,411,526</u></u>	<u><u>\$ 51,285,334</u></u>

**KARNES COUNTY HOSPITAL DISTRICT**  
**d/b/a OTTO KAISER MEMORIAL HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2024 AND 2023**

**NOTE 4 – PATIENT ACCOUNTS RECEIVABLE**

Patient accounts receivable consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Gross Patient Accounts Receivable	\$ 8,570,386	\$ 7,437,209
Less: Allowance for Bad Debts	(3,088,334)	(2,138,334)
Allowance for Contractual Adjustments	(913,381)	(913,381)
Patient Accounts Receivable, Net of Allowances	<u>\$ 4,568,671</u>	<u>\$ 4,385,494</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 payors at June 30 is as follows:

	<u>2024</u>	<u>2023</u>
Medicare	33%	35%
Medicaid	5%	5%
Other Third-Party Payors	30%	38%
Patients	<u>32%</u>	<u>22%</u>
Total	<u>100%</u>	<u>100%</u>

**NOTE 5 – INVESTMENTS**

The District maintains investments with Falls City National Bank. As of June 30, 2024 and 2023, the District's investments were comprised of certificates of deposit in the amount of \$34,000,000 and \$34,000,000, respectively, all of which were covered by FDIC, and are included in short-term investments in the accompanying statements of net position.

**Restricted Assets** – Restricted assets are comprised of cash and cash equivalents, money market funds, and investments in equity and debt securities held in trust by Wilmington Trust. The District's money market accounts and equity and debt securities are reported at fair value at June 30, 2024 and 2023. The composition of restricted cash and cash equivalents and restricted investments is as follows at June 30, 2024 and 2023:

**KARNES COUNTY HOSPITAL DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2024 AND 2023**

**NOTE 5 – INVESTMENTS (CONTINUED)**

	<u>2024</u>	<u>2023</u>
Externally Restricted for Debt Service:		
Money Market Accounts	\$ 1,232,423	\$ 1,232,270
Mutual Funds	<u>3,328,180</u>	<u>3,164,814</u>
Total Externally Restricted for Debt Service	<u><u>\$ 4,560,603</u></u>	<u><u>\$ 4,397,084</u></u>

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 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. At June 30, 2024 and 2023, credit rating for the District's mutual funds was AAA.

**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 investment. The District's investments are not secured or collateralized by other securities.

**Concentration of Credit Risk** – The District places no limit on the amount that may be invested in any one issuer.

Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near-term and that such change could materially affect the amounts reported in the accompanying statements of net position.

Wilmington Trust is a wholly owned subsidiary of M&T Bank Corporation. M&T Bank Corporation is a member of Securities Investor Protection Corporation (SIPC). The SIPC provides \$500,000 of coverage for missing customer property, including \$250,000 for claims of cash awaiting reinvestment.

**NOTE 6 – ASSETS WHOSE USE IS LIMITED**

The composition of assets whose use is limited at June 30, 2024 and 2023 is set forth in the following table:

	<u>2024</u>	<u>2023</u>
Internally Designated for Employee Health Plan:		
Cash and Cash Equivalents	<u><u>\$ 60,946</u></u>	<u><u>\$ 100,832</u></u>



**KARNES COUNTY HOSPITAL DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2024 AND 2023**

**NOTE 7 – 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. Tax revenue for 2024 and 2023, net of appraisal fees of \$98,667 and \$92,107, respectively, was \$7,078,714 and \$6,519,467, respectively. As of June 30, 2024 and 2023, the balance of property taxes receivable, and its related allowance for uncollectible taxes are as follows:

	<u>2024</u>	<u>2023</u>
Property Taxes Receivable	\$ 365,826	\$ 365,045
Less: Allowance for Uncollectible Taxes	<u>(336,998)</u>	<u>(336,998)</u>
Property Taxes Receivable, Net of Allowance	<u><u>\$ 28,828</u></u>	<u><u>\$ 28,047</u></u>

**NOTE 8 – CAPITAL AND LEASE ASSETS**

The following is a summary of capital and lease assets less accumulated depreciation and amortization at June 30:

	<u>Balance 6/30/2023</u>	<u>Additions</u>	<u>Reclass/ Retirements</u>	<u>Balance 6/30/2024</u>
Land	\$ 10,000	\$ 228,045	\$ 2,500	\$ 240,545
Construction in Progress	18,439	2,500	(20,939)	-
Land Improvements	1,340,874	4,571	-	1,345,445
Buildings and Improvements	56,514,877	409,523	-	56,924,400
Fixed Equipment	5,791,872	-	-	5,791,872
Major Moveable Equipment	10,702,332	573,084	18,439	11,293,855
Leased Assets - Equipment	378,607	-	-	378,607
Capitalized Interest	<u>3,224,380</u>	<u>-</u>	<u>-</u>	<u>3,224,380</u>
Total Capital and Lease Assets	77,981,381	1,217,723	-	79,199,104
Accumulated Depreciation and Amortization	<u>(38,931,869)</u>	<u>(3,539,303)</u>	<u>-</u>	<u>(42,471,172)</u>
Total Capital and Lease Assets, Net	<u><u>\$ 39,049,512</u></u>	<u><u>\$ (2,321,580)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 36,727,932</u></u>

**KARNES COUNTY HOSPITAL DISTRICT**  
**d/b/a OTTO KAISER MEMORIAL HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2024 AND 2023**

**NOTE 8 – CAPITAL AND LEASE ASSETS**

The following is a summary of capital and lease assets less accumulated depreciation and amortization at June 30:

	Balance 6/30/2022	Additions	Reclass/ Retirements	Balance 6/30/2023
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in Progress	-	18,439	-	18,439
Land Improvements	1,340,874	-	-	1,340,874
Buildings and Improvements	56,387,497	127,380	-	56,514,877
Fixed Equipment	5,791,872	-	-	5,791,872
Major Moveable Equipment	9,751,592	526,838	423,902	10,702,332
Leased Assets - Equipment	423,902	378,607	(423,902)	378,607
Capitalized Interest	3,224,380	-	-	3,224,380
Total Capital and Lease Assets	76,930,117	1,051,264	-	77,981,381
Accumulated Depreciation and Amortization	(35,302,079)	(3,629,790)	-	(38,931,869)
Total Capital and Lease Assets, Net	<u>\$ 41,628,038</u>	<u>\$ (2,578,526)</u>	<u>\$ -</u>	<u>\$ 39,049,512</u>

Construction in progress (“CIP”) at June 30, 2023 included amounts related to the installation of HVAC Controls System. This project was completed and put into service in August 2023 at an approximate cost of \$37,000.

**NOTE 9 – LONG-TERM DEBT AND LEASE LIABILITIES**

Following is a summary of long-term debt and lease liabilities at June 30:

	Balance 6/30/2023	Additions	Reductions	Balance 6/30/2024	Due Within One Year
Long-Term Debt:					
Series 2014	\$ 37,040,010	\$ -	\$ (1,035,000)	\$ 36,005,010	\$ 1,090,000
Series 2014 Unamortized Premium	1,564,547	-	(74,503)	1,490,044	74,503
Total Long-Term Debt	38,604,557	-	(1,109,503)	37,495,054	1,164,503
Lease Liabilities:					
Chemistry Analyzer	288,978	-	(61,561)	227,417	75,840
Total Long-Term Debt and Lease Liabilities	<u>\$ 38,893,535</u>	<u>\$ -</u>	<u>\$ (1,171,064)</u>	<u>\$ 37,722,471</u>	<u>\$ 1,240,343</u>

**KARNES COUNTY HOSPITAL DISTRICT**  
**d/b/a OTTO KAISER MEMORIAL HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2024 AND 2023**

**NOTE 9 – LONG-TERM DEBT AND LEASE LIABILITIES (CONTINUED)**

	Balance 6/30/2022	Additions	Reductions	Balance 6/30/2023	Due Within One Year
Long-Term Debt:					
Series 2014	\$ 38,025,010	\$ -	\$ (985,000)	\$ 37,040,010	\$ 1,035,000
Series 2014 Unamortized Premium	1,639,050	-	(74,503)	1,564,547	74,503
Total Long-Term Debt	39,664,060	-	(1,059,503)	38,604,557	1,109,503
Lease Liabilities:					
Chemistry Analyzer	-	378,607	(89,629)	288,978	74,051
Omnicell Equipment	90,116	-	(90,116)	-	-
Total Lease Liabilities	90,116	378,607	(179,745)	288,978	74,051
Total Long-Term Debt and Lease Liabilities	<u>\$ 39,754,176</u>	<u>\$ 378,607</u>	<u>\$ (1,239,248)</u>	<u>\$ 38,893,535</u>	<u>\$ 1,183,554</u>

The terms and due dates of the District's long-term debt and lease liabilities at June 30, 2024 and 2023 are as follows:

- 4.00% 2014 Series Revenue Bonds, issued October 2, 2014, in the amount of \$43,815,000 for construction and equipping of a new hospital and wellness center, collateralized by operating revenue, with a maturity date of June 30, 2044.
- **Omnicell Equipment:** Lease payable to Omnicell in monthly installments of \$8,505 with an effective interest rate of 7.55%, collateralized by Omnicell equipment. Lease was paid in full during 2023.
- **Chemistry Analyzer:** Lease payable to Insight Investments in monthly installments of \$6,781 with an effective interest rate of 2.87%, collateralized by chemistry analyzer equipment, final payment due in July 2024.

**Revenue Bonds, Series 2014** – In accordance with Bond Resolution, Series 2014 ("Resolution"), the District is required to maintain cash balances equal to at least 60 days cash on hand, to be tested on January 30 and July 30 of each fiscal year. As of June 30, 2024 and 2023, the District's days' cash on hand were 746 and 651, respectively. In accordance with the Resolution, the District is required to produce net revenues equal to at least 130% of the current fiscal year's Series 2014 bonds debt service. As of June 30, 2024, the produced net revenues are 974% of June 30, 2024's debt service requirements. As of June 30, 2023, the produced net revenues are 796% of June 30, 2023's debt service requirements. Additionally, the District is required to establish and maintain an operating fund, a debt service fund, a debt service reserve fund, and a construction fund and maintain certain cash balances within the debt service fund and debt service reserve fund. The District is required to deposit one sixth of the next interest payment and half of the next principal payment into the debt service fund each month and deposit a balance of \$2,888,000 to meet subsequent debt service requirements.

**KARNES COUNTY HOSPITAL DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2024 AND 2023**

**NOTE 9 – LONG-TERM DEBT AND LEASE LIABILITIES (CONTINUED)**

As of June 30, 2024 and 2023, the District had established these funds and deposited the minimum required balances in the debt service and debt service reserve funds. In accordance with the Resolution, the District is also required to provide financial statements prepared in accordance with generally accepted accounting principles and audited. As of June 30, 2024 and 2023, the District was in compliance with this bond covenant.

The District follows the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use. In 2024 and 2023, total interest incurred was \$1,728,260 and \$1,842,272, respectively, all of which was charged to operations.

Future maturities of long-term debt and lease liabilities are as follows:

For the Years Ending June 30,	Long-Term Debt		Lease Liabilities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,164,503	\$ 1,800,250	\$ 75,840	\$ 5,532	\$ 1,240,343	\$ 1,805,782
2026	1,219,503	1,745,750	78,045	3,327	1,297,548	1,749,077
2027	1,274,503	1,688,500	73,532	1,059	1,348,035	1,689,559
2028	1,334,503	1,628,500	-	-	1,334,503	1,628,500
2029	1,399,503	1,565,500	-	-	1,399,503	1,565,500
2030-2034	8,052,515	6,765,750	-	-	8,052,515	6,765,750
2035-2039	10,172,515	4,644,000	-	-	10,172,515	4,644,000
2040-2044	12,877,509	1,936,500	-	-	12,877,509	1,936,500
Total	<u>\$ 37,495,054</u>	<u>\$ 21,774,750</u>	<u>\$ 227,417</u>	<u>\$ 9,918</u>	<u>\$ 37,722,471</u>	<u>\$ 21,784,668</u>

**NOTE 10 – 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 \$377,879, and \$1,122,912, and received \$975,944 and \$3,364,504 for the years ended June 30, 2024 and 2023, respectively. The District recognized revenue of \$51,559 and \$2,241,592 for the years ended June 30, 2024 and 2023, respectively. The respective revenue is included within net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position.

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2024 AND 2023**

**NOTE 10 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM (CONTINUED)**

**Comprehensive Hospital Increase Reimbursement Program (CHIRP)** – The District participated in the Comprehensive Hospital Increase Reimbursement Program (CHIRP), one of four directed payment programs (DPP) the Texas Health and Human Services (HHSC) submitted to the Centers for Medicare and Medicaid Services (CMS) for approval as part of the Delivery System Reform Incentive Payment (DSRIP) Transition Plan. CHIRP replaces the Uniform Hospital Rate Increase (UHRIP) program. In year 1, the program will include two components:

- Component 1, UHRIP component, which provides a uniform rate enhancement on all hospital inpatient and outpatient service claims.
- Component 2, Average Commercial Incentive Award (ACIA) Component, is a uniform percent rate increase for certain services based upon a percentage of the estimated average commercial reimbursement. Participating hospitals may opt into this component.

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 \$142,257 and \$66,393 for the years ended June 30, 2024 and 2023, respectively.

**Texas Medicaid 1115 Healthcare Transformation Waiver Recoupment Liability** – During 2017, several hospitals sued the federal government challenging the rule calculating disproportionate share ("DSH") payments. The hospitals claimed the rule's definition of "cost 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 "cost incurred" in the calculation of the Medicaid DSH limit. 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 hospital specific limit was subsequently recalculated, resulting in numerous hospitals receiving DSH and uncompensated care ("UC") funds in excess of the calculated limit during demonstration years 10. Consequently, management has recorded an estimate for the anticipated recoupment of UC funds at June 30, 2024 and 2023. At June 30, 2024 and 2023, management recorded a liability of approximately \$578,725 and \$-0-, respectively for UC funds. The UC recoupment liability is included in other accrued liabilities in the accompanying statements of net position.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

**Litigation** – The District is, from time to time, subject to claims and suits for damages, including damages for personal injuries to patients and others, most of which are covered as to risk and amount. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the District's net position or results of operations.

**KARNES COUNTY HOSPITAL DISTRICT**  
**d/b/a OTTO KAISER MEMORIAL HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2024 AND 2023**

**NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Insurance Arrangements** – The District is partially self-insured for employee health claims. Losses of more than \$40,000 for each employee incurred in the years ended June 30, 2024 and 2023 are covered by excess insurance. Additionally, insurance covers aggregate expenses in excess of \$1,000,000 per year. An estimated liability of \$258,214 and \$229,183 has been recorded for claims that are unpaid at June 30, 2024 and 2023, respectively, as well as for those that are incurred but not reported. This estimate is based on an analysis of claims filed subsequent to that date in conjunction with the above noted excess insurance.

	<u>2024</u>	<u>2023</u>
Balance, Beginning of Year	\$ 229,183	\$ 273,266
Current Year Claims Incurred and Changes in Estimates for Claims Incurred in Prior Years	1,448,764	1,063,673
Claims and Expenses Paid	<u>(1,419,733)</u>	<u>(1,107,756)</u>
Balance, End of Year	<u>\$ 258,214</u>	<u>\$ 229,183</u>

**NOTE 12 – PENSION PLAN**

***Plan Description***

The District contributes to the Texas County and District Retirement System (“TCDRS”), an agent multiple-employer defined benefit pension plan (“Plan”) covering all full-time and part-time non-temporary employees, regardless of the number of hours they work in a year. The Plan is administered by a board of trustees appointed by TCERS. Benefit provisions are contained in the Plan document and were established and can be amended by action of the District’s governing body within the options available in the state statutes governing TCERS. The Plan does not issue a separate report that includes financial statements and required supplementary information for the Plan. TCERS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar basis. The most recent CAFR for TCERS can be found at the following link, [www.tcds.org](http://www.tcds.org).

***Benefits Provided***

The Plan provides retirement, disability, and survivor benefits to Plan members and their beneficiaries. Benefit amounts are determined by the sum of the employee's contributions to the Plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCERS Act so that the resulting benefits can be expected to be adequately financed by the commitment of the District to contribute to the Plan. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCERS.

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2024 AND 2023**

**NOTE 12 – PENSION PLAN (CONTINUED)**

Members can retire at ages 60 and above with 10 or more years, with 30 years regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years but must leave his accumulated contributions in the Plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the employer.

**Employees Covered by Benefit Terms** – At December 31, 2023 and 2022, the following employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	54	48
Inactive Employees Entitled to but not Yet Receiving Benefits	139	138
Active Employees	<u>158</u>	<u>155</u>
Total	<u><u>351</u></u>	<u><u>341</u></u>

***Contributions***

The District's governing body has the authority to establish and amend the contribution requirements of the District and active employees.

The District establishes rates based on an actuarially determined rate plan provision of the TCDRS Act. The Plan is funded by monthly contributions from both the employee members and the employer based on the covered payroll of employee members. Plan members are required to contribute 4.0% of their annually covered salary. Under the TCDRS Act, rates are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the Plan years ended December 31, 2023 and 2022, employees contributed \$687,517 and \$634,572, or 6.8% and 6.0%, of covered payroll, respectively, and the District contributed \$1,152,815 and \$1,073,287, or 10.1% and 10.1% of covered payroll, respectively, to the Plan.

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2024 AND 2023**

**NOTE 12 – PENSION PLAN (CONTINUED)**

***Net Pension (Asset)/Liability***

At June 30, 2024 and 2023, the District's net pension liability was measured as of December 31, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2023 and 2022 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service; 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation

Mortality rates were based as follows:

Depositing Members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service Retirees, Beneficiaries and Non-depositing Members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled Retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Updated mortality assumptions were adopted in 2018 and 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2023 and 2022 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.



**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2024 AND 2023**

**NOTE 12 – PENSION PLAN (CONTINUED)**

***Net Pension (Asset)/Liability (Continued)***

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are provided by TCDRS' investment consultant.

The valuation assumption for long-term expected return is reassessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2021.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected minus Inflation)</u>
U.S Equities	11.50%	4.75%
Global Equities	2.50%	4.75%
Int' Equities - Developed Markets	5.00%	4.75%
Int' Equities - Emerging Markets	6.00%	4.75%
Investment-Grade Bonds	3.00%	2.35%
Strategic Credit	9.00%	3.65%
Direct Lending	16.00%	7.25%
Distressed Debt	4.00%	6.90%
REIT Equities	2.00%	4.10%
Master Limited Partnerships (MLP's)	2.00%	5.20%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.75%
Hedge Funds	6.00%	3.25%
Cash Equivalents	2.00%	0.60%
	<u>100.00%</u>	

***Discount Rate***

The discount rate used to measure the total pension liability was 7.60% at December 31, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. 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 active and inactive employees. 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.

**KARNES COUNTY HOSPITAL DISTRICT**  
**d/b/a OTTO KAISER MEMORIAL HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2024 AND 2023**

**NOTE 12 – PENSION PLAN (CONTINUED)**

***Discount Rate (Continued)***

The following table summarizes the changes in the net pension liability as of December 31, 2023, the valuation date:

Changes in Net Pension (Asset)/Liability	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension (Asset)/Liability
Balances as of December 31, 2022	\$ 40,102,828	\$ 33,850,433	\$ 6,252,395
Changes for the Year:			
Service Cost	1,458,963		1,458,963
Interest on Total Pension Liability	3,107,281		3,107,281
Effect of Plan Changes	(151,197)		(151,197)
Effect of Economic/Demographic Gains or Losses	485,721		485,721
Refund of Contributions	(94,077)	(94,077)	-
Benefit Payments	(1,284,172)	(1,284,172)	-
Administrative Expenses		(19,871)	19,871
Member Contributions		687,517	(687,517)
Net Investment Income		3,724,771	(3,724,771)
Employer Contributions		1,152,815	(1,152,815)
Other		36,760	(36,760)
Balances as of December 31, 2023	<u>\$ 43,625,347</u>	<u>\$ 38,054,176</u>	<u>\$ 5,571,171</u>

**KARNES COUNTY HOSPITAL DISTRICT**  
**d/b/a OTTO KAISER MEMORIAL HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2024 AND 2023**

**NOTE 12 – PENSION PLAN (CONTINUED)**

***Discount Rate (Continued)***

The following table summarizes the changes in the net pension liability as of December 31, 2022, the valuation date:

Changes in Net Pension (Asset)/Liability	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension (Asset)/Liability
Balances as of December 31, 2021	\$ 33,421,010	\$ 35,237,038	\$ (1,816,028)
Changes for the Year:			
Service Cost	1,186,536		1,186,536
Interest on Total Pension Liability	2,590,122		2,590,122
Effect of Plan Changes	3,848,526		3,848,526
Effect of Economic/Demographic Gains or Losses	130,267		130,267
Refund of Contributions	(90,588)	(90,588)	-
Benefit Payments	(983,045)	(983,045)	-
Administrative Expenses		(19,837)	19,837
Member Contributions		634,572	(634,572)
Net Investment Income		(2,119,735)	2,119,735
Employer Contributions		1,073,287	(1,073,287)
Other		118,741	(118,741)
Balances as of December 31, 2022	<u>\$ 40,102,828</u>	<u>\$ 33,850,433</u>	<u>\$ 6,252,395</u>

**Sensitivity to the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	2023		
	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	\$ 50,175,018	\$ 43,625,347	\$ 38,203,146
Fiduciary Net Position	<u>38,054,176</u>	<u>38,054,176</u>	<u>38,054,176</u>
Net Pension (Asset)/Liability	<u>\$ 12,120,842</u>	<u>\$ 5,571,171</u>	<u>\$ 148,970</u>

**KARNES COUNTY HOSPITAL DISTRICT**  
**d/b/a OTTO KAISER MEMORIAL HOSPITAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2024 AND 2023**

**NOTE 12 – PENSION PLAN (CONTINUED)**

***Discount Rate (Continued)***

	2022		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	6.60%	7.60%	8.60%
Total Pension Liability	\$ 46,194,788	\$ 40,102,827	\$ 35,062,382
Fiduciary Net Position	33,850,432	33,850,432	33,850,432
Net Pension (Asset)/Liability	<u>\$ 12,344,356</u>	<u>\$ 6,252,395</u>	<u>\$ 1,211,950</u>

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS financial report.

***Pension (Income) Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the years ended June 30, 2024 and 2023, the District recognized pension (income)/expense of \$(102,958) and \$3,645,235, respectively. At June 30, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the TCDRS defined benefit pension plan from the following sources:

	2024	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 489,970
Change of Assumptions	-	380,321
Net Difference Between Projected and Actual Earnings	-	224,355
Contributions Made Subsequent to Measurement Date	N/A	586,727
	2023	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ 12,408	\$ 140,176
Change of Assumptions	-	759,281
Net Difference Between Projected and Actual Earnings	-	808,591
Contributions Made Subsequent to Measurement Date	N/A	563,999

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2024 AND 2023**

**NOTE 12 – PENSION PLAN (CONTINUED)**

***Pension (Income) Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the TCDRS defined benefit pension plan, excluding contributions made subsequent to measurement date, will be recognized in pension expense as follows:

Year Ended June 30:

2024	\$	316,689
2025		46,304
2026		861,363
2027		(129,710)
2028		-
Thereafter		-

**NOTE 13 – MEDICAL MALPRACTICE CLAIMS**

The District is a unit of government covered by the Texas Tort Claims Act which, by statute, limits its liability to \$100,000 per person and \$300,000 for each single occurrence. These limits coincide with the malpractice insurance coverage maintained by the District, which is purchased under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims 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 District's claims experience, no such accrual has been made.

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent to year-end, the District issued Karnes County Hospital District, Revenue Refunding Bonds, Series 2024 ("Series 2024") in the amount of \$33,785,000. The Series 2024 bonds mature in 2044 and carry an interest rate of 5.0%. The Series 2024 bond issue resulted in the defeasance of the Karnes County Hospital District Hospital Revenue Bonds, Series 2014.

The date to which events occurring after June 30, 2024, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is November 25, 2024, which is the date on which the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2024**

**Schedule of Changes in the District's Net Pension (Asset)/Liability and Related Ratios**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability									
Service Cost	\$ 1,458,963	\$ 1,186,536	\$ 1,240,620	\$ 1,070,224	\$ 1,002,616	\$ 911,335	\$ 916,286	\$ 923,836	\$ 803,267
Interest on Total Pension Liability	3,107,282	2,590,122	2,389,657	2,193,086	2,011,124	1,822,069	1,647,769	1,473,187	1,339,606
Effect of Plan Changes	(151,196)	3,848,525	84,064	-	-	-	52,041	-	(189,941)
Effect of Assumption Changes or Inputs	-	-	6,802	1,887,999	-	-	157,910	-	256,318
Effect of Economic/Demographic (Gains) or Losses	485,721	130,267	52,504	11,147	(62,036)	218,662	81,224	(39,778)	53,981
Benefit Payments/Refunds of Contributions	(1,378,249)	(1,073,633)	(1,089,774)	(844,033)	(704,413)	(714,076)	(683,360)	(647,892)	(633,690)
Net Change in Total Pension Liability	3,522,521	6,681,817	2,683,873	4,318,423	2,247,291	2,237,990	2,171,870	1,709,353	1,629,541
Total Pension Liability, Beginning	40,102,827	33,421,010	30,737,137	26,418,714	24,171,423	21,933,433	19,761,563	18,052,210	16,422,669
Total Pension Liability, Ending	<u>\$ 43,625,348</u>	<u>\$ 40,102,827</u>	<u>\$ 33,421,010</u>	<u>\$ 30,737,137</u>	<u>\$ 26,418,714</u>	<u>\$ 24,171,423</u>	<u>\$ 21,933,433</u>	<u>\$ 19,761,563</u>	<u>\$ 18,052,210</u>
Fiduciary Net Position									
Employer Contributions	\$ 1,152,815	\$ 1,073,287	\$ 801,321	\$ 805,851	\$ 701,051	\$ 626,463	\$ 559,683	\$ 535,247	\$ 509,968
Member Contributions	687,519	634,572	587,266	583,246	534,474	491,344	461,912	441,745	421,075
Investment Income Net of Investment Expenses	3,724,771	(2,119,735)	6,320,787	2,629,999	3,513,790	(394,047)	2,687,869	1,243,815	(188,446)
Benefit Payments/Refunds of Contributions	(1,378,249)	(1,073,633)	(1,089,774)	(844,033)	(704,413)	(714,076)	(683,360)	(647,892)	(633,690)
Administrative Expenses	(19,871)	(19,838)	(19,064)	(20,942)	(19,392)	(17,189)	(14,226)	(13,521)	(12,036)
Other	36,760	118,741	16,348	18,651	21,729	14,177	4,399	33,114	69,438
Net Changes in Fiduciary Net Position	4,203,745	(1,386,606)	6,616,884	3,172,772	4,047,239	6,672	3,016,277	1,592,508	166,309
Fiduciary Net Position, Beginning	33,850,432	35,237,038	28,620,154	25,447,382	21,400,143	21,393,471	18,377,194	16,784,686	16,618,377
Fiduciary Net Position, Ending	<u>\$ 38,054,177</u>	<u>\$ 33,850,432</u>	<u>\$ 35,237,038</u>	<u>\$ 28,620,154</u>	<u>\$ 25,447,382</u>	<u>\$ 21,400,143</u>	<u>\$ 21,393,471</u>	<u>\$ 18,377,194</u>	<u>\$ 16,784,686</u>
Net Pension Liability/(Asset), Ending	<u>\$ 5,571,171</u>	<u>\$ 6,252,395</u>	<u>\$ (1,816,028)</u>	<u>\$ 2,116,983</u>	<u>\$ 971,332</u>	<u>\$ 2,771,280</u>	<u>\$ 539,962</u>	<u>\$ 1,384,369</u>	<u>\$ 1,267,524</u>
Fiduciary Net Position as a % of Total Pension Liability	87.23%	84.41%	105.43%	93.11%	96.32%	88.53%	97.54%	92.99%	92.98%
Pensionable Covered Payroll	\$ 11,458,613	\$ 10,576,205	\$ 9,787,761	\$ 9,720,761	\$ 8,907,902	\$ 8,189,065	\$ 7,698,538	\$ 7,362,414	\$ 7,017,915
Net Pension Liability as a % of Covered Payroll	48.62%	59.12%	-18.55%	21.78%	10.90%	33.84%	7.01%	18.80%	18.06%

This schedule is presented to illustrate the requirement to show information for 10 fiscal years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See independent auditor's report on required supplementary information.

**KARNES COUNTY HOSPITAL DISTRICT**  
**d/b/a OTTO KAISER MEMORIAL HOSPITAL**  
**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**JUNE 30, 2024**

**Schedule of Employer Contributions**

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution (1)</u>	<u>Actual Employer Contribution (1)</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (2)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 477,258	\$ 478,154	\$ (896)	\$ 6,564,762	7.3%
2015	500,377	509,968	(9,590)	7,017,915	7.3%
2016	503,589	535,247	(31,658)	7,362,414	7.3%
2017	545,826	559,683	(13,857)	7,698,538	7.3%
2018	626,463	626,463	-	8,189,065	7.6%
2019	701,051	701,051	-	8,907,902	7.9%
2020	805,851	805,851	-	9,720,761	8.3%
2021	798,681	801,321	(2,640)	9,787,761	8.2%
2022	1,072,427	1,073,287	(859)	10,576,205	10.1%
2023	1,152,736	1,152,815	(79)	11,458,613	10.1%

*(1) TCDRS calculated actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.*

*(2) Payroll is calculated based on contributions as reported to TCDRS*

See independent auditor's report on required supplementary information.



**KARNES COUNTY HOSPITAL DISTRICT  
d/b/a OTTO KAISER MEMORIAL HOSPITAL  
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
JUNE 30, 2024**

**Notes to Schedule of Employer Contributions:**

*Valuation Date:* Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

*Methods and Assumptions Used to Determine Contribution Rates:*

Actuarial Cost Method	Entry age (level of percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	16.3 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service; 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the RP-2010 General Retirees Table for males and 120% of the RP-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Employer contributions reflect that a 1% flat COLA was adopted. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: Employer contributions reflect that a 1% flat COLA was adopted. 2019: No changes in plan provisions were reflected in the schedule. 2020: No changes in plan provisions were reflected in the schedule. 2021: No changes in plan provisions were reflected in the schedule. 2022: Employer contributions reflect that a 1% flat COLA was adopted. 2023: Employer contributions reflect that a 3% flat COLA was adopted.

See independent auditor's report on required supplementary information.