

BIG BEND REGIONAL HOSPITAL DISTRICT
ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORTS THEREON
FOR THE YEAR ENDED SEPTEMBER 30, 2019

BIG BEND REGIONAL HOSPITAL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying 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, 2019, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Big Bend Regional Hospital District, as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2020 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 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, appearing to read "Ch Ruddock" followed by a stylized flourish.

El Paso, Texas
February 12, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

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, 2019. 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, 2019, 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, 2019. 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, 2019, the total assets of Big Bend Regional Hospital District were \$4,884,097. Cash makes up 88% or \$4,311,498 of total assets. Capital assets, net of accumulated depreciation, make up 10% 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, 2019, was \$4,760,858. Of this amount, 90% is unrestricted and 10% is invested in capital assets.

	9/30/2019	9/30/2018
Cash	4,311,498	3,450,602
Property tax rec. & other, net	99,910	101,370
Noncurrent assets	472,689	480,686
Total assets	4,884,097	4,032,658
Liabilities	123,239	172,455
Net position - Unrestricted	4,288,669	3,380,017
Net position - Other	472,189	480,186
Total liabilities & net position	4,884,097	4,032,658

As of September 30, 2019, tax receipts make up 94% of revenue, or \$1,699,788 of \$1,806,759. The major expenses of the District include Indigent Care (37%) and Salaries and Related Costs (23%).

	9/30/2019	9/30/2018
Property tax revenue	1,699,788	1,658,870
Other revenue	106,971	75,499
Total revenue	1,806,759	1,734,369
Indigent care expenses & fees	437,398	376,157
Grants & enhancement projects	130,000	0
Salaries & related costs	264,929	241,734
Other operating expenses	337,694	326,552
Total expenses	1,170,021	944,443

Financial Analysis of the Government's Funds

At the end of fiscal year 2019, the ending general fund balance was \$4,203,315. This is an increase of \$904,101, or 27% of the prior year fund balance. During 2018-2019 the District's Board continued working on a plan to ensure the entire region was being adequately served. As a result, a hold had been placed on expenditures for medical enhancement project grants which are intended to assist eligible entities in improving medical related services to the District's indigent population as well as to the general population of the two counties. Additionally, the District authorized the sale of the Marfa facility for a net price of \$269,915. The prior year saw an increase in fund balance of approximately \$393,525 and the two years before that reported decreases of approximately \$199,748 and 846,924.

The District's major source of revenue comes from property taxes. The payments received from property taxes make up 94% of revenue in FY 2019. The remaining revenue results from interest earned on a savings deposit type accounts and the State's tobacco settlement.

Total expenditures in fiscal year 2019 decreased by approximately 13% or \$171,830 from the prior year. In the previous year the District funded the purchase of a building to house its Alpine offices which was not repeated in 2019. Both years included significant expenditures for indigent care claims. However, beginning in 2018 the District made a concerted effort to enforce its policies which included helping clients locate other sources of support, and the local economy improved significantly reducing the number of clients needing assistance. These two factors helped reduce the expenditures for indigent care claims in 2018 and 2019, compared to previous years.

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 Care Claims which resulted in a favorable variance of \$210,417.

In the end, all revenues and expenditures resulted in an overall favorable variance of \$347,951.

Next Year's Budgets and Rates

For fiscal year 2019-2020, the District adopted an operating budget of \$1,770,293. To support the budget for fiscal year 2019-2020 the board adopted a total tax rate of \$0.110758 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, 2019

	General Fund Balance Sheet	Reconciliation Between General Fund and Governmental Activities	Statement of Net Postion
ASSETS			
Current Assets:			
Cash	\$ 4,311,498	-	\$ 4,311,498
Property tax receivable	365,800	-	365,800
Allowance for uncollectible taxes	(276,918)	-	(276,918)
Prepaid expenses	11,028	-	11,028
Noncurrent Assets:			
Capital assets	-	510,436	510,436
Accumulated depreciation	-	(38,247)	(38,247)
Deposits	500		500
Total Assets	<u>\$ 4,411,908</u>	<u>\$ 472,189</u>	<u>\$ 4,884,097</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	123,239	-	123,239
Total Liabilites	<u>123,239</u>	-	<u>123,239</u>
Deferred Inflows of Resources:			
Unavailable revenue - Property taxes	85,354	(85,354)	-
Total Deferred Inflows of Resources	<u>85,354</u>	<u>(85,354)</u>	<u>-</u>
FUND BALANCE / NET POSITION			
Investment in capital assets	-	472,189	472,189
Unassigned / Unrestricted	4,203,315	85,354	4,288,669
Total Fund Balance / Net Position	<u>4,203,315</u>	<u>557,543</u>	<u>4,760,858</u>
Total Liabilities, Deferred Inflows & Equity	<u>\$ 4,411,908</u>	<u>\$ 472,189</u>	<u>\$ 4,884,097</u>

The accompanying notes are an integral 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, 2019

	Reconciliation Between General Fund and		
	General Fund	Governmental Activities	Governmental Activities
Revenues:			
Property tax	\$ 1,695,239	\$ 4,549	\$ 1,699,788
Tobacco settlement	32,392	-	32,392
Other	74,579	-	74,579
Total revenues	1,802,210	4,549	1,806,759
Expenditures/Expenses:			
Indigent care - IHS software	30,404	-	30,404
Indigent care - Claims	406,994	-	406,994
Insurance	14,341	-	14,341
Legal and accounting	39,713	-	39,713
Office & other	67,943	-	67,943
Rent and utilities	47,255	-	47,255
Salaries and related costs	264,929	-	264,929
Scholarships	15,400	-	15,400
Tax collection and appraisal fees	97,236	-	97,236
Tobacco settlement distributions	25,000	-	25,000
Travel and vehicle	20,376	-	20,376
Grant expense	130,000	-	130,000
Depreciation		10,430	10,430
Capital asset acquisitions	8,433	(8,433)	-
Total expenditures/expenses	1,168,024	1,997	1,170,021
Excess of revenue over expenditures	634,186	2,552	636,738
Other financing sources:			
Sale of capital assets	269,915	(6,000)	263,915
Net Change in fund balance/net position:	904,101	(3,448)	900,653
Fund balance/net position:			
Beginning of year	3,299,214	560,991	3,860,205
End of year	\$ 4,203,315	\$ 557,543	\$ 4,760,858

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

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019

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, 2019

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, 2019

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. Although the District did not have any investments at year end, the District has implemented and publicized its investment policy and is in substantial compliance with the requirements of the Act and with local policies.

Custodial Credit Risk for 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.

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, 2019

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
Fixed Equipment	7 to 25 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, 2019

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 WITH FINANCIAL INSTITUTIONS

All deposits were with West Texas National Bank and Marfa National Bank in interest bearing accounts. The accounts were secured at September 30, 2019, 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, 2019, were as follows:

Checking and Money Market Bank Balances:	
WTNB	\$ 4,319,799
MNB	<u>4,091</u>
Total	<u>\$ 4,323,890</u>
FDIC Coverage:	
WTNB (up to \$250,000)	\$ 250,000
MNB (up to \$250,000)	4,091
WTNB - Irrevocable Standby Letter of Credit maturing January 31, 2019	<u>4,250,000</u>
Total Security for Deposits	<u>\$ 4,504,091</u>

The difference between book and bank balances was \$12,392 and presents items in transit at year-end, usually outstanding checks that clear in the following month.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

3. CAPITAL ASSETS

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

	2018	Changes	2019
Land	\$ 106,000	\$ (6,000)	\$ 100,000
Furniture and Fixtures	30,343	2,328	32,671
Alpine Office	371,660		371,660
Presidio Leasehold Improvements		6,105	6,105
Marfa Rural Health Clinic	100,825	(100,825)	0
Total property, plant and equipment	608,828	(98,392)	510,436
Less accumulated depreciation	(128,642)	90,395	(38,247)
Net Book Value	<u>\$ 480,186</u>	<u>\$ (7,997)</u>	<u>\$ 472,189</u>

Depreciation expense for the year ended September 30, 2019, was \$10,430.

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, 2019, was \$.111444 per \$100 valuation.

Property taxes receivable consisted of the following at September 30, 2019:

Current taxes receivable	\$ 64,936
Delinquent taxes receivable	<u>300,864</u>
	<u>\$ 365,800</u>
Delinquent taxes by fiscal year:	
2018	45,027
2017	36,420
2016	29,213
2015	24,276
2014	16,490
2013 and prior	<u>149,438</u>
	<u>\$ 300,864</u>

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

5. FUND BALANCES

As of September 30, 2019, fund balances were composed of the following:

Unassigned	<u>\$ 4,203,315</u>
Total	<u><u>\$ 4,203,315</u></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. The following table sets forth information provided by CHS related to the hospital facility as of September 30, 2016.

Building, Improvements & Equipment	\$ 19,028,759
Accumulated Depreciation	<u>(9,315,312)</u>
Net Book Value	<u><u>\$ 9,713,447</u></u>

The cost basis in just the building and improvements, not including equipment, as of September 30, 2016 was reported as \$11,289,805. More current information may be obtained from CHS.

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.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

6. COMMITMENTS AND CONTINGENCIES (Continued)

Presidio Office Building Lease - Effective June 1, 2019, the District leased office facilities in Presidio for two years with payments at \$800 per month.

Vehicle Lease- Effective April, 2017, the District leased two vehicles under a forty-eight month operating lease for \$869 per month. Future minimum lease payments on all operating lease are as follows:

<u>Year Ending September 30,</u>	<u>Minimum Payments</u>
2020	\$ 23,592
2021	15,178
	<u>\$ 38,770</u>

The total rent/lease expense for the year ended September 30, 2019 was \$37,497.

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.

Marfa Meds Project - On December 17, 2013, the District approved the reopening of the Marfa Meds Project. The continuation of the Marfa Meds Project is contingent upon the opening of a pharmacy in Marfa. If a pharmacy is opened in Marfa, the Marfa Meds Project will be closed and the remaining cash balance will be reimbursed to the two granting entities.

(Continued)

BIG BEND REGIONAL HOSPITAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019, 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 2018-2019 fiscal year.

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, 2019

	Budgets		Actual Amounts	Variance
	Original	Final		
Revenues:				
Property tax	\$ 1,677,975	\$ 1,677,975	\$ 1,695,239	\$ 17,264
Tobacco settlement	25,000	25,000	32,392	7,392
Other	38,000	38,000	74,579	36,579
Total revenues	<u>1,740,975</u>	<u>1,740,975</u>	<u>1,802,210</u>	<u>61,235</u>
Expenditures/Expenses:				
Indigent care - IHS software	35,000	35,000	30,404	4,596
Indigent care - Claims	617,411	617,411	406,994	210,417
Insurance	25,700	25,700	14,341	11,359
Legal and accounting	44,000	44,000	39,713	4,287
Travel and vehicle	34,500	34,500	20,376	14,124
Office (w/contract labor)	60,000	60,000	67,943	(7,943)
Rent and utilities	69,450	69,450	47,255	22,195
Salaries and related costs	278,500	278,500	264,929	13,571
Scholarships	22,000	22,000	15,400	6,600
Tax collection and appraisal fees	98,500	98,500	97,236	1,264
Tobacco settlement distributions	25,000	25,000	25,000	-
Grant expense	203,914	203,914	130,000	73,914
Capital asset acquisitions	2,000	2,000	8,433	(6,433)
Total expenditures/expenses	<u>1,515,975</u>	<u>1,515,975</u>	<u>1,168,024</u>	<u>347,951</u>
Excess of revenue over expenditures	225,000	225,000	634,186	<u>\$ 409,186</u>
Fund balance/net position:				
Beginning of year	3,299,214	3,299,214	3,299,214	
End of year	<u>\$ 3,524,214</u>	<u>\$ 3,524,214</u>	<u>\$ 3,933,400</u>	

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, 2019, 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 12, 2020.

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) to determine the 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.

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 determination of financial statement amounts. 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.

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

El Paso, Texas
February 12, 2020

BIG BEND REGIONAL HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2019

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.