

BIG BEND REGIONAL HOSPITAL DISTRICT
ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORTS THEREON
FOR THE YEAR ENDED SEPTEMBER 30, 2023

BIG BEND REGIONAL HOSPITAL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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Independent Auditor's Report

To the Board of Directors
Big Bend Regional Hospital District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Big Bend Regional Hospital District as of and for the year ended September 30, 2023, 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Big Bend Regional Hospital District, as of September 30, 2023, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 the 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 opinions. 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 4-9 and 35-37 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 May 23, 2024, on our consideration of the 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.

Gibson Ruddock Patterson LLC

Gibson Ruddock Patterson LLC
El Paso, Texas
May 23, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2023

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, 2023. 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 Basic 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 multiple programs to support health care in its operating area; the District has two major governmental funds: the General Fund and Community Facilities Grant Fund.

The *Statement of Net Position* which reports the District's year-end position on September 30, 2023, is based on the accrual method of accounting which records all of the District's assets and liabilities. 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 presents a longer-term view of the District's finances and represents the expendable resources available at the end of the fiscal year.

The *Statement of Activities* outlines the gross and net cost of various functions supported by the District's general tax and other revenues. 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 *Balance Sheet - Governmental Funds* further details the assets and liabilities of the District, breaking down the distribution of assets and liabilities between major governmental funds.

The *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position* reconciles individual line items of fund financial data to government-wide data.

The *Statement of Revenues, Expenditures, and Changes in Fund Balances* reflects the District's activities for the year ended September 30, 2023, by fund. The column entitled "Total Governmental Funds" presents information on how the District's total fund balance changed during the fiscal year. The columns entitled "General Fund" and "Community Facilities Grant" provides a detailed short-term view of the District's operations by presenting the inflows (revenue) and outflows (expenditures) of expendable resources broken out by governmental fund.

The *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities* outlines an overall change in net position of all governmental activities.

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 – General Fund 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, 2023, the total assets of Big Bend Regional Hospital District were \$7,569,521. Cash makes up 85% or \$6,463,221 of total assets. Capital assets, net of accumulated depreciation, make up 6% 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, 2023, was \$6,850,973, an 8% increase from the prior year. Of this amount, 94% is unrestricted and 6% is invested in capital assets.

Table A-1
Statement of Net Position

	Governmental Activities		
	2023	2022	Increase (Decrease)
Current and Other Assets	7,095,174	5,978,551	1,116,623
Capital Assets	474,347	448,808	25,539
Total Assets	7,569,521	6,427,359	1,142,162
Deferred Outflows of Resources	-	-	-
Current Liabilities	693,762	97,001	596,761
Non-Current Liabilities	24,786	-	24,786
Total Liabilities	718,548	97,001	621,547
Deferred Inflows of Resources	-	-	-
Net Position:			
Invested in Capital Assets	437,877	448,308	(10,431)
Unrestricted	6,413,096	5,882,050	531,046
Total Net Position	6,850,973	6,330,358	520,615

As of September 30, 2023, tax receipts make up 58% of revenue, or \$1,610,625 of \$2,782,425. The major expenses of the District include Indigent Care Claims (22%), Grants (44%) and Salaries and Related Costs (17%).

Table A-2
Statement of Activities

	Governmental Activities		
	2023	2022	Increase (Decrease)
<i>Program Revenues:</i>			-
Operating Grants and Contributions	844,532	-	844,532
<i>General Revenues:</i>			-
Property Taxes	1,610,625	1,711,340	(100,715)
Investment Earnings	286,335	41,879	244,456
Miscellaneous	40,933	30,201	10,732
Total Revenues	2,782,425	1,783,420	999,005
Grants and Initiative	1,005,059	201,403	803,656
Indigent care- IHS software	41,513	40,912	601
Indigent care- Claims	495,609	757,641	(262,032)
Insurance	6,982	6,280	702
Office & other	114,543	33,722	80,821
Professional & contract services	60,483	52,449	8,034
Rent and utilities	27,021	30,661	(3,640)
Salaries and related costs	389,628	288,159	101,469
Tax collection and appraisal fees	100,330	96,019	4,311
Tobacco settlement distributions	370	722	(352)
Travel and vehicle	5,424	1,922	3,502
Depreciation	12,843	13,067	(224)
Amortization	1,178	-	1,178
Interest on debt service	827	-	827
Total Expenses	2,261,810	1,522,957	736,848
Increase (decrease) in Net Position	520,615	260,463	260,152
Net Position - Beginning	6,330,358	6,069,895	260,463
Net Position - Ending	6,850,973	6,330,358	520,615

Financial Analysis of the Governmental Funds

At the end of fiscal year 2023, the ending total governmental fund balance was \$6,273,413. This is an increase of \$529,605, or 9% of the prior year fund balance.

Special Revenue Fund - Community Facilities Grant

During 2023 fiscal year, the District's USDA Emergency Rural Health Care (ERHC) Grant was launched with the goal of increasing access to health care in southern Brewster and Presidio Counties. The District serves as the lead grantee and pass-through entity for federal funds to enable grant partners to implement health care programs. A portion of the increase in fund balance is due to cash held to fund the USDA grant activities.

General Fund

The District's Board continued to focus on improving District operations to ensure the entire region was being adequately served. While client enrollments into the District's indigent health care coverage programs held steady, there was a notable decrease in health care expenditures. Fewer clients were experiencing major medical issues and health care demand following the pandemic waned. This contributed to a higher end of year fund balance due to lower than anticipated indigent health care claims paid.

Revenue

The District's major source of revenue comes from property taxes. The payments received from property taxes made up 58% of revenue in FY 2023. USDA grant revenues accounted for 30% of revenue with the remaining balance generated from interest earned on a savings/investments and the State's tobacco settlement. Interest income continued to increase compared to recent years with interest rates climbing throughout the year.

Expenditures

Total expenditures in fiscal year 2023 increased dramatically from the prior year due to the implementation of the USDA ERHC grant. The increase of over \$780,000 in expenditures over the prior year went directly to increasing access to health care through USDA funding activities including expanded health clinic hours in Presidio and implementing community paramedicine programs in the Presidio and Terlingua communities. Additionally, the District brought on a new staff member to assist in administering the federal grant.

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 indigent health care claims in a favorable variance of \$353,391 due to a reduction in major medical claims paid-

In the end, all revenues and expenditures resulted in an overall favorable variance of \$468,403.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets as of September 30, 2023 amounted to \$474,347 (net of accumulated depreciation). The amount represents a net increase of \$26,039 which includes depreciation and amortization of \$14,021, additions of \$40,060 and deletions of \$18,210.

The items shown as capital asset additions are two right-to-use asset related to two new leases that were executed during the fiscal year and that were subject to GASB 87. The capital asset retirements are due mainly to the disposal of fully depreciated vehicles and equipment throughout the District.

Additional detailed information about the District's right-to-use assets are presented in in Note 5 and 8 of the Notes to the Financial Statements.

Additional detailed information about the District's capital assets activity is presented in Note 5 of the Notes to the Financial Statements.

Debt

At year-end, the District had \$36,470 outstanding in long-term liabilities, an increase of \$36,470 over last year. Of this balance, \$11,684 is due within one year. The increase is a result of the Right-to-Use lease asset and related lease payable.

More detailed information about the District's long-term liabilities is presented in Note 7.

Next Year's Budgets and Rates

For fiscal year 2023-2024, the District adopted an operating budget of \$1,899,997. To support the budget for fiscal year 2022-2023 the board adopted a total tax rate of \$0.066091 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 Executive Director.

BASIC FINANCIAL STATEMENTS

BIG BEND REGIONAL HOSPITAL DISTRICT

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,463,221
Taxes receivable, net	153,742
Due from other governments	430,487
Due from others	18,621
Prepaid items	29,103
Capital Assets:	
Land	100,000
Buildings and improvements, net	328,255
Furniture and equipment, net	7,210
Right-to-Use lease assets, net	38,882
Total Assets	<u>7,569,521</u>
LIABILITIES	
Accounts payable	\$ 117,784
Accrued salaries	12,102
Due to subrecipient	500,793
Unearned revenues	51,399
Leases payable - current	11,684
Noncurrent Liabilities:	
Leases payable	<u>24,786</u>
Total liabilities	<u>718,548</u>
Net Position	
Net investment in capital assets	437,877
Unrestricted	<u>6,413,096</u>
Total net position	<u>\$ 6,850,973</u>

The notes to the financial statements are an integral part of this statement.

BIG BEND REGIONAL HOSPITAL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
					Primary Government
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
GOVERNMENTAL ACTIVITIES					
General Government	\$ 426,725	\$ -	\$ -	\$ -	\$(426,725)
Health and Welfare	1,834,258	-	844,532	-	(989,726)
Interest on Debt	827	-	-	-	(827)
Total Government Activities	2,261,810	-	844,532	-	(1,417,278)
TOTAL Primary Government					(1,417,278)
General Revenues:					
Taxes:					
Property taxes, levied for general purposes					\$ 1,610,625
Investment earnings					286,335
Miscellaneous revenue					40,933
Total General Revenues and Transfers					1,937,893
Change in Net Position					520,615
Net Position - Beginning					6,330,358
Net Position - Ending					\$ 6,850,973

The notes to the financial statements are an integral part of this statement.

BIG BEND REGIONAL HOSPITAL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	General Fund	Community Facilities Grant	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,354,559	\$ 108,662	\$ 6,463,221
Taxes receivable	367,214	-	367,214
Allowance for uncollectible taxes (credit)	(213,472)	-	(213,472)
Due from other governments	-	430,487	430,487
Due from others	-	18,621	18,621
Due from other funds	1,721	-	1,721
Prepaid items	29,103	-	29,103
Total Assets	<u>\$ 6,539,125</u>	<u>\$ 557,770</u>	<u>\$ 7,096,895</u>
LIABILITIES			
Accounts payable	\$ 116,824	\$ 960	\$ 117,784
Wages and salaries payable	12,102	-	12,102
Due to other funds	-	1,721	1,721
Due to subrecipient	-	500,793	500,793
Unearned revenues	-	51,399	51,399
Total liabilities	<u>128,926</u>	<u>554,873</u>	<u>683,799</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>139,683</u>	<u>-</u>	<u>139,683</u>
Total deferred inflows of resources	<u>139,683</u>	<u>-</u>	<u>139,683</u>
Fund Balances			
Restricted fund balance	-	2,897	2,897
Committed fund balance	49,382	-	49,382
Unassigned fund balance	6,221,134	-	6,221,134
Total fund balances	<u>6,270,516</u>	<u>2,897</u>	<u>6,273,413</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,539,125</u>	<u>\$ 557,770</u>	<u>\$ 7,096,895</u>

The notes to the financial statements are an integral part of this statement.

BIG BEND REGIONAL HOSPITAL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

Total Fund Balances - Governmental Funds	\$ 6,273,413
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Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$522,081 and the accumulated depreciation was \$73,773. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	448,308
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Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2023 capital outlays is to increase net position. Similarly, the principal payments on right-to-use assets are not expenses, rather they are decreases in the right-to-use liabilities. These payments must be reclassified and shown as reductions to these liabilities increasing net position.	43,650
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The 2023 depreciation and amortization expense increases accumulated depreciation and amortization. The net effect of the current year's depreciation and amortization is to decrease net position.	(14,021)
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Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	<u>99,623</u>
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Net Position of Governmental Activities	<u><u>\$ 6,850,973</u></u>
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The notes to the financial statements are an integral part of this statement.

BIG BEND REGIONAL HOSPITAL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Community Facilities Grant	Total Governmental Funds
REVENUES:			
Taxes:			
Property taxes	\$ 1,609,185	\$ -	\$ 1,609,185
Intergovernmental revenue	8,903	649,779	658,682
Grant match	-	185,850	185,850
Investment earnings	282,735	3,600	286,335
Tobacco settlement funds	30,796	-	30,796
Other revenue	10,137	-	10,137
Total Revenues	<u>1,941,756</u>	<u>839,229</u>	<u>2,780,985</u>
EXPENDITURES:			
Current:			
General government	420,326	-	420,326
Health and welfare	956,595	870,042	1,826,637
Debt Service:			
Principal on long-term liabilities	3,590	-	3,590
Interest on long-term liabilities	827	-	827
Capital Outlay:			
Capital outlay	40,060	-	40,060
Total Expenditures	<u>1,421,398</u>	<u>870,042</u>	<u>2,291,440</u>
Excess (deficiency) of revenues over (under) expenditures	<u>520,358</u>	<u>(30,813)</u>	<u>489,545</u>
OTHER FINANCING SOURCES (USES):			
Proceeds of Right-to-Use Lease	40,060	-	40,060
Transfer In	-	33,710	33,710
Transfer Out	(33,710)	-	(33,710)
Total Other Financing Sources (Uses)	<u>6,350</u>	<u>33,710</u>	<u>40,060</u>
Net change in fund balances	526,708	2,897	529,605
Fund Balance - October 1 (Beginning)	<u>5,743,808</u>	<u>-</u>	<u>5,743,808</u>
Fund Balance - September 30 (Ending)	<u>\$ 6,270,516</u>	<u>\$ 2,897</u>	<u>\$ 6,273,413</u>

The notes to the financial statements are an integral part of this statement.

BIG BEND REGIONAL HOSPITAL DISTRICT**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ 529,605
Current year capital outlays and long-debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2023 capital outlays and debt principal payments is to increase the change in net position.	43,650
Depreciation and amortization is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation and amortization is to decrease the change in net position.	(14,021)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current years's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term liabilities and interest. The net effect of these reclassifications and recognitions is to increase net position.	<u>(38,619)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 520,615</u></u>

The notes to the financial statements are an integral part of this statement.

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Big Bend Regional Hospital District (District) is a bi-county hospital district created by an Act of the State of Texas in 1991, that serves Brewster and Presidio Counties.. The District is a political subdivision of the State of Texas and, as dictated by State law, is responsible for the health care of indigent residents of Brewster and Presidio Counties who do not qualify for other state or federal healthcare programs. 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 management, control, and administration of and all funds and resources of the District are vested in the Board of Directors. The District is funded by an ad valorem tax on real and personal property within its jurisdiction.

Financial Reporting Entity

Because the District's Board is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB").

The decisions to include or exclude a potential component unit in the reporting entity were made by applying standards contained in GAAP. The most primary standard for including or excluding a potential component unit is whether it is financially dependent on the reporting entity. The fiscal dependency criterion also required that a financial benefit or burden relationship be present in order for a potential component unit to be included in the financial reporting entity. Other manifestations of the ability to exercise oversight responsibility include, but certainly are not limited to, the selection of the governing authority, the designation of management, the ability to materially influence operations and accountability for fiscal matters. The second standard used to evaluate potential component units is the scope of public services. Application of this standard entails considering whether the activity benefits the District, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. The third standard involved in evaluating whether potential component units are included or excluded from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of these criteria, there are no component units to be included within the reporting entity.

Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external customers.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs through program revenues. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions paid by organizations outside the District to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental and proprietary funds appear as internal balances on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to or due from on the government-wide Statement of Net Position.

The fund financial statements report on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for the District's operations, they are not included in the government-wide statements. The District considers some governmental funds as major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements, and generally include the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary funds use this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, deferred inflows of resources, 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, 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 and right-to-use assets, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues, except for property tax revenue, available if they are collectible within one year after year end.

Revenues from local sources consist primarily of property taxes and grants. The District considers property tax revenue available if it will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Unavailable revenue from property taxes arises only under modified accrual basis of accounting. The governmental funds report this unavailable revenue as deferred inflow of resources, which is recognized as revenue in the period that the amounts become available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Within this measurement focus, assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into investment in capital assets net of related debt, restricted, and unrestricted.

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 District reports the following major governmental funds:

1. General Fund - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Community Facilities Grant - This fund is used to account for the Community Facilities Grant awarded to the District by USDA.

Additional fund types of the District are:

GOVERNMENTAL FUNDS:

1. Special Revenue Funds - The District accounts for resources restricted for specific purposes by a grantor in a special revenue fund. Most Federal and State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Community Facilities Fund is a special revenue fund.
2. Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund. The District has no debt service fund.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Projects Fund- The proceeds from long-term debt financing will be used to construct, renovate, acquire and equip buildings in the District and pay any associated costs. The District has no capital project funds.
4. Permanent Funds - Account for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no permanent funds.

PROPRIETARY FUNDS:

5. Enterprise Funds - The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise funds.
6. Internal Service Funds - These funds are used to account for financing of goods or services provided by one department to other departments of the District on a cost-reimbursement basis. The District has no internal service funds.

Net Position and Fund Balance Reporting

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.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District considers restricted resources to have been spent.

Fund Balance - If applicable, the District reports the following fund balance categories which describe the nature and relative strength of the spending constraints:

- **Nonspendable fund balance** - Represents amounts that are not in spendable form or are legally or contractually required to be maintained intact, such as inventories.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Restricted fund balance** - Represents amounts restricted to specific purposes, with constraints placed on the use of resources by (a) external creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or (c) enabling legislation.
- **Committed fund balance** - Represents amounts that are restricted for purposes by the District itself, using its highest level of decision-making authority, i.e., Board of Directors. These amounts are committed through a formal resolution, requiring funds to be used only for specific purposes. These amounts can only be re-allocated by the same formal action that was taken to originally commit those amounts. The Board of Directors shall take action to commit funds for a specific purpose prior to the end of the fiscal year.
- **Assigned fund balance** - Represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The governing body has delegated authority to the Executive Director. Should the Board opt not to commit any balances, it will implicitly defer to the designees to make appropriate assignments.
- **Unassigned fund balance** - Represents amounts that are available for any purpose and have not been restricted, committed, or assigned for specific purposes.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a formal resolution. Assigned fund balance is established by the Executive Director or designated managers through adoption or amendment of the budget as intended for specific purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) 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, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used, unless the Board has provided otherwise in its budget or its commitment or assignment actions.

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.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Management asserts that the District 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, 2023, the District's investments in the LoneStar Investment Pool were rated AAAM and AAAF by Standard & Poor's.

Custodial Credit Risk:

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.

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.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk:

Deposits - The District is not exposed to credit risk.

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 - The District is not exposed to interest rate risk.

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 - Capital assets, which include land, buildings & improvements, furniture and equipment, and right-to-use assets are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as furniture and equipment with an initial, individual cost of \$5,000 and an estimated useful life (or right-to-use asset term) in excess of one year and improvement and infrastructure projects with an individual cost of more than \$100,000. Land, buildings and improvements, furniture and equipment, and vehicles are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value at the date of the receipt.

Right-to-use assets are recorded at the present value of their future payments over the non-cancelable agreement. In a governmental fund, the full amount of the right-to-use asset is reported as an expenditure in the year the agreement is executed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings and improvements, furniture and equipment, and vehicles are depreciated using the straight line method over the following estimated useful lives. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. When a lease contains a purchase option the District chooses to exercise, the lease asset is amortized over the useful life of the underlying asset. The amortization expense is combined with depreciation expense for financial reporting purposes.

The District provides for depreciation and amortization of capital assets as follows:

Buildings and Improvements	10 to 40 years
Furniture and Equipment	3 to 10 years

Long Term Liabilities - In the government-wide financial statements, long-term debt, right-to-use liabilities, subscription based information technology arrangements, and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. When applicable, premiums and discounts are presented as a component of liabilities while deferred losses on refundings are presented as deferred outflows of resources. Both items are deferred and amortized over the life of the related debt using the straight line method. Long-term debt is reported net of the applicable premium or discount. The right-to-use liability is reported in the government wide statements and in proprietary fund statements, if any. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense. Subscription based information technology arrangements (SBITA) liability is reported in the government-wide statements and in proprietary fund statements, if any. The subscription liability is calculated as the present value of the subscription payments expected to be made during the subscription term of the agreement and the interest included in the subscription payment is recorded as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, and new right-to-use arrangements, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. For new right-to-use assets, the initial measurement is reported in governmental fund types as an other source during the current period. Payments are reported as principal and interest payments during the reporting period in the fund level statements.

Compensated Absences - It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. Up to 80 hours of PTO may be carried over to the following year, and accrued PTO is capped based on length of service. PTO will not accrue once maximum hours are reached.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 - The preparation financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, 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.
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.

New GASB Statement Implemented - The District implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) as well as availability payment arrangement (APAs). The implementation of this standard resulted in enhanced disclosures for the District. See Note 13.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

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, 2023, 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, 2023, were as follows:

Checking and Money Market Bank Balances:	
WTNB	\$ 1,888,725
Total	<u>\$ 1,888,725</u>
FDIC Coverage:	
WTNB (up to \$250,000)	\$ 250,000
WTNB - Irrevocable Standby Letter of Credit maturing February 1, 2024	<u>2,500,000</u>
Total Security for Deposits	<u>\$ 2,750,000</u>

The difference between book and bank balances was \$168,210 and represents items in transit at year-end, usually outstanding checks that clear in the following month.

Due to the immediate availability of the \$4,742,706 in the Lone Star Government Overnight Fund, these temporary investments are included in cash and cash equivalents and are measured at amortized cost.

The Lone Star Investment Pool is a member owned, member-governed public funds investment pool. It is managed by an eleven member Board of Trustees and the Board is authorized to adopt and maintain bylaws. There is also an Advisory Board composed of participants that gathers and exchanges information from participants relating to the operation of the Pool. Each fund within the Pool has received the highest rating, that of AAA, from Standard & Poor's as required by the Public Fund's Investment Act. Each fund seeks to maintain a net asset value of one dollar. Lone Star Investment Pool issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by calling Lone Star at 1-800-558-8875.

3. DUE FROM OTHER GOVERNMENTS

The District participates in one federal program from which it receives grants to partially or fully finance certain activities. Management has deemed that no allowance for doubtful accounts is necessary for fair presentation as there is usually no risk of uncollectibility. As of September 30, 2023, \$430,487 is due from the federal government.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

4. INTERFUND BALANCES

The interfund balances are a result of normal operations and are cleared out periodically. Management intends to pay out these balance within one year. Interfund balances as of September 30, 2023 consist of \$1,721 due from the Community Facilities Fund to the General Fund.

Interfund transfers are the result of local cash match transferred from the General Fund to the Community Facilities Fund. Interfund transfer balances as of September 30, 2023 consist of \$33,710 from the General Fund to the Community Facilities Fund.

5. CAPITAL ASSETS

Capital asset activity for the District for the year ended September 30, 2023, was as follows:

	2022	Additions	Deletions and Adjustments	2023
<u>Governmental Activities:</u>				
Capital Assets:				
Non-depreciable asset:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Depreciable assets:				
Buildings and Improvements	377,765	-	-	377,765
Furniture and Equipment	44,316	-	(18,210)	26,106
Total depreciable assets	422,081	-	(18,210)	403,871
Totals at historical cost	522,081	-	(18,210)	503,871
Right-to-Use Lease asset:				
Office Building	-	32,030	-	32,030
Equipment	-	8,030	-	8,030
	-	40,060	-	40,060
Less accumulated depreciation for:				
Buildings and Improvements	(39,607)	(9,903)	-	(49,510)
Furniture and Equipment	(34,166)	(2,940)	18,210	(18,896)
Total for capital assets	(73,773)	(12,843)	18,210	(68,406)
Less accumulated amortization for				
Right-to-Use Lease assets:				
Office Building	-	(776)	-	(776)
Equipment	-	(402)	-	(402)
Total accumulated amortization	-	(1,178)	-	(1,178)
Capital Assets, net	\$ 448,308	\$ 26,039	\$ -	\$ 474,347

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

5. CAPITAL ASSETS (Continued)

Depreciation and amortization expense were charged to governmental functions as follows: \$6,400 to general government and \$7,621 to health and welfare.

6. UNEARNED REVENUE

Unearned revenue at year end consisted of the following:

	<u>Community Facilities Fund</u>
Brewster County advance match for PCHS	\$ 9,015
Presidio County advance match for PCHS	37,624
Terlingua Fire & EMS, Inc. Advance match	<u>4,760</u>
Total Unearned Revenue	<u><u>\$ 51,399</u></u>

7. CHANGES IN LONG-TERM LIABILITIES

A summary of changes in the general long-term liabilities for the year ended September 30, 2023 is as follows:

	<u>Funded By</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Leases Payable:</u>						
Right-to-Use Lease Liabilities	General Fund	\$ -	\$ 40,060	\$ 3,590	\$ 36,470	\$ 11,684
Total Leases Payable		<u>\$ -</u>	<u>\$ 40,060</u>	<u>\$ 3,590</u>	<u>\$ 36,470</u>	<u>\$ 11,684</u>

8. RIGHT-TO-USE LIABILITIES

The District entered into lease agreements as lessee to lease a building and office equipment with lease terms from 36 to 60 months from two different vendors.

In July 2023, the District executed a lease for copiers throughout the District for a term of five years with monthly payments of \$139. Management utilized a 1.5% interest rate to calculate the net present value of the lease. The right-to-use asset is being amortized over the term of the lease using the straight-line method.

In June 2023, the District executed a lease for an office building for a term of 3 years with monthly payments of \$1,000. Management utilized a 7.75% interest rate to calculate the net present value of the lease. The right-to-use asset is being amortized over the term of the lease using the straight-line method.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

8. RIGHT-TO-USE LEASE LIABILITIES (Continued)

During the fiscal year ending September 30, 2023, total principal paid by the District was \$3,590 and total interest paid by the District was \$827 related to these lease agreements. Future payments are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2024	\$ 11,684	\$ 1,984	\$ 13,668
2025	12,522	1,145	13,667
2026	9,385	283	9,668
2027	1,636	32	1,668
2028	1,243	8	1,251
	<u>\$ 36,470</u>	<u>\$ 3,452</u>	<u>\$ 39,922</u>

9. 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, 2023, was \$.08324 per \$100 valuation.

Property taxes receivable consisted of the following at September 30, 2023:

Current taxes receivable	\$ 67,876
Delinquent taxes receivable	<u>299,338</u>
	367,214
Less allowance for uncollectible taxes:	<u>(213,472)</u>
Taxes receivable, net	<u>\$ 153,742</u>
Delinquent taxes by fiscal year:	
2022	45,318
2021	32,724
2020	27,136
2019	24,249
2018	23,465
2017 and prior	<u>146,446</u>
	<u>\$ 299,338</u>

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

10. FUND BALANCES

As of September 30, 2023, fund balances were composed of the following:

Restricted - Community Facilities Grant	\$ 2,897
Committed for Medical Enhancement Projects	49,382
Unassigned	<u>6,221,134</u>
 Total	 <u><u>\$ 6,273,413</u></u>

11. SIMPLIFIED EMPLOYEE PENSION (SEP)

The District offers a Simplified Employee Pension (SEP) plan for employees. The plan is administered by Vanguard and is defined contribution plan. All employees are eligible to participate in the SEP if:

1. The employee is at least 21 years old;
2. The employee has successfully met their 90 day probationary period; and
3. Earn at least \$600 in a tax year.

The District contributes 4% of the eligible employee’s earnings to the plan. The District determines and approves the rate, if any, of benefit at each budgetary cycle. For the year ended September 30, 2023, the District contributed \$11,473.

12. TAX ABATEMENTS

The District has one property tax abatement agreement as of September 30, 2023. No new tax abatement agreements were entered into during the year ended September 30, 2023. The following is a summary of the terms:

Name	Requirement	Abatement Period	Specific Taxes Being Abated	Tax Payments Received During the Year Ended Sept. 30, 2023	Taxable Value
Big Bend Hospital Corporation	Construct, operate and lease a new general care hospital within Brewster County, Texas.	30 years	100% of all District ad valorem taxes on all real property located within Brewster County in Tax Year 1998 through Tax Year 2028	\$ -	Tax Year 2022: Assessed Value \$2,232,008 Gross Taxes \$1,858 Tax Abatement \$1,858 Net Assessed Taxes \$-

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

13. COMMITMENTS AND CONTINGENCIES

Public-Private Partnership - 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 leased for \$1 per year 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. The agreement was evaluated in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Since the term of the agreement and the useful life of the underlying asset are the same, the estimated carrying value at the end of the term is zero and, as such, no receivable is recorded. The District will re-evaluate the agreement on an on-going basis as changes are made to ensure proper valuation of amounts presented on these financial statements.

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.

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.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

13. COMMITMENTS AND CONTINGENCIES (Continued)

Federal Funding - The District is the recipient of a USDA Community Facilities Grant Agreement that covers four fiscal years. This program is subject to audit by the USDA, and should they discover areas of material noncompliance, those District funds may be subject to refund if so determined. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grant agreement; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

14. 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 District. As of September 30, 2023, no claims or losses have been incurred that were not covered by insurance. Management is not aware of any liability due to any claim or suit.

15. RELATED PARTY TRANSACTIONS

Management is not aware of any significant related party transactions during the 2022-2023 fiscal year.

16. 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. 100, *Accounting Changes and Error Corrections - an amendment of GASB No. 62*, effective for fiscal years beginning after June 15, 2023. 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 or assessing accountability.
- GASB No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. 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.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

17. LITIGATION

During the normal course of business the District is subject to various legal claims. As of September 30, 2023, management is not aware of any litigation that would have a material adverse effect on these financial statements and accordingly, no provision has been accrued.

REQUIRED SUPPLEMENTARY INFORMATION

BIG BEND REGIONAL HOSPITAL DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2023

	Budgets		Actual Amounts	Variance
	Original	Final		
Revenues:				
Property tax	\$ 1,617,142	\$ 1,617,142	\$ 1,609,185	\$ (7,957)
Tobacco settlement funds	30,600	30,600	30,796	196
Other	180,000	180,000	301,775	121,775
Total Revenues	<u>1,827,742</u>	<u>1,827,742</u>	<u>1,941,756</u>	<u>114,014</u>
Expenditures/Expenses:				
Grant and initiative	296,400	273,355	224,747	48,608
Indigent care - IHS software	45,000	45,000	41,513	3,487
Indigent care - Claims	851,000	849,000	495,609	353,391
Insurance	7,034	7,034	6,982	52
Office and other	66,707	90,741	106,233	(15,492)
Professional and contract services	67,000	67,000	60,483	6,517
Rent and utilities	32,000	32,000	27,021	4,979
Salaries and related costs	301,415	301,415	308,399	(6,984)
Tax collection and appraisal fees	104,592	104,592	100,330	4,262
Tobacco settlement distributions	650	650	370	280
Travel and vehicle	4,000	5,000	5,234	(234)
Debt service	-	-	4,417	(4,417)
Capital outlay	-	-	40,060	(40,060)
Total Expenditures/Expenses	<u>1,775,798</u>	<u>1,775,787</u>	<u>1,421,398</u>	<u>354,389</u>
Excess of revenues over expenditures	<u>51,944</u>	<u>51,955</u>	<u>520,358</u>	<u>468,403</u>
Other financing sources (uses)				
Proceeds from right-to-use lease	-	-	40,060	40,060
Transfer out (grant match)	(74,557)	(74,557)	(33,710)	40,847
Total other financing sources (uses)	<u>(74,557)</u>	<u>(74,557)</u>	<u>6,350</u>	<u>80,907</u>
Net change in fund balances	(22,613)	(22,602)	526,708	549,310
Fund Balance/Net Position:				
Beginning of Year	<u>5,743,808</u>	<u>5,743,808</u>	<u>5,743,808</u>	<u>-</u>
End of Year	<u>\$ 5,721,195</u>	<u>\$ 5,721,206</u>	<u>\$ 6,270,516</u>	<u>\$ 549,310</u>

BIG BEND REGIONAL HOSPITAL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL GENERAL FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Budgets and Budgetary Control

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 1, 2022, the 2022-2023 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.

Budgetary Basis of Accounting

The District's budget is prepared on a modified accrual basis of accounting.

Excess Expenditures over Appropriations

Overall, the District experienced a favorable budget. However, a few areas exceeded the budgeted amounts. Due to GASB 87, the District experienced an unfavorable budget in the line item capital outlay which was offset by a favorable variance of the same amount in proceeds from right-to-use lease.

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 each major fund of Big Bend Regional Hospital District as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 23, 2024.

Report on 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 or significant deficiencies may exist that were not 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gibson Ruddock Patterson LLC

Gibson Ruddock Patterson LLC
El Paso, Texas
May 23, 2024

BIG BEND REGIONAL HOSPITAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

SEPTEMBER 30, 2023

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.