

# **Maverick County Hospital District**

Independent Auditor's Report and Financial Statements

August 31, 2021 and 2020

**Maverick County Hospital District**  
**August 31, 2021 and 2020**

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## Independent Auditor's Report

Board of Directors  
Maverick County Hospital District  
Eagle Pass, Texas

We have audited the accompanying financial statements of Maverick County Hospital District (District), as of and for the years ended August 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of August 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information as listed in the table of contents 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 audits 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.

***BKD, LLP***

Dallas, Texas  
February 28, 2022

# **Maverick County Hospital District**

## **Management's Discussion and Analysis**

### **Years Ended August 31, 2021 and 2020**

#### ***Introduction***

This management's discussion and analysis of the financial performance of Maverick County Hospital District (District) provides an overview of the District's financial activities for the years ended August 31, 2021 and 2020. It should be read in conjunction with the accompanying financial statements of the District.

#### ***Financial Highlights***

- Cash and investments increased in 2021 by \$379,222, or 2.8 percent, and decreased by \$756,505, or 5.2 percent in 2020.
- The District's net position increased in 2021 by \$1,656,765, or 8.3 percent, and decreased in 2020 by \$2,250,397, or 10.1 percent.
- The District reported an operating loss in 2021 of \$4,081,011 and an operating loss in 2020 of \$5,198,070. The operating loss decreased in 2021 by \$1,117,059 or 21.5 percent.
- Net nonoperating revenues, net (inclusive of special item recognized in 2021) increased by \$2,790,103 or 94.7 percent, in 2021 compared to 2020 and decreased by \$998,703, or 25.3 percent, in 2020 compared to 2019.

#### ***Using This Annual Report***

The District's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

#### ***The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position***

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

These two statements report the District's net position and changes in it. The District's total net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors should also be considered to assess the overall financial health of the District.

## **The Statement of Cash Flows**

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

## **The District's Net Position**

A summary of the District's balance sheets are presented in the following table:

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 11,346,339	\$ 10,762,324	\$ 2,400,668
Investments	2,758,910	2,963,703	12,081,864
Receivables and other assets, net	2,090,775	2,071,727	2,047,883
Capital assets, net	6,003,413	5,445,944	5,652,013
Net pension asset	1,104,294	773,661	390,779
	<hr/>	<hr/>	<hr/>
Total assets	23,303,731	22,017,359	22,573,207
<b>Deferred Outflows of Resources - Pensions</b>	<hr/>	<hr/>	<hr/>
	521,081	297,342	603,392
	<hr/>	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 23,824,812</u>	<u>\$ 22,314,701</u>	<u>\$ 23,176,599</u>
<b>Liabilities and Long-term Debt</b>	<hr/>	<hr/>	<hr/>
	\$ 1,985,660	\$ 2,166,470	\$ 873,762
<b>Deferred Inflows of Resources - Pensions</b>	<hr/>	<hr/>	<hr/>
	215,992	181,836	86,045
	<hr/>	<hr/>	<hr/>
<b>Net Position</b>			
Net investment in capital assets	6,003,413	5,438,601	5,612,570
Restricted for pension	1,104,294	773,661	390,779
Unrestricted	14,515,453	13,754,133	16,213,443
	<hr/>	<hr/>	<hr/>
Total net position	21,623,160	19,966,395	22,216,792
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position	<u>\$ 23,824,812</u>	<u>\$ 22,314,701</u>	<u>\$ 23,176,599</u>

A significant change in the District's assets in 2021 as compared to 2020, is the increase in the net pension asset, which increased by \$330,633 or 42.7 percent, as a result of increases in fiduciary net position. Deferred outflows of resources related to pensions also increased by approximately \$224,000 (75.2 percent) for the same reason.

## Operating Results and Changes in the District's Net Position

The following table presents a summary of the District's revenues and expenses for each of the years ended August 31, 2021, 2020 and 2019.

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 6,756,861	\$ 6,056,492	\$ 4,511,099
Other	820,756	1,032,226	1,063,081
Total operating revenues	<u>7,577,617</u>	<u>7,088,718</u>	<u>5,574,180</u>
<b>Operating Expenses</b>			
Salaries, wages, and employee benefits	6,633,311	7,609,878	7,192,211
Purchased services and professional fees	1,146,977	1,113,834	954,591
Depreciation and amortization	311,749	310,686	287,135
Supplies and other	3,566,591	3,252,390	2,499,259
Total operating expenses	<u>11,658,628</u>	<u>12,286,788</u>	<u>10,933,196</u>
<b>Operating Loss</b>	<u>(4,081,011)</u>	<u>(5,198,070)</u>	<u>(5,359,016)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Property taxes	4,659,947	4,448,240	3,656,976
Investment return	7,122	272,931	531,940
Noncapital grants	863,415	666,584	760,218
Tobacco settlement	178,739	183,063	168,813
Indigent care and Medicaid waiver payments	(833,047)	(2,623,145)	(1,171,571)
Total nonoperating revenues, net	<u>4,876,176</u>	<u>2,947,673</u>	<u>3,946,376</u>
<b>Special Item - Forgiveness of PPP Loan</b>	<u>861,600</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 1,656,765</u>	<u>\$ (2,250,397)</u>	<u>\$ (1,412,640)</u>

### Operating Losses

The first component of the overall change in the District's net position is its operating income or loss—the difference between operating revenues and the expenses incurred to perform those services. In 2021, 2020 and 2019, the District reported operating losses. This is consistent with the District's recent operating history as the District was formed and is operated primarily to support health care for low-income residents in Maverick County. The District levies property taxes to provide sufficient resources to support that mission.

The operating loss for 2021 decreased by \$1,117,059 or 21.5 percent, as compared to the operating loss in 2020. The primary component of the change in the operating loss in 2021 is the decrease in operating expenses of \$628,160 or 5.1 percent, which is primarily as a result of decrease in salaries, wages, and employee benefits. Another component of the decrease in the 2021 operating loss is the increase in operating revenues of \$488,899 or 6.9 percent, which is primarily attributable to the District hiring a podiatrist in July 2021, thereby having two months of operations in fiscal year 2021.

The operating loss for 2020 decreased by \$160,946, or 3.0 percent, as compared to the operating loss in 2019.

### ***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses consist primarily of property taxes levied by the District, investment income, noncapital grants, and indigent care and Medicaid waiver related payments. Total nonoperating revenues, net, increased by \$1,928,503, or 65.4 percent, between 2020 and 2021. The increase was primarily due to a decrease in indigent care and Medicaid Waiver payments made, which decreased by \$1,790,098.

Total nonoperating revenues and expenses decreased by \$998,703, or 25.3 percent, between 2019 and 2020. The decrease was primarily due to an increase in indigent care and Medicaid Waiver payments made, which increased by \$1,451,574. This increase in nonoperating expenses was offset by an increase in property tax revenue of \$791,264 from 2019 to 2020.

### ***Special Item – Forgiveness of PPP Loan***

The District obtained legal notice of forgiveness of a Paycheck Protection Program (PPP) loan in January 2021 in the amount of \$861,600. The forgiveness was recognized as a special item on the statements of revenues, expenses and changes in net position as of August 31, 2021 in accordance with GASB Statement 62.

### ***The District's Cash Flows***

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2021, 2020 and 2019 discussed earlier.

### ***Capital Asset and Debt Administration***

#### **Capital Assets**

At August 31, 2021, the District had \$6,003,413 invested in capital assets, net of accumulated depreciation. In 2021, the District added capital assets costing approximately \$869,000.

At August 31, 2020, the District had \$5,445,944 invested in capital assets, net of accumulated depreciation. In 2020, the District added capital assets costing approximately \$105,000.

#### **Debt**

At August 31, 2021 and 2020, the District had \$937,200 and \$868,943, respectively, in capital lease obligations and notes payable outstanding. During May 2020 and February 2021, the District obtained PPP loans as detailed in *Notes 9* and *10*.

### ***Contacting the District's Financial Management***

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Maverick County Hospital District at 3406 Bob Rogers Drive, Suite 230, Eagle Pass, TX 78852.



**Maverick County Hospital District**  
**Balance Sheets**  
**August 31, 2021 and 2020**

**Assets and Deferred Outflows of Resources**

	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 11,346,339	\$ 10,762,324
Short-term investments	245,897	1,148,600
Patient accounts receivable, net of allowance; 2021—\$1,862,000, 2020—\$1,039,000	638,196	639,657
Property taxes receivable, net of allowance; 2021 and 2020 - \$526,000	577,257	492,991
Other receivables, net of allowance; 2021—\$599,000, 2020—\$577,000	731,052	794,428
Prepaid expenses and other	144,270	117,651
Total current assets	13,683,011	13,955,651
<b>Noncurrent Cash and Investments</b>	2,513,013	1,815,103
<b>Capital Assets, Net</b>	6,003,413	5,445,944
<b>Other Assets</b>	-	27,000
<b>Net Pension Asset</b>	1,104,294	773,661
Total assets	23,303,731	22,017,359
<b>Deferred Outflows of Resources - Pensions</b>	521,081	297,342
Total assets and deferred outflows of resources	\$ 23,824,812	\$ 22,314,701

## Liabilities, Deferred Inflows of Resources, and Net Position

	<u>2021</u>	<u>2020</u>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ -	\$ 440,603
Accounts payable	247,494	362,667
Accrued salaries, wages and compensated absences	542,396	531,649
Medicare Advance payments	<u>258,570</u>	<u>403,211</u>
Total current liabilities	1,048,460	1,738,130
<b>Long-term Debt</b>	<u>937,200</u>	<u>428,340</u>
Total liabilities	<u>1,985,660</u>	<u>2,166,470</u>
<b>Deferred Inflows of Resources - Pensions</b>	<u>215,992</u>	<u>181,836</u>
<b>Net Position</b>		
Net investment in capital assets	6,003,413	5,438,601
Restricted for pension	1,104,294	773,661
Unrestricted	<u>14,515,453</u>	<u>13,754,133</u>
Total net position	<u>21,623,160</u>	<u>19,966,395</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 23,824,812</u>	<u>\$ 22,314,701</u>

**Maverick County Hospital District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended August 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2021—\$157,000, 2020—\$292,000	\$ 6,756,861	\$ 6,056,492
Other	820,756	1,032,226
Total operating revenues	7,577,617	7,088,718
<b>Operating Expenses</b>		
Salaries and wages	6,104,394	6,344,081
Employee benefits	528,917	1,265,797
Purchased services and professional fees	1,146,977	1,113,834
Supplies and other	3,466,662	3,147,898
Professional liability insurance expense	99,929	104,492
Depreciation and amortization	311,749	310,686
Total operating expenses	11,658,628	12,286,788
<b>Operating Loss</b>	(4,081,011)	(5,198,070)
<b>Nonoperating Revenues</b>		
Property taxes	4,659,947	4,448,240
Interest income	55,824	189,143
Change in unrealized gain (loss) in fair value of investments	(48,702)	83,788
Noncapital grants and gifts	863,415	666,584
Tobacco settlement	178,739	183,063
Total nonoperating revenues	5,709,223	5,570,818
<b>Nonoperating Expenses</b>		
Indigent care and Medicaid waiver payments	(833,047)	(2,623,145)
Total nonoperating expenses	(833,047)	(2,623,145)
Total nonoperating revenues, net	4,876,176	2,947,673
<b>Income (Loss) Before Special Item</b>	795,165	(2,250,397)
<b>Special Item - Forgiveness of PPP Loan</b>	861,600	-
<b>Increase (Decrease) in Net Position</b>	1,656,765	(2,250,397)
<b>Net Position, Beginning of Year</b>	19,966,395	22,216,792
<b>Net Position, End of Year</b>	\$ 21,623,160	\$ 19,966,395

**Maverick County Hospital District**  
**Statements of Cash Flows**  
**Years Ended August 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from and on behalf of patients and program participants	\$ 6,295,637	\$ 6,255,783
Payments to suppliers	(4,855,360)	(4,315,947)
Payments to employees	(7,115,780)	(7,577,582)
Other receipts, net	955,446	958,669
Net cash used in operating activities	(4,720,057)	(4,679,077)
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds received from issuance of paycheck protection program loan	937,200	861,600
Property taxes supporting operations	4,575,681	4,345,493
Proceeds received from tobacco settlement	178,739	183,063
Noncapital grants and gifts	867,778	677,405
Medicaid waiver program payments	(593,824)	(2,325,694)
Net cash provided by noncapital financing activities	5,965,574	3,741,867
<b>Cash Flows from Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(7,343)	(32,100)
Purchase of capital assets	(869,218)	(104,617)
Net cash used in capital and related financing activities	(876,561)	(136,717)
<b>Cash Flows from Investing Activities</b>		
Investment income	10,266	317,422
Purchase of investments	(1,435,207)	(324,128)
Proceeds from sale of investments	1,640,000	9,442,289
Net cash provided by investing activities	215,059	9,435,583
<b>Increase in Cash and Cash Equivalents</b>	584,015	8,361,656
<b>Cash and Cash Equivalents, Beginning of Year</b>	10,762,324	2,400,668
<b>Cash and Cash Equivalents, End of Year</b>	\$ 11,346,339	\$ 10,762,324

**Maverick County Hospital District**  
**Statements of Cash Flows (Continued)**  
**Years Ended August 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Used in Operating Activities</b>		
Operating loss	\$ (4,081,011)	\$ (5,198,070)
Depreciation and amortization	311,749	310,686
Provision for uncollectible accounts	156,743	292,294
Changes in operating assets and liabilities		
Patient accounts receivable and other, net	(338,636)	(569,771)
Accounts payable and accrued expenses	(104,426)	59,997
Medicare Advance payments	(144,641)	403,211
Net pension asset	(330,633)	(382,882)
Deferred outflows of resources - pensions	(223,739)	306,050
Deferred inflows of resources - pensions	34,156	95,791
Other assets and liabilities	381	3,617
Net cash used in operating activities	\$ (4,720,057)	\$ (4,679,077)
<b>Supplemental Cash Flows Information</b>		
Forgiveness of PPP loan	\$ 861,600	\$ -

# **Maverick County Hospital District**

## **Notes to Financial Statements**

### **August 31, 2021 and 2020**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations and Reporting Entity***

Maverick County Hospital District (District) is a political subdivision of the state of Texas. The District is controlled by a five-member board of governors elected by the public. The purpose of the District is to provide medical services to residents of Maverick County through support of indigent care programs by area medical care providers and to provide educational services through direct community involvement. The District also recruits physicians of various specialties to Maverick County in an effort to expand the range of medical services in Maverick County.

In 2021, the Maverick County Hospital District Foundation (Foundation) was formed to raise funds for the District and is a legally separate entity from the District. The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation has no corporate member; however, the Foundation is reported as a blended component unit of the District since the Foundation's Board of Directors is approved by the District and they can impose its will on the Foundation. The Foundation does not issue separate financial statements and fiscal year 2021 financial activity was not material.

##### ***Basis of Accounting and Presentation***

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, property taxes and investment income are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

##### ***Use of Estimates***

The preparation of 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# **Maverick County Hospital District**

## **Notes to Financial Statements**

### **August 31, 2021 and 2020**

#### ***Cash Equivalents***

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At August 31, 2021 and 2020, cash equivalents consisted of investments in public fund investment pools that included funds used for operations.

#### ***Property Taxes***

The District received approximately 35 percent of its financial support from property taxes in both 2021 and 2020. These funds were used to support operations.

Property taxes are levied by the District on October 1 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1, when the value is assessed. Property taxes become due and payable when levied on October 1. This is the date on which an enforceable legal claim arises, and the District records a receivable for the property tax assessment, less an allowance for uncollectible taxes. Property taxes are considered delinquent after January 31 of the following year.

The District's property tax rate was \$.1490 per \$100 valuation for both years ending August 31, 2021 and 2020. Property tax revenue totaled \$4,659,947 and \$4,448,240 for 2021 and 2020, respectively.

#### ***Risk Management***

The District is exposed to various risks of loss from torts; theft of damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice claims. Settled claims have not exceeded this commercial coverage in any of the three preceding periods.

#### ***Investments and Investment Income***

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in non-negotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

#### ***Patient Accounts Receivable***

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients, and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

**Maverick County Hospital District**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the District:

Land improvements	7-15 years
Buildings and improvements	25-40 years
Equipment	3-10 years

**Defined Benefit Pension Plan**

The District provides pension benefits to its employees through an agent multiple-employer defined benefit pension plan operated by the Texas County and District Retirement System (Plan). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows of Resources**

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its balance sheet.

**Deferred Inflows of Resources**

The District reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its balance sheet.

**Compensated Absences**

District policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits when earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expenses when the time off occurs and no liability is accrued for such benefits employees have earned, but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.



# **Maverick County Hospital District**

## **Notes to Financial Statements**

### **August 31, 2021 and 2020**

#### ***Net Position***

Net position of the District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted for pension represents assets restricted for providing contributions to the agent multiple-employer defined benefit pension plan which provides pensions in accordance with the benefit terms of the plan. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

#### ***Net Patient Service Revenue***

Net patient service revenue is derived from services of physicians employed by the District. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods, as adjustments become known. The District's physician group provided approximately \$239,000 and \$297,000 in indigent care to participants in the District's indigent care program in 2021 and 2020, respectively.

Net patient service revenue also includes revenue from the collection of co-insurance or cost-sharing payments from individuals who receive medical care under the District's indigent care program. These payments are based on a sliding scale of federal poverty guidelines.

#### ***Income Taxes***

The District is generally exempt from federal and state income taxes under Section 115 of the IRC and a similar provision of state law. The Foundation is exempt from federal income tax under Section 501(c)(3). Both the District and the Foundation are subject to federal income tax on any unrelated business taxable income.

#### ***Newly Adopted Accounting Pronouncements***

GASB released Statement No. 84, *Fiduciary Activities*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32, both of which were effective for the District's August 31, 2021 fiscal year.

GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

# Maverick County Hospital District

## Notes to Financial Statements

### August 31, 2021 and 2020

Under GASB 97, Section 457 plans should be accounted for as either a pension plan or other employee benefit plan, if the plan meets the definition of a pension or an other employee benefit plan within GASB 67 or 73. Accounting and financial reporting requirements for 457 plans that meet the definition of pension plan are defined in the Statement.

GASB 97 also limits the applicability of the financial burden criterion in GASB 14 regarding contributions to pension and postemployment benefit plans to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts meeting paragraph 3 criteria in GASB 67 or 74. Additionally, GASB 97 changes how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units that are pension or OPEB plans. This amends certain previous guidance in Statement 84 and amends and supersedes certain questions in Implementation Guide 2019-2.

The District adopted these standards in fiscal year 2021 and there was no material effect on the District's financial statements.

#### **Note 2: Indigent Care**

As discussed in *Note 1*, the primary purpose of the District is to provide medical services to residents of Maverick County. This is done through support of indigent care programs at area medical providers. As part of its mission of providing indigent care to citizens of Maverick County, the District participates in the Medicaid Section 1115(a) Waiver program; a program designed to benefit hospitals that service low income and indigent patients. As part of the program, certain governmental entities, including hospital districts, advance funds which are matched with federal funding. Based on specific requirements, all funds are then disbursed to providers throughout Texas. In connection with this program, the District transferred funds in the amount of \$593,824 and \$2,325,694 for the years ended August 31, 2021 and 2020, respectively.

#### **Note 3: Deposits and Investment Income**

##### ***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At August 31, 2021 and 2020, the District's deposits were either insured or collateralized in accordance with state law.

**Maverick County Hospital District**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

**Investments**

The District may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, and in bank repurchase agreements.

At August 31, 2021 and 2020, the District had the following investments and maturities:

Type	<b>August 31, 2021</b>		
	Fair Value	Maturities in Years	
		Less than 1	1-5
U.S. agencies obligations	\$ 739,374	\$ -	\$ 739,374
Certificates of deposit	2,019,536	245,897	1,773,639
Texas Class Investment Pool	9,308,122	9,308,122	-
	<u>\$ 12,067,032</u>	<u>\$ 9,554,019</u>	<u>\$ 2,513,013</u>

  

Type	<b>August 31, 2020</b>		
	Fair Value	Maturities in Years	
		Less than 1	1-5
U.S. agencies obligations	\$ 503,775	\$ 503,775	\$ -
Certificates of deposit	2,459,928	644,825	1,815,103
Texas Class Investment Pool	9,898,395	9,898,395	-
	<u>\$ 12,862,098</u>	<u>\$ 11,046,995</u>	<u>\$ 1,815,103</u>

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy requires that total investments have a weighted-average maturity of five years or less. The District’s investments in U.S. agency obligations include fixed-rate notes and bonds with a weighted average maturity of three years.

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the District’s policy to limit its investments to U.S. Treasury and agency obligations or otherwise follow the restrictions of the *Texas Public Funds Investment Act*. The debt securities of the U.S. agencies are rated AA+ by Standard & Poor’s rating agency at August 31, 2021 and 2020.

# Maverick County Hospital District

## Notes to Financial Statements

### August 31, 2021 and 2020

The District also utilizes a pooled investment concept for its funds to maximize its investment program by investing in TexCLASS, which is an investment pool authorized by the Texas Legislature. The Texas Treasury Safekeeping Trust Company is the trustee and is a limited purpose trust company authorized pursuant to Texas Government Code. The pool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pools is the same as the value of the pools shares.

The District also invests in certificates of deposit, which are classified as investments for financial reporting purposes. Approximately \$290,000 and \$69,000 of the District’s certificates of deposit were uninsured and were not collateralized in accordance with state law at August 31, 2021 and 2020, respectively.

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

**Concentration of Credit Risk** – As a means of limiting the risk of loss resulting from over concentration of assets in any one issuer, it is the District’s policy to diversify investment holdings to provide for stability of income and reasonable liquidity.

The following table reflects the District’s investments in single issuers that represent more than 5 percent of total investments at August 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Federal Farm Credit Bank	0%	21%
Federal Home Loan Bank	27%	0%
Harris County Texas	0%	6%
Capital One Bank	28%	6%
Morgan Stanley Bank	18%	18%
Wells Fargo Bank	9%	8%
Hilltop Securities	0%	8%
Discover Bank	0%	8%
Barclays Bank	0%	5%
Luana Saving Bank	9%	0%
Goldman Sachs	9%	0%

# Maverick County Hospital District

## Notes to Financial Statements

August 31, 2021 and 2020

### Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	<u>2021</u>	<u>2020</u>
Carrying value		
Deposits	\$ 2,038,217	\$ 863,929
Investments	<u>12,067,032</u>	<u>12,862,098</u>
	<u>\$ 14,105,249</u>	<u>\$ 13,726,027</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 11,346,339	\$ 10,762,324
Short-term investments	245,897	1,148,600
Noncurrent cash and investments	<u>2,513,013</u>	<u>1,815,103</u>
	<u>\$ 14,105,249</u>	<u>\$ 13,726,027</u>

**Maverick County Hospital District**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

**Note 4: Capital Assets**

Capital assets activity for the years ended August 31, was:

	<b>2021</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Land and land improvements	\$ 965,530	\$ 774,140	\$ -	\$ -	\$ 1,739,670
Buildings and improvements	7,638,858	12,499	-	-	7,651,357
Equipment	2,162,981	82,579	-	-	2,245,560
	<u>10,767,369</u>	<u>869,218</u>	<u>-</u>	<u>-</u>	<u>11,636,587</u>
Less accumulated depreciation:					
Land improvements	149,091	38,423	-	-	187,514
Buildings and improvements	3,464,669	140,260	-	-	3,604,929
Equipment	1,707,665	133,066	-	-	1,840,731
	<u>5,321,425</u>	<u>311,749</u>	<u>-</u>	<u>-</u>	<u>5,633,174</u>
Capital assets, net	<u>\$ 5,445,944</u>	<u>\$ 557,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,003,413</u>
	<b>2020</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land and land improvements	\$ 936,354	\$ 29,176	\$ -	\$ -	\$ 965,530
Buildings and improvements	7,607,234	31,624	-	-	7,638,858
Equipment	2,119,164	43,817	-	-	2,162,981
	<u>10,662,752</u>	<u>104,617</u>	<u>-</u>	<u>-</u>	<u>10,767,369</u>
Less accumulated depreciation:					
Land improvements	108,179	38,423	-	2,489	149,091
Buildings and improvements	3,327,961	139,197	-	(2,489)	3,464,669
Equipment	1,574,599	133,066	-	-	1,707,665
	<u>5,010,739</u>	<u>310,686</u>	<u>-</u>	<u>-</u>	<u>5,321,425</u>
Capital assets, net	<u>\$ 5,652,013</u>	<u>\$ (206,069)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,445,944</u>

**Maverick County Hospital District**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

**Note 5: Risk Management**

***General Liability Risks***

The District participates in the Texas Municipal League Intergovernmental Risk Pool (Pool), currently operating as a common risk management and insurance program for its members. The District pays an annual premium to the Pool for its general liability torts insurance coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums.

***Medical Malpractice Risks***

The District is a unit of government covered by the Texas Tort Claims Acts (TTCA) which, by statute, limits its malpractice liability to \$100,000 per person and \$300,000 per occurrence. The District was self-insured for medical malpractice risks until June 30, 2011, at which time, the District was insured by a third party, up to the limits established by the TTCA. To cover such risks, the District purchases medical malpractice insurance under an occurrence-basis policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

***Litigation***

The District is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the District's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheets, change in net position and cash flows of the District. Events could occur that would change this estimate materially in the near term.

**Note 6: Operating Leases**

The District leases office space in its medical office building to unrelated parties. All of the District's existing leases are cancellable with 30 days prior written notice. Rental income was approximately \$217,000 and \$212,000 for 2021 and 2020, respectively, and is recognized as a component of other operating revenue in the statements of revenues, expenses and changes in net position.

**Maverick County Hospital District**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

**Note 7: Pension Plans**

***Defined Contribution Plan Description***

The District offers a 457(b) defined contribution pension plan covering substantially all employees. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body. Contributions made by plan members were approximately \$49,000 and \$48,000 during 2021 and 2020, respectively. The District does not make contributions to the plan. Employees are immediately vested in their own contributions and earnings on those contributions.

***Defined Benefit Plan Description***

The District contributes to the Texas County and District Retirement System (TCDRS), an agent multiple-employer defined benefit pension plan covering substantially all employees. The Plan is administered by a board of trustees appointed by TCDRS. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body within the options available in the state statutes governing TCDRS. The Plan does not issue a separate report that includes financial statements and required supplementary information for the plan. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or from the website [www.tcdrs.org](http://www.tcdrs.org).

***Benefits Provided***

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

Members can retire at ages 60 and above with eight or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. A member is vested after eight years but must leave his accumulated contributions in the Plan to receive any employer-financed benefit. If a member withdraws his personal contributions in a lump sum, he is not entitled to any amounts contributed by the employer.

The Plan has been adopted in lieu of the normal requirement that employers contribute to the social security program (other than for the Medicare portion).



**Maverick County Hospital District**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

The employees covered by the Plan at December 31 (measurement date) are:

	<b>2020</b>	<b>2019</b>
Inactive employees or beneficiaries currently receiving benefits	7	6
Inactive employees entitled to but not yet receiving benefits	60	55
Active employees	87	87
	154	148

**Contributions**

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

The District establishes rates based on the annually determined rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both the employee members and the employer based on the covered payroll of employee members. Plan members are required to contribute 6 percent of their annually covered salary. Under the TCDRS Act, rates are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended August 31, 2021, employees contributed \$282,477, or 4.8 percent of annual pay and the District contributed \$137,654 or 2.3 percent of annual pay. For the year ended August 31, 2020, employees contributed \$296,052, or 5.2 percent of annual pay, and the District contributed \$293,031, or 5.1 percent of annual pay, to the Plan.

**Net Pension Asset**

The District’s net pension asset as of August 31, 2021 and 2020, was measured as of December 31, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension asset was determined by actuarial valuations as of these dates.

**Maverick County Hospital District**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

The total pension liability in the December 31, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurements:

	<b>2020</b>	<b>2019</b>
Inflation	2.50%	2.75%
Salary increases (average over career, including inflation)	4.60%	4.90%
Ad hoc cost of living adjustments	Not included	Not included
Investment rate of return (net of investment expenses, including inflation)	7.50%	8.00%

Mortality rates for depositing members were based on the RP-2014 Active Employee Mortality Table with a 110 percent for females and 130 percent for males, both projected with 110 percent of the MP-2014 Ultimate scale after that.

The actuarial assumptions used in the December 31, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016.

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of geometric rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>
Equities		
U.S. Equities	11.5%	4.3%
International Equities — Developed	5.0%	4.3%
International Equities — Emerging	6.0%	4.8%
Global Equities	2.5%	4.6%
Hedge Funds	6.0%	1.9%
High-Yield Investments		
Strategic Credit	9.0%	2.1%
Distressed Debt	4.0%	5.7%
Direct Lending	16.0%	6.7%
Private Equity	25.0%	7.3%
Real Assets		
REITs	2.0%	3.5%
Private Real Estate Partnerships	6.0%	4.9%
Master Limited Partnerships	2.0%	5.1%
Cash Equivalents	2.0%	-0.7%
Investment-Grade Bonds	3.0%	-0.9%
Total	100%	

**Maverick County Hospital District**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.6 percent and 8.1 percent at December 31, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension asset for the years end August 31, are:

	<b>2021</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Asset (a) - (b)</b>
Balances at beginning of year	\$ 5,421,782	\$ 6,195,443	\$ (773,661)
Changes for the year:			
Service cost	589,731	-	589,731
Interest on total pension liability	482,994	-	482,994
Effect of plan changes	(642,457)	-	(642,457)
Effect of economic/demographic gains or losses	80,853	-	80,853
Effect of assumptions, changes or inputs	406,461	-	406,461
Refund of contributions	(31,715)	(31,715)	-
Benefit payments	(67,453)	(67,453)	-
Administrative expenses	-	(5,374)	5,374
Member contributions	-	295,394	(295,394)
Net investment income	-	641,049	(641,049)
Employer contributions	-	301,795	(301,795)
Other changes	-	15,351	(15,351)
Net changes	818,414	1,149,047	(330,633)
Balances at end of year	\$ 6,240,196	\$ 7,344,490	\$ (1,104,294)

**Maverick County Hospital District**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

	<b>2020</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Asset (a) - (b)</b>
Balances at beginning of year	\$ 4,544,953	\$ 4,935,732	\$ (390,779)
Changes for the year:			
Service cost	589,246	-	589,246
Interest on total pension liability	411,286	-	411,286
Effect of economic/demographic gains or losses	(8,263)	-	(8,263)
Refund of contributions	(53,458)	(53,458)	-
Benefit payments	(61,982)	(61,982)	-
Administrative expenses	-	(4,721)	4,721
Member contributions	-	292,809	(292,809)
Net investment loss	-	810,100	(810,100)
Employer contributions	-	261,088	(261,088)
Other changes	-	15,875	(15,875)
Net changes	876,829	1,259,711	(382,882)
Balances at end of year	\$ 5,421,782	\$ 6,195,443	\$ (773,661)

The District's net pension asset has been calculated using a discount rate of 7.6 percent. The following table presents the net pension asset using a discount rate 1 percent higher and 1 percent lower than the current rate for August 31:

	<b>2021</b>		
	<b>1% Decrease 6.6%</b>	<b>Current Discount Rate 7.6%</b>	<b>1% Increase 8.6%</b>
District's net pension asset	\$ (158,575)	\$ (1,104,294)	\$ (1,881,766)

# Maverick County Hospital District

## Notes to Financial Statements

August 31, 2021 and 2020

### ***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the years ended August 31, 2021 and 2020, the District recognized pension expense (reduction of pension expense) of approximately (\$382,000) and \$315,000, respectively. At August 31, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2021</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 115,459	\$ 26,089
Changes of assumptions	341,047	-
Net difference between projected and actual earnings on plan investments	-	189,903
Contributions subsequent to the measurement date	64,575	-
	<b>\$ 521,081</b>	<b>\$ 215,992</b>
	<b>2020</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 60,102	\$ 60,198
Changes of assumptions	8,911	-
Net difference between projected and actual earnings on plan investments	-	121,638
Contributions subsequent to the measurement date	228,329	-
	<b>\$ 297,342</b>	<b>\$ 181,836</b>

**Maverick County Hospital District**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

At August 31, 2021 and 2020, the District reported \$64,575 and \$228,329, respectively, as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date that will be recognized as an increase of the net pension asset at August 31, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at August 31, 2021, related to pensions will be recognized in pension expense as follows:

Year ending August 31:

2022	\$	26,258
2023		76,211
2024		(10,240)
2025		68,254
2026		80,031
		80,031
	\$	240,514

***Pension Plan Fiduciary Net Position***

Detailed information about the Plan’s fiduciary net position is available in the separately issued financial report of TCDRS for the year ended December 31, 2020.

**Note 8: Disclosure About Fair Value of Assets**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

**Maverick County Hospital District**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

**Recurring Measurements**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2021 and 2020:

	Carrying Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>August 31, 2021</b>				
<b>Investments by fair value level</b>				
U.S. agency obligations	\$ 739,374	\$ -	\$ 739,374	\$ -
Total investments by fair value level	739,374	\$ -	\$ 739,374	\$ -
<b>Investments measured at net asset value</b>				
Texas Class Investment Pool	9,308,122			
<b>Certificates of deposit</b>				
	2,019,536			
Total investments	<u>\$ 12,067,032</u>			
		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>August 31, 2020</b>				
<b>Investments by fair value level</b>				
U.S. agency obligations	\$ 503,775	\$ -	\$ 503,775	\$ -
Total investments by fair value level	503,775	\$ -	\$ 503,775	\$ -
<b>Investments measured at net asset value</b>				
Texas Class Investment Pool	9,898,395			
<b>Certificates of deposit</b>				
	2,459,928			
Total investments	<u>\$ 12,862,098</u>			

# Maverick County Hospital District

## Notes to Financial Statements

### August 31, 2021 and 2020

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

#### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At August 31, 2021 and 2020, no investments were held by the District meeting the Level 3 hierarchy classification.

**Investment in State Investment Pool** – During 2021 and 2020, the District invested in Texas CLASS, a public fund investment pool. Investments in the pool are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the District has not been issued certificates, but rather it owns an individual beneficial interest in the net position of the related investment pool. The fair value of the position of the pool is measured at net asset value and is designed to approximate the share value. The pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.



**Maverick County Hospital District**  
**Notes to Financial Statements**  
**August 31, 2021 and 2020**

**Note 9: Long-Term Obligations**

The following is a summary of long-term obligation transactions for the District for the years ended August 31, 2021 and 2020:

	<b>2021</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt:					
Capital lease obligations	\$ 7,343	\$ -	\$ (7,343)	\$ -	\$ -
PPP Loans	861,600	937,200	(861,600)	937,200	-
Total long-term debt	\$ 868,943	\$ 937,200	\$ (868,943)	\$ 937,200	\$ -
	<b>2020</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt:					
Capital lease obligations	\$ 39,443	\$ -	\$ (32,100)	\$ 7,343	\$ 4,059
PPP Loans	-	861,600	-	861,600	436,544
Total long-term debt	\$ 39,443	\$ 861,600	\$ (32,100)	\$ 868,943	\$ 440,603

**Capital Lease Liabilities**

The District has entered into capital lease agreements for medical equipment. The lease obligations are secured by the equipment and were paid in full in 2021.

**Paycheck Protection Program Loans**

During May 2020, the District obtained a loan under the Paycheck Protection Program (PPP). The PPP loan was originally due May 7, 2022, with monthly interest payments at 1.00 percent and monthly principal payments beginning December 7, 2020. The District obtained legal notice of forgiveness of the PPP loan in January 2021 and the forgiveness was recognized as a special item on the statements of revenues, expenses and changes in net position as of August 31, 2021 in accordance with GASB Statement 62.

During February 2021, the District obtained a second loan under the PPP in the amount of \$937,200. Monthly principal and interest payments at 1.00 percent, totaling \$26,965 are due beginning March 25, 2023 through February 25, 2026, at which point the balance is due in full. The District applied for forgiveness of the PPP loan subsequent to year-end and was notified in January 2022 that the loan was legally forgiven. The District will recognize the gain from forgiveness of the debt in the fiscal year 2022.

# **Maverick County Hospital District**

## **Notes to Financial Statements**

### **August 31, 2021 and 2020**

#### **Note 10: COVID-19 Pandemic and CARES Act Funding**

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

#### ***Provider Relief Fund***

The District received approximately \$64,000 and \$118,000 of distributions from the *Coronavirus Aid, Relief, and Economic Act* (CARES Act) Provider Relief Fund during the years ended August 31, 2021 and 2020, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The District is accounting for such payments as conditional contributions. Payments are recognized as non-operating revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the District's operating revenues and expenses through August 31, 2021 and 2020, the District recognized \$64,000 and \$118,000, respectively, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenue - noncapital grants and gifts in the statements of revenues, expenses and changes in net position.

The District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the District's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the District is unable to attest to or comply with current or future terms and conditions the District's ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

Subsequent to August 31, 2021, the District received approximately \$261,000 of distributions from the Provider Relief Fund. These funds are to be used for qualifying expenses incurred by the District in response to the COVID-19 pandemic. This funding is not included in the accompanying balance sheet or the statements of revenues, expenses and changes in net position at August 31, 2021.

# **Maverick County Hospital District**

## **Notes to Financial Statements**

### **August 31, 2021 and 2020**

#### ***Medicare Accelerated and Advanced Payment Program***

During the year ended August 31, 2020, the District requested and received accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by the Centers for Medicare and Medicaid Services (CMS) according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25 percent of the remittance advice payment followed by a six-month payback period at 50 percent of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4 percent.

The District's outstanding balance related to the accelerated Medicare payments was approximately \$259,000 and \$403,000 at August 31, 2021 and 2020, respectively.

#### ***Paycheck Protection Program Loan***

The CARES Act and other subsequent legislation also provides a Small Business Administration (SBA) loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The District received two PPP loans as previously disclosed in *Note 9*.

## **Note 11: Future Change in Accounting Principle**

#### ***GASB Statement No. 87, Leases***

GASB Statement No. 87, *Leases* (GASB 87), provides a new framework for accounting for leases under the principle that leases are financings. Leases will no longer be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

GASB 87 is effective for financial statements for the District's fiscal year ending August 31, 2022. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun.

## **Required Supplementary Information**

**Maverick County Hospital District**  
**Schedule of Changes in the District's Net Pension Asset and Related Ratios**  
**As of December 31,**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total pension liability</b>							
Service cost	\$ 589,731	\$ 589,246	\$ 404,707	\$ 388,012	\$ 287,349	\$ 307,603	\$ 332,561
Interest on total pension liability	482,994	411,286	336,832	290,693	238,238	216,704	182,393
Effect of plan changes	(642,457)	-	-	-	-	(49,031)	-
Effect of assumption changes or inputs	406,461	-	-	6,993	-	32,490	-
Effect of economic and demographic gains	80,853	(8,263)	84,142	(57,868)	(5,377)	(128,830)	(6,419)
Benefit payments, including refunds of employee contributions	(99,168)	(115,440)	(67,577)	(81,946)	(156,114)	(68,123)	(61,222)
<b>Net change in total pension liability</b>	<b>818,414</b>	<b>876,829</b>	<b>758,104</b>	<b>545,884</b>	<b>364,096</b>	<b>310,813</b>	<b>447,313</b>
<b>Total pension liability—beginning</b>	<b>5,421,782</b>	<b>4,544,953</b>	<b>3,786,849</b>	<b>3,240,965</b>	<b>2,876,869</b>	<b>2,566,056</b>	<b>2,118,743</b>
<b>Total pension liability—ending (a)</b>	<b>\$ 6,240,196</b>	<b>\$ 5,421,782</b>	<b>\$ 4,544,953</b>	<b>\$ 3,786,849</b>	<b>\$ 3,240,965</b>	<b>\$ 2,876,869</b>	<b>\$ 2,566,056</b>
<b>Plan fiduciary net position</b>							
Contributions—employer	\$ 301,795	\$ 261,088	\$ 194,861	\$ 134,514	\$ 118,580	\$ 111,235	\$ 88,493
Contributions—employee	295,394	292,809	223,549	180,555	152,340	131,899	134,761
Net investment income net of investment expenses	641,049	810,100	(82,912)	567,247	257,852	(106,675)	197,186
Benefit payments, including refunds of employee contributions	(99,168)	(115,440)	(67,577)	(81,946)	(156,114)	(68,123)	(61,222)
Administrative expense	(5,374)	(4,721)	(3,964)	(3,100)	(2,803)	(2,482)	(2,482)
Other	15,351	15,875	10,919	3,095	26,523	3,644	11,935
<b>Net change in plan fiduciary net position</b>	<b>1,149,047</b>	<b>1,259,711</b>	<b>274,876</b>	<b>800,365</b>	<b>396,378</b>	<b>69,498</b>	<b>368,671</b>
<b>Plan fiduciary net position—beginning</b>	<b>6,195,443</b>	<b>4,935,732</b>	<b>4,660,856</b>	<b>3,860,491</b>	<b>3,464,113</b>	<b>3,394,615</b>	<b>3,025,944</b>
<b>Plan fiduciary net position—ending (b)</b>	<b>\$ 7,344,490</b>	<b>\$ 6,195,443</b>	<b>\$ 4,935,732</b>	<b>\$ 4,660,856</b>	<b>\$ 3,860,491</b>	<b>\$ 3,464,113</b>	<b>\$ 3,394,615</b>
<b>District's net pension asset—ending (a) – (b)</b>	<b>\$ (1,104,294)</b>	<b>\$ (773,661)</b>	<b>\$ (390,779)</b>	<b>\$ (874,007)</b>	<b>\$ (619,526)</b>	<b>\$ (587,244)</b>	<b>\$ (828,559)</b>
<b>Plan fiduciary net position as a percentage of the total pension asset</b>	<b>117.70%</b>	<b>114.27%</b>	<b>108.60%</b>	<b>123.08%</b>	<b>119.12%</b>	<b>120.41%</b>	<b>132.29%</b>
<b>Covered-employee payroll</b>	<b>\$ 4,923,241</b>	<b>\$ 4,880,151</b>	<b>\$ 3,725,823</b>	<b>\$ 3,009,257</b>	<b>\$ 2,536,740</b>	<b>\$ 2,198,316</b>	<b>\$ 2,246,025</b>
<b>District's net pension asset as a percentage of covered-employee payroll</b>	<b>-22.43%</b>	<b>-15.85%</b>	<b>-10.49%</b>	<b>-29.04%</b>	<b>-24.42%</b>	<b>-26.71%</b>	<b>-36.89%</b>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Information presented in this schedule has been determined as of the measurement date (December 31) of the net pension asset in accordance with GASB 68.

**Maverick County Hospital District**  
**Schedule of District Contributions**  
**Year Ending August 31,**

Year Ending August 31,	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll (1)	Contributions as a percentage of covered-employee payroll
2021	\$ 137,654	\$ 137,654	\$ -	\$ 5,941,465	2.3%
2020	\$ 293,031	\$ 293,031	\$ -	\$ 5,724,419	5.1%
2019	\$ 259,017	\$ 259,017	\$ -	\$ 5,800,713	4.5%
2018	\$ 166,164	\$ 166,164	\$ -	\$ 4,013,512	4.1%
2017	\$ 136,249	\$ 136,249	\$ -	\$ 3,253,760	4.2%
2016	\$ 104,205	\$ 104,205	\$ -	\$ 2,571,786	4.1%
2015	\$ 105,356	\$ 105,356	\$ -	\$ 2,465,973	4.3%

**Notes to Schedule:**

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

*Valuation date:*

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry age normal cost
Amortization method	Closed
Remaining amortization period	0.0 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	4.6% average over career, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	61 (average)
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. Information presented in this schedule has been determined as of the District's fiscal year end (August 31) in accordance with GASB 68.