

BIG BEND REGIONAL HOSPITAL DISTRICT
ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORTS THEREON
FOR THE YEAR ENDED SEPTEMBER 30, 2022

BIG BEND REGIONAL HOSPITAL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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Independent Auditor's Report

To the Board of Directors
Big Bend Regional Hospital District, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Big Bend Regional Hospital District, which comprise the statement of financial position as of September 30, 2022, and the related statement of activities for the year then ended, and the related notes to the financial statements which collectively comprise the Big Bend Regional Hospital District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Big Bend Regional Hospital District as of September 30, 2022, and the changes in its net assets for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Big Bend Regional Hospital 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 opinions.

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 Big Bend Regional Hospital 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 and *Government 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 and *Government 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 Big Bend Regional Hospital 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 Big Bend Regional Hospital 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 budgetary comparison information on pages 3-6 and 22-23 be presented 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023, on our consideration of Big Bend Regional Hospital District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Big Bend Regional Hospital District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Bend Regional Hospital District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gibson Ruddock Patterson, LLC". The signature is written in a cursive, flowing style.

Gibson Ruddock Patterson, LLC
El Paso, Texas
February 3, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2022

The purpose of Big Bend Regional Hospital District (District) is to provide funds to pay for health care for indigent residents of Brewster and Presidio County, Texas. Management's discussion and analysis provides a narrative overview of the financial activities and changes in the financial position of the District for the fiscal year ended September 30, 2022. Readers should use the notes included in the financial statements of the Hospital District along with this information. In accordance with the guidelines of the Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, this analysis includes, when available, comparative analysis of relevant data from the previous year.

Overview of the Financial Statements

This area of the discussion and analysis is merely intended to serve as an introduction for the District's financial statements.

The District is a special purpose government which engages in a single governmental program; therefore, the District only has one governmental fund (the General Fund). The District has elected to combine the presentation of the government-wide financial statements and the fund financial statements. The column entitled "Reconciliation Between General Fund and Governmental Activities" reconciles individual line items of fund financial data to government-wide data.

The first statement is the Combined Statement of Net Position and General Fund Balance Sheet. The column entitled "Statement of Net Position" reports the District's year-end position on September 30, 2022, based on the accrual method of accounting which records all of the District's assets and liabilities, with the difference between the two reported as net position. Changes in net position reflect the overall health of the District and over time may serve as a useful indicator of whether the District is improving or deteriorating financially. The Statement of Net Position column presents a longer-term view of the District's finances.

The column entitled "General Fund Balance Sheet" provides a detailed short-term view of the District's single operation based on the modified accrual method of accounting. The fund balance represents the expendable resources available at the end of the fiscal year.

The following statement is the Combined Statement of Activities and General Fund Statement of Revenue, Expenditures and Changes in Fund Balance and reflects the District's activities for the year ended September 30, 2022. The column entitled "Governmental Activities" presents information on how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes).

The column entitled "General Fund" provides a detailed short-term view of the District's single operation by presenting the inflows (revenue) and outflows (expenditures) of expendable resources.

These reports are followed by the Notes to Financial Statements, explaining in further detail areas such as accounting policies, capital assets, property taxes, commitments, and contingencies.

The Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual reflects the adopted and amended budget and compares the amended budget to actual expenditures. The report shows how effective the District has been in the past twelve months adhering to budgeted expenditures.

Government- Wide Financial Analysis

As of September 30, 2022, the total assets of Big Bend Regional Hospital District were \$6,427,359. Cash makes up 90% or \$5,800,352 of total assets. Capital assets, net of accumulated depreciation, make up 7% of total assets. Property taxes receivable net of allowance make up 2% of total assets.

Total net position (total assets less total liabilities) as of September 30, 2022, was \$6,330,358. Of this amount, 93% is unrestricted and 7% is invested in capital assets.

	9/30/2022	9/30/2021
Cash	5,800,352	5,581,204
Property tax rec. & other, net	178,199	155,023
Noncurrent assets	448,808	461,876
Total assets	<u>6,427,359</u>	<u>6,198,103</u>
Liabilities	97,001	128,207
Net position - Unrestricted	5,882,050	5,608,520
Net position - Other	448,308	461,376
Total liabilities & net position	<u>6,427,359</u>	<u>6,198,103</u>

As of September 30, 2022, tax receipts make up 96% of revenue, or \$1,711,340 of \$1,783,420. The major expenses of the District include Indigent Care (52%), Grants (13%) and Salaries and Related Costs (19%).

	9/30/2022	9/30/2021
Property tax revenue	1,711,340	1,737,293
Other revenue	72,080	30,833
Total revenue	<u>1,783,420</u>	<u>1,768,126</u>
Indigent care expenses & fees	798,553	606,134
Grants	201,403	126,588
Salaries & related costs	288,159	278,955
Other operating expenses	234,842	245,921
Total expenses	<u>1,522,957</u>	<u>1,257,598</u>

Financial Analysis of the Government's Funds

At the end of fiscal year 2022, the ending general fund balance was \$5,743,808. This is an increase of \$276,995, or 5% of the prior year fund balance. During 2022 fiscal year the District's Board continued to focus on improving District operations to ensure the entire region was being adequately served. The US Department of Agriculture notified the District that its grant application to increase access to healthcare for Southern Brewster and Presidio Counties was approved. The 3-year, \$5.5 million dollar USDA grant will be implemented in FY 2023 and will be instrumental in increasing healthcare access and infrastructure for District residents.

The District's major source of revenue comes from property taxes. The payments received from property taxes make up 96% of revenue in FY 2022. The remaining revenue results from interest earned on a savings/investments and the State's tobacco settlement. Interest income saw a significant increase compared to recent years with interest rates climbing throughout the year.

Total expenditures in fiscal year 2022 increased by approximately 20% or \$252,359 from the prior year. The increase in expenditures was primarily due to increased activity in indigent medical care claims for eligible clients. The District continued its efforts to conduct outreach and enroll eligible clients throughout FY 2022. A review of policies related to client eligibility was conducted and the District increased the eligibility limit for client resources and the allowable value of a client's primary vehicle. The resource limit adjustment accounted for inflationary changes to the value of client resources and ultimately eased the eligibility requirements for some clients. The updated eligibility limits, outreach efforts, and noticeable uptick in more expensive medical procedures performed during FY 2022 resulted in a significant year-over-year increase in indigent expenses.

Increases in other expense categories were observed due to the increased client caseload and some moderate inflationary pressures. The increases in operational expenses were offset with continued efforts to create additional efficiencies in operations and competitive procurement practices.

General Fund Budgetary Highlights

In addition to the basic financial statements and accompanying notes, the report also presents the budgetary comparison schedule that reflects the adopted and amended budget and compares the amended budget to actual expenses. The report shows how effective the District has been in the past fiscal period adhering to the budgeted expenses. The most significant variance related to grant and initiative which resulted in a favorable variance of \$105,997 as some programs were not completed by year-end.

In the end, all revenues and expenditures resulted in an overall favorable variance of \$276,995.

Next Year's Budgets and Rates

For fiscal year 2022-2023, the District adopted an operating budget of \$4,196,298.33. To support the budget for fiscal year 2022-2023 the board adopted a total tax rate of \$0.08324 per \$100 of assessed property valuation.

Contacting the District's Financial Manager

This financial report is designed to provide the residents of Brewster and Presidio Counties with a general overview of the District's finances and to demonstrate the District's accountability for the property tax payments received. If you have questions about this report or need additional financial information, please visit www.bbrhd.com or contact the Big Bend Regional Hospital District, P.O. Box 1439, Alpine, TX 79831 and attention to the Financial Officer.

BASIC FINANCIAL STATEMENTS

BIG BEND REGIONAL HOSPITAL DISTRICT
 COMBINED STATEMENT OF NET POSITION AND GENERAL FUND BALANCE SHEET
 SEPTEMBER 30, 2022

	General Fund Balance Sheet	Reconciliation Between General Fund and Governmental Activities	Statement of Net Postion
ASSETS			
Current Assets:			
Cash	\$ 5,800,352		\$ 5,800,352
Property tax receivable	359,071		359,071
Allowance for uncollectible taxes	(207,869)		(207,869)
Prepaid expenses	26,997		26,997
Noncurrent Assets:			
Capital assets		522,081	522,081
Accumulated depreciation		(73,773)	(73,773)
Deposits	500		500
Total Assets	<u>\$ 5,979,051</u>	<u>\$ 448,308</u>	<u>\$ 6,427,359</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	97,001	-	97,001
Total Liabilites	<u>97,001</u>	<u>-</u>	<u>97,001</u>
Deferred Inflows of Resources:			
Unavailable revenue - Property taxes	138,242	(138,242)	-
Total Deferred Inflows of Resources	<u>138,242</u>	<u>(138,242)</u>	<u>-</u>
FUND BALANCE / NET POSITION			
Investment in capital assets	-	448,308	448,308
Committed:			
Medical Enhancement Project	213,326	(213,326)	-
Unassigned / Unrestricted	<u>5,530,482</u>	<u>351,568</u>	<u>5,882,050</u>
Total Fund Balance / Net Position	<u>5,743,808</u>	<u>586,550</u>	<u>6,330,358</u>
Total Liabilities, Deferred Inflows & Equity	<u>\$ 5,979,051</u>	<u>\$ 448,308</u>	<u>\$ 6,427,359</u>

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

BIG BEND REGIONAL HOSPITAL DISTRICT
 COMBINED STATEMENT OF ACTIVITIES AND GENERAL FUND
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Reconciliation Between General Fund and Governmental Activities	Governmental Activities
Revenues:			
Property tax	\$ 1,714,805	(3,465)	\$ 1,711,340
Tobacco settlement	30,201		30,201
Other	41,879		41,879
Total revenues	<u>1,786,885</u>	<u>(3,465)</u>	<u>1,783,420</u>
Expenditures/Expenses:			
Grants and initiatives	201,403		201,403
Indigent care - IHS software	40,912		40,912
Indigent care - Claims	757,641		757,641
Insurance	6,280		6,280
Office & other	33,722		33,722
Professional & contract services	52,449		52,449
Rent and utilities	30,661		30,661
Salaries and related costs	288,159		288,159
Tax collection and appraisal fees	96,019		96,019
Tobacco settlement distributions	722		722
Travel and vehicle	1,922		1,922
Depreciation		13,067	13,067
Total expenditures/expenses	<u>1,509,890</u>	<u>13,067</u>	<u>1,522,957</u>
Excess of revenue over expenditures	276,995	(16,532)	260,463
Other financing sources:			
	-	-	-
	-	-	-
Net Change in fund balance/net position:	276,995	(16,532)	260,463
Fund balance/net position:			
Beginning of year	5,466,813	603,082	6,069,895
End of year	<u>\$ 5,743,808</u>	<u>\$ 586,550</u>	<u>\$ 6,330,358</u>

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

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Big Bend Regional Hospital District (District) is a hospital district created by an Act of the State of Texas. The District is a governmental organization and, as dictated by State law, is responsible for the health care of indigent residents of Brewster and Presidio Counties, which is funded by an ad valorem tax on real and personal property within its jurisdiction.

Reporting Entity

The District is governed by a board comprised of 5 individuals who are elected by the voters of the counties for staggered 4 year terms. The District is not considered to be a component unit of another entity, and these financial statements do not include any other entities as component units of the District.

Government-Wide, Fund Financial Statements, and Financial Statement Presentation

The District is a special purpose government which engages in a single-governmental program; therefore, the District only has one of the three fund categories (governmental, proprietary, and fiduciary) which is a governmental fund titled the General Fund.

The District follows Government Accounting Standards Board Statement Number 34, and related pronouncements, which requires the District's election to combine the presentation of the government-wide financial statements and the fund financial statements.

The Statement of Net Position and the Statement of Activities are government-wide financial statements. The column entitled "Governmental Activities" on the combined Statement of Net Position and General Fund Balance Sheet serves as the Statement of Net Position. The same entitlement on the Combined Statement of Activities and General Fund Statement of Revenue, Expenditures and Changes in Fund Balance serves as the Statement of Activities.

The General Fund Balance Sheet (column entitled "General Fund") and Statement of Revenue, Expenditures, and Changes in Fund Balance (column entitled "General Fund") financial statements provide reports on the financial condition and results of operations for the governmental fund category.

The column entitled "Reconciliation Between General Fund and Governmental Activities" reconciles individual line items of fund financial data to government-wide data.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements (Governmental Activities) use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Governmental fund financial statements (General Fund) use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available (generally within 60 days of year-end), and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due, but is not applicable to the District.

Fund Accounting

A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities.

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental fund types. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The only governmental fund type used by the District is the General Fund. The general operating fund of the District accounts for all financial resources of the District that are not required to be accounted for in the special revenue funds.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reporting and Governmental Fund Type Definitions

Fund Equity - In accordance with GASB, the following classifications are used to describe the relative strength of the spending constraints:

- **Nonspendable fund balance** - Represents amounts that are not in spendable form, such as inventory, or required to be maintained intact.
- **Restricted fund balance** - Represents amounts constrained to specific purposes by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - Represents amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, i.e., Board of Directors. To be reported as committed, amounts cannot be used for any other purpose unless the District's Board approves the changes by Board Resolution.
- **Assigned fund balance** - Represents amount the District intends to use for a specific purpose.
- **Unassigned fund balance** - Represents amounts that are available for any purpose.

Order of Expenditure - When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its budget or its commitment or assignment actions.

Net Position - Net Position on the Statement of Net Position includes the following:

- **Investment in capital assets** - this component of net position consists of capital assets, net of accumulated depreciation.
- **Restricted** - this component of net position consists of restricted assets reduced by liabilities related to those assets.
- **Unrestricted net position** - this component of net position is the net amount of assets and liabilities that are not included in the determination of the other categories described above.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Accounting Policies

Deposits and Investments - The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District has implemented and publicized its investment policy and is in substantial compliance with the requirements of the Act and with local policies.

Credit Risk:

Deposits - Credit risk is not applicable to deposits.

Temporary Investments - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in public funds investment pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2022, the District's investments in the LoneStar Investment Pool were rated AAAM and AAAF by Standard & Poor's.

Custodial Credit Risk for Deposits:

Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporary Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. Investment pools are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book-entry form.

Concentration of Credit Risk:

Deposits - Concentration of credit risk is not applicable to deposits.

Temporary Investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. In addition, the District limits investments in a single issuer, to less than 5% of its total investments with the exception of certificates of deposit. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio.

Interest Rate Risk:

Deposits - Interest rate risk is not applicable to deposits.

Temporary Investments - To limit the risk that changes in interest rates will adversely affect the fair value of the investments, the District requires its investment portfolio to have maturities of less than one year on a weighted average maturity (WAM) basis. Each pool invests in different investment instruments and each portfolio has varying maturities.

Foreign Currency Risk:

Deposits - The District attempts to limit the risk that changes in exchange rates will adversely affect a deposit by avoiding deposits denominated in a foreign currency.

Temporary Investments - The District attempts to limit the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools or securities which are denominated in a foreign currency.

Capital Assets - Purchased property, plant and equipment are carried at cost and include costs of improvements and betterments, which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss is credited or charged to income. Donated assets are recorded at fair value on the date of donation.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District provides for depreciation of property, plant, and equipment by the straight-line method and at rates designed to amortize the costs over their estimated useful economic lives as follows:

Land Improvements	15 to 20 years
Buildings and Components	5 to 50 years
Vehicles	5 to 10 years
Furniture and Fixtures	3 to 20 years

Tax Revenue - Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. A provision for uncollectible taxes is provided based upon historical trends.

Use of Estimates - Preparation of Big Bend Regional Hospital District's 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Data - The budget for the District has been adopted essentially on a modified cash basis. As a result, capital outlay items and principal payment on debt are treated as expenses. Also, accounts payable at year end are considered to be obligated during the fiscal year in which they are incurred and are included in expenses in the "budget and actual comparisons" for the fiscal year.

All annual appropriations lapse at year end and encumbrance accounting is not used.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the budget committee submits to the Board a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenses and the means of financing them.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Public hearings are conducted by the District to obtain comments. Then the budget is submitted to the board for their approval.
3. Prior to October 1, the Board legally adopts the fiscal year budget.

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

2. DEPOSITS

DEPOSITS AND TEMPORARY INVESTMENTS

All deposits were with West Texas National Bank in interest bearing accounts. The accounts were secured at September 30, 2022, by FDIC coverage, and an irrevocable standby letter of credit provided by Federal Home Loan Bank of Dallas.

The account and security balances at September 30, 2022, were as follows:

Checking and Money Market Bank Balances:	
WTNB	\$ 1,358,197
	<u> </u>
Total	<u>\$ 1,358,197</u>
FDIC Coverage:	
WTNB (up to \$250,000)	\$ 250,000
WTNB - Irrevocable Standby Letter of Credit maturing January 31, 2023	<u>4,250,000</u>
Total Security for Deposits	<u>\$ 4,500,000</u>

The difference between book and bank balances was \$88,374 and represents items in transit at year-end, usually outstanding checks that clear in the following month.

Due to the immediate availability of the \$4,530,528 in the Lone Star Government Overnight Fund, these temporary investments are included in cash and cash equivalents and are measured at amortized cost.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

3. CAPITAL ASSETS

The following is a summary of property, plant and equipment at cost, less accumulated depreciation as of September 30:

	2021	Changes	2022
Land	\$ 100,000	\$ -	\$ 100,000
Furniture and Fixtures	32,670	-	32,670
Vehicles	11,646	-	11,646
Alpine Office	371,660	-	371,660
Presidio Leasehold Improvements	6,105	-	6,105
Total property, plant and equipment	522,081	-	522,081
Less accumulated depreciation	(60,706)	(13,067)	(73,773)
Net Governmental Capital Assets	<u>\$ 461,375</u>	<u>\$ (13,067)</u>	<u>\$ 448,308</u>

Depreciation expense for the year ended September 30, 2022, was \$13,067.

4. AD VALOREM TAXES

Property taxes are levied on October 1 of each year in conformity with the Texas Property Tax Code. Taxes are due upon receipt of the tax statement and become delinquent if not paid before February 1 of the following year. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The tax rate for the year ended September 30, 2022, was \$.100123 per \$100 valuation.

Property taxes receivable consisted of the following at September 30, 2022:

Current taxes receivable	\$ 66,680
Delinquent taxes receivable	<u>292,391</u>
	<u>\$ 359,071</u>
Delinquent taxes by fiscal year:	
2021	40,894
2020	32,879
2019	27,959
2018	25,933
2017	23,598
2016 and prior	<u>141,128</u>
	<u>\$ 292,391</u>

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

5. FUND BALANCES

As of September 30, 2022, fund balances were composed of the following:

Committed for Medical Enhancement Project	\$ 213,326
Unassigned	<u>5,530,482</u>
Total	<u>\$ 5,743,808</u>

6. COMMITMENTS AND CONTINGENCIES

Long-term Lease and Development Agreement - Effective August 7, 1997, the District entered into an agreement with a private, for-profit corporation Community Health Systems (CHS). The District acquired 15 acres of useable property, which it then loaned to CHS for a 30-year term with an automatic renewal of two successive 10-year periods. CHS constructed a new hospital facility on the leased property and the District assigned its operations, working capital, and medical related equipment to CHS on October 1, 1999.

Upon termination of the lease, the leased property, improvements thereon, and working capital as of September 30, 1999, will be turned over to the District.

Indigent Care - The previous indigent care agreement between the District and Big Bend Regional Medical Center (BBRMC) has been terminated. BBRMC has voluntarily assumed the financial obligations arising from the provision of certain health care services to indigents who receive such health care services occurring in the Alpine hospital. The District remains financially responsible for the payment for health care services to the District's indigents excluding those performed by the hospital and the doctors of the Timberland Group, a company wholly owned by the BBRMC. Each patient must meet eligibility requirements before receiving benefits of \$30,000 or 30 days in-patient care, known as the 30/30 rule according to Chapter 61 of the County Indigent Program code.

Effective October 1, 2014, the District began processing indigent eligibility applications internally, which was previously performed by BBRMC. The District hired and trained additional personnel to support these activities.

In July 2012, the District received a notice from the State's Medicaid contractor regarding amounts allegedly owed to the Texas Medicaid program as a result of prior Medicaid payments to Big Bend Regional Medical Center, some going back as far as 1983. The District has asked the State's contractor to produce additional information regarding these claims.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

6. COMMITMENTS AND CONTINGENCIES (Continued)

At this time, the District does not have enough information regarding these claims in order to make a payment determination. The District will reimburse the State's Medicaid program once its liability is confirmed. This reimbursement could total up to approximately \$79,000. However, the District believes it has contractual indemnity rights from Big Bend Hospital Corporation for the bulk of such claims. The District has put the Corporation on notice of such claims.

7. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains insurance policies acquired from independent insurance carriers covering general liability, and errors and omissions. The District remains exposed to any losses that exceed the resources and commercial insurance of the association. As of September 30, 2022, no claims or losses have been incurred that were not covered by insurance. Management is aware of no liability due to any claim or suit.

8. RELATED PARTY TRANSACTIONS

Management is not aware of any significant related party transactions during the 2021-2022 fiscal year.

9. SUBSEQUENT EVENTS

The US Department of Agriculture notified the District that its application for a \$5,500,000 grant was approved and is expected to begin in February 2023 and continue for three years. The purpose of the grant is to increase access to healthcare in southern Brewster and Presidio Counties.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

10. NEW ACCOUNTING PRONOUNCEMENTS

The District has not completed the process of evaluating the impact on its financial position that will result from adopting the following Governmental Accounting Standards Board (GASB) Statements:

- GASB No. 91, *Conduit Debt Obligations*, effective for periods beginning after December 15, 2021. GASB No. 91 requires issuers to disclose information about their conduit debt obligations.
- GASB No. 92, *Omnibus*, effective for periods beginning after June 15, 2021. GASB No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.
- GASB No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, effective for fiscal years beginning after June 15, 2022. GASB No. 96 defines a subscription-based information technology arrangement, establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability, and provides the capitalization criteria for outlays other than subscription payments
- GASB No. 99, *Omnibus 2022*, effective for fiscal years beginning after June 15, 2022 and 2023, depending on the topic. GASB No. 99 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues and adding guidance on accounting and financial reporting for financial guarantees

REQUIRED SUPPLEMENTARY INFORMATION

BIG BEND REGIONAL HOSPITAL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2022

	Budgets		Actual Amounts	Variance
	Original	Final		
Revenues:				
Property tax	\$ 1,683,000	\$ 1,683,000	\$ 1,714,805	\$ 31,805
Tobacco settlement	30,500	30,500	30,201	(299)
Other	6,000	6,000	41,879	\$ 35,879
Total revenues	<u>1,719,500</u>	<u>1,719,500</u>	<u>1,786,885</u>	<u>67,385</u>
Expenditures/Expenses:				
Grant and initiative	307,400	307,400	201,403	\$ 105,997
Indigent care - IHS software	43,284	43,284	40,912	\$ 2,372
Indigent care - Claims	756,865	756,865	757,641	(776)
Insurance	5,400	5,400	6,280	(880)
Office & other	54,250	54,250	33,722	\$ 20,528
Professional & contract services	82,000	82,000	52,449	\$ 29,551
Rent and utilities	31,000	31,000	30,661	\$ 339
Salaries and related costs	303,613	303,613	288,159	\$ 15,454
Tax collection and appraisal fees	102,088	102,088	96,019	\$ 6,069
Tobacco settlement distributions	600	600	722	(122)
Travel and vehicle	3,000	3,000	1,922	\$ 1,078
Election expense	30,000	30,000		\$ 30,000
Total expenditures/expenses	<u>1,719,500</u>	<u>1,719,500</u>	<u>1,509,890</u>	<u>209,610</u>
Excess of revenue over expenditures	-	-	276,995	<u>\$ 276,995</u>
Fund balance/net position:				
Beginning of year	<u>5,466,813</u>	<u>5,466,813</u>	<u>5,466,813</u>	
End of year	<u>\$ 5,466,813</u>	<u>\$ 5,466,813</u>	<u>\$ 5,743,808</u>	

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Budgets and Budgetary Accounting

Each governmental entity in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the General Fund before the beginning of the fiscal year. For fiscal years beginning October 1, the budget is to be adopted by September 30th of each year. The District's administration determines budgetary funding priorities and the budgets are prepared on the same basis of accounting that is used for reporting in accordance with generally accepted accounting principles. Final budget allocations are determined by the Board, which subsequently establishes a tax rate sufficient to support the approved budget. The annual budget, which is prepared on the modified accrual basis of accounting, must be adopted by the Board at a scheduled meeting after giving ten days public notice of the meeting. On September 24, 2021, the 2021-2022 budget was legally adopted by the Board.

The District's administration performs budget reviews during the year in which budget requirements are re-evaluated and revisions are recommended to the Board. The Board must approve amendments to the budget at the fund and functional expenditure categories or revenue object accounts and each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. A few amendments were necessary during the year and generally made transfers between line items which did not affect the total budget.

Expenditures may not legally exceed budgeted appropriations, as amended, at the function level by fund. Unexpended appropriations lapse at year-end.

Budget Overages

The District is reporting no significant unfavorable budget variances with a favorable overall variance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Big Bend Regional Hospital District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Big Bend Regional Hospital District as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 3, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Bend Regional Hospital District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Bend Regional Hospital District's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Bend Regional Hospital District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Bend Regional Hospital District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Bend Regional Hospital District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Ch Ruddock" followed by a stylized flourish and the letters "CCC".

El Paso, Texas
February 3, 2023

BIG BEND REGIONAL HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal Control over financial reporting:

Were significant deficiencies in internal control disclosed? None reported

Were material weaknesses in internal control disclosed? No

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards? No

STATUS OF PRIOR FINDINGS

There were no prior year findings.