BKD
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 | Dallas, TX 75254-2961
972.702.8262 | Fax 972.702.0673 | bkd.com

Board of Directors and Management
Maverick County Hospital District
Eagle Pass, Texas

As part of our audit of the financial statements of Maverick County Hospital District (District) as of and for the year ended August 31, 2021, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our contract more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our contract more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The District's significant accounting policies are described in *Note 1* of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Valuation of patient accounts receivable
- Value of property taxes receivable and tax revenue
- Net pension asset

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Indigent care
- Define benefit pension plan
- COVID-19 and CARES Act funding

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- Net pension asset
- Medicare advance liability

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole.
- We would like to call your attention to the fact that although these uncorrected misstatements, individually and in the aggregate, were deemed to be immaterial to the current year financial statements, it is possible that the impact these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

Auditor's Judgments About the Quality of the District's Accounting Principles

During the course of the audit, we made the following observations regarding the District's application of accounting principles:

- In 2021, the District adopted GASB Statement No. 84, *Fiduciary Activities*, and 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 No. 84, and a supersession of GASB Statement No. 32.

Significant Issues Discussed with Management

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Federal and state funding, criteria for a single audit
- Creation of Maverick County Hospital District Foundation and related financial reporting
- Anticipated participation in QIPP nursing home program

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (*attached*)

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the District as of and for the year ended August 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 material misstatements of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matters that we consider to be deficiencies.

Deficiencies

Audit Adjustments

During the course of the audit, various adjustments were proposed and recorded. Areas where adjustments were proposed have been previously discussed in this letter. Management should review the causes for these adjustments and implement corrective procedures to ensure that interim financial statements are accurate. Such corrective procedures would include timely completion of account reconciliations and resolution of unreconciled variances.

Collateralization of Cash Balances

As a governmental entity, state law requires collateralization of all deposits with federal depository insurance or other qualified investments. At August 31, 2021, the District had approximately $290,000 of cash deposits/certificates of deposit that were unsecured and uncollateralized in accordance with state law. We recommend management, in conjunction with your financial institutions, implement additional controls to ensure appropriate collateral is pledged as bank balances fluctuate.

We observed matters that we consider to be deficiencies that we communicated to management verbally.

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies, or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

GASB Statement No. 87, *Leases*

In June 2017, GASB published Statement No. 87, *Leases*. This Statement was the result of a multi-year project to re-examine the accounting and financial reporting for leases. The new Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. Specifically, GASB 87 includes the following accounting guidance for lessees and lessors:

Lessee Accounting: A lessee will recognize a liability measured at the present value of payments expected to be made for the lease term, and an intangible asset measured at the amount of the initial lease liability, plus any payments made to the lessor at or before the beginning of the lease and certain indirect costs. A lessee will reduce the liability as payments are made and recognize an outflow of resources for interest on the liability. The asset will be amortized by the lessee over the shorter of the lease term or the useful life of the asset.

Lessor Accounting: A lessor will recognize a receivable measured at the present value of the lease payments expected for the lease term and a deferred inflow of resources measured at the value of the lease receivable plus any payments received at or prior to the beginning of the lease that relate to future periods. The lessor will reduce the receivable as payments are received and recognize an inflow of resources from the deferred inflow of resources in a systematic and rational manner over the term of the lease. A lessor will not derecognize the asset underlying the lease. There is an exception for regulated leases for which certain criteria are met, such as airport-aeronautical agreements.

The lease term used to measure the asset or liability is based on the period in which the lessee has the noncancelable right to use the underlying asset. The lease term also contemplates any lease extension or termination option that is reasonably certain of being exercised.

GASB 87 does not apply to leases for intangible assets, biological assets (i.e. timber and living plants and animals), service concession agreements or leases in which the underlying asset is financed with conduit debt that is reported by the lessor. Additionally, leases with a maximum possible term of 12 months or less are excluded.

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.

GASB 89 Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, removes the concept of capitalized interest from all types of governmental entities. This Statement is effective for the District's fiscal year ending August 31, 2022 and will be applied prospectively.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (GASB 96)*

This Statement addresses the accounting for the costs related to cloud computing agreements. The standard defines a subscription-based information technology arrangements (SBITA), establishes that a SBITA would result in a right-to-use (RTU) asset and a corresponding liability, provides capitalization criteria, and requires new note disclosures. The statement's language and concepts closely mirror the lease guidance provided in Statement 87, *Leases*. This statement requires governments report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

The requirements of this Statement are effective for the District's fiscal year ending August 31, 2023, and all reporting periods thereafter. Earlier application is encouraged. The changes should be applied retroactively by restating financial statements, if practicable, for all prior fiscal years presented. If restatement is not practicable, the cumulative effect, if any, should be reported as a restatement of beginning net position for the earliest fiscal year restated. In the first fiscal year the amendments are applied, note disclosure is required for the nature of the restatement and its effect, as well as the reason for not restating prior fiscal years presented, if applicable. SBITA assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the fiscal year of implementation. If applied to earlier fiscal years, those assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the earliest fiscal year restated. Governments are permitted—but not required—to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

February 28, 2022

Representation of:
Maverick County Hospital District
3496 Bob Rogers Drive, Suite 250
Eagle Pass, Texas 78852

Provided to:
BKD, LLP
Certified Public Accountants
14241 Dallas Parkway, Suite 1100
Dallas, Texas 75254-2961

The undersigned ("We") are providing this letter in connection with BKD's audits of our financial statements as of and for the years ended August 31, 2021 and 2020.

Our representations are current and effective as of the date of BKD's report: February 28, 2022.

Our engagement with BKD is based on our contract for services dated: August 12, 2021.

Our Responsibility and Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to BKD's report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Confirmation of Matters Specific to the Subject Matter of BKD's Report

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation, and maintenance of:

    a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

    b. Internal control to prevent and detect fraud.

3. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We

acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

4. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d. All minutes of directors' meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the board, if applicable, and maintained as part of our records.

    e. All significant contracts and grants.

    f. All peer review organizations, administrative contractor, and third-party payer reports and information.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:

    a. Misappropriation of assets.

    b. Misrepresented or misstated assets, liabilities or net position.

7. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

    We understand that, depending on both the nature of the uncorrected misstatement(s) and the federal and state income tax rules applicable thereto, each uncorrected misstatement may or may not be taken into account for purposes of determining our federal and/or state taxable income and any income tax liability for the current year.

8. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to BKD any and all known reportable tax transactions.

9. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:

    a. Management or employees who have significant roles in internal control, or

    b. Others, where activities of others could have a material effect on the financial statements.

10. We have no knowledge of any communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

11. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, customers, regulators, suppliers, or others.

12. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

13. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

    We understand that the term related party refers to an affiliate, management and members of their immediate families, and any other party with which the entity may deal if the entity can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

14. Except as reflected in the financial statements, there are no:

    a. Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

    b. Material transactions omitted or improperly recorded in the financial records.

    c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    d. Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.

    e. Agreements to purchase assets previously sold.

    f. Restrictions on cash balances or compensating balance agreements.

    g. Guarantees, whether written or oral, under which the entity is contingently liable.

15. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

16. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

17. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible

litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

18. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the entity's participation in the Medicare or other governmental health care programs.

19. Adequate provisions and allowances have been accrued for any material losses from:

    a. Uncollectible receivables.

    b. Medicare/Medicaid and other third-party payer contractual, audit, or other adjustments.

    c. Reducing obsolete or excess inventories to estimated net realizable value.

    d. Purchase commitments in excess of normal requirements or above prevailing market prices.

20. Except as disclosed in the financial statements, the entity has:

    a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges, or other encumbrances.

    b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

21. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events <u>could</u> occur that would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

22. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

23. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

24. With respect to any nonattest services you have provided us during the year, including drafting the financial statements and related notes, preparing the Maverick County Hospital District Foundation's Form 990, *Return of Organization Exempt from Income Tax*:

    a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.

c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

d. We have evaluated the adequacy of the services performed and any findings that resulted.

25. With respect to the entity's possible exposure to past or future medical malpractice assertions:

a. We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.

b. All known incidents have been reported to the appropriate medical malpractice insurer and are appropriately considered in our malpractice liability accrual.

c. There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.

d. Management does not expect any claims to exceed malpractice insurance limits.

e. We believe our accruals for malpractice claims are sufficient for all known and probable potential claims.

26. With regard to deposit and investment activities:

a. All deposit, repurchase and reverse repurchase agreements, and investment transactions have been made in accordance with legal and contractual requirements.

b. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.

c. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

27. As an entity subject to Government Auditing Standards:

a. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.

b. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.

c. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

d. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.

e. We have a process to track the status of audit findings and recommendations.

f. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.

28. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis and pension information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

29. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws, and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.

30. With regard to cost reports filed with Medicare, Medicaid, or other third parties:

a. All required reports have been properly filed.

b. Management is responsible for the accuracy and propriety of those reports.

c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.

d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.

e. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.

f. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based upon historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the Company is entitled to all the amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.

31. The District intends to hold all investments until maturity. Accordingly, investments maturing prior to August 31, 2022 are appropriately classified as "current" and investments maturing subsequent to August 31, 2022 are appropriately classified as "long-term" in the financial statements.

32. With regards to our loan obtained under the "*first draw*" Paycheck Protection Program (created under the CARES Act of 2020 and extended under the *2021 Consolidated Appropriations Act*) (PPP-1 or First Draw), dated May 7, 2020, we represent the following:

    a. At the time of the loan application, the current economic uncertainty that existed made this loan request necessary to support the entity's ongoing operations. In making this assessment, we considered the nature of our business activities at the time of the loan application and our ability to access other sources of liquidity that were (could have been) sufficient to support ongoing operations.

    b. The entity, when considered together with all its affiliates (using the affiliate determinations required by the PPP-1), had fewer than 500 employees at the date of the loan application.

        i. In addition, we have determined the number of full-time equivalent employees on payroll (at the time of the application) in a manner that is consistent with the clarification guidance released by the Small Business Administration.

    c. We have not received more than one loan under the First Draw Paycheck Protection Program. In addition, we have confirmed with our affiliated entities (using the affiliate determinations required by the PPP-1) that the total of any PPP loans received by us and by those affiliates under the First Draw program does not exceed $20 million in the aggregate.

    d. We have not used the proceeds from the PPP-1 loan for expenditures that were covered by other funding sources, *i.e.*, government grants or contracts.

    e. The funds received under this loan have only been used:

        i. To retain workers and maintain payroll;
        ii. To make mortgage interest, lease, and utility payments;
        iii. To pay for worker protection costs related to COVID-19;
        iv. To pay for uninsured property damage costs caused by looting or vandalism during 2020; or
        v. Certain supplier costs and operational expenses, as specifically allowed for under the Second Draw PPP loan.

    f. We have not spent more than 40 percent of the loan amount for nonpayroll costs.

33. With regards to our loan obtained under the "*second draw*" Paycheck Protection Program from the *2021 Consolidated Appropriations Act* (PPP-2 or Second Draw), dated February 25, 2021, we represent the following:

    a. At the time of the loan application, the current economic uncertainty that existed made this loan request necessary to support the entity's ongoing operations. In making this assessment, we considered the nature of our business activities at the time of the loan application and our ability to access other sources of liquidity that were (could have been) sufficient to support ongoing operations.

b. Prior to having received the PPP-2 proceeds, we spent the full amount of PPP-1 proceeds on qualified expenses.

c. The entity experienced a decline in gross receipts of at least 25 percent with respect to Q3 2020 gross receipts versus Q1 2019 gross receipts

d. The entity, when considered together with all its affiliates (using the affiliate determinations required by the PPP), averaged less than 300 employees, calculated using calendar year 2020 average headcount per pay date.

   i. In addition, we have determined the number of full-time equivalent employees on payroll (at the time of the application) in a manner that is consistent with the clarification guidance released by the Small Business Administration.

e. We have not received more than one loan under the Second Draw program. In addition, we have confirmed with our affiliated entities (using the affiliate determinations required by the Paycheck Protection Program) that the total of any PPP-2 loans received by us and by those affiliates does not exceed $4 million in the aggregate.

f. We have not used the proceeds from the PPP-2 loan for expenditures that were covered by other funding sources, *i.e.*, government grants or contracts.

g. The funds received under this loan have only been used:

   i. To retain workers and maintain payroll;
   ii. To make mortgage interest, lease, and utility payments;
   iii. To pay for worker protection costs related to COVID-19;
   iv. To pay for uninsured property damage costs caused by looting or vandalism during 2020; or
   v. Certain supplier costs and operational expenses, as specifically allowed for under the Second Draw PPP loan.

h. We have not spent more than 40 percent of the loan amount for nonpayroll costs.

34. We have implemented GASB Statement No. 84, *Fiduciary Activities*, and 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 No. 84, and a supersession of GASB Statement No. 32* in the current year. Management has provided you with all relevant information regarding the implementation. We have identified and evaluated all potential fiduciary activities and we believe there are no fiduciary activities.

Alma Martinez, CEO

Nestor Bonilla, CFO

Maverick County Hospital District

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	13,683,011	(101,000)	13,582,011	-0.74%
Non-Current Assets & Deferred Outflows	10,141,801		10,141,801	
Current Liabilities	(1,048,460)	(115,314)	(1,163,774)	11.00%
Non-Current Liabilities & Deferred Inflows	(1,153,192)		(1,153,192)	
Current Ratio	13.051		11.671	-10.57%

Total Assets & Deferred Outflows	23,824,812	(101,000)	23,723,812	-0.42%
Total Liabilities & Deferred Inflows	(2,201,652)	(115,314)	(2,316,966)	5.24%
Total Net Position	(21,623,160)	216,314	(21,406,846)	-1.00%

Operating Revenues	(7,577,617)	(20,000)	(7,597,617)	0.26%
Operating Expenses	11,658,628	45,889	11,704,517	0.39%
Nonoperating (Revenues) Exp	(5,737,776)	101,000	(5,636,776)	-1.76%
Change in Net Position	(1,656,765)	126,889	(1,529,876)	-7.66%

Client: Maverick County Hospital District
Period Ending: August 31, 2021

Major Enterprise Fund

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

			Assets & Deferred Outflows		Liabilities & Deferred Inflows						Net Effect on Following Year	
Description	**Financial Statement Line Item**	**Factual (F), Judgmental (J) or Projected (P)**	*Current* DR (CR)	*Noncurrent* DR (CR)	*Current* DR (CR)	*Noncurrent* DR (CR)	**Operating Revenues** DR (CR)	**Operating Expenses** DR (CR)	**Nonoperating (Revenues) Exp** DR (CR)	**Net Position** DR (CR)	*Change in Net Position* DR (CR)	*Net Position* DR (CR)
Turnaround effect of prior year passed adjustments		F	0	0	0	0	(20,000)	(69,425)	0	89,425	0	0
	Other revenue						(20,000)				Not Applicable	
	Operating expense							(69,425)				
	Net position									89,425		
To increase PTO liability to agree to schedule		F	0	0	(21,833)	0	0	21,833	0	0	(21,833)	21,833
	Employee benefits expense							21,833			(21,833)	21,833
	Accrued salaries, wages and compensated absences				(21,833)							
To increase allowance for uncollectible taxes		J	(101,000)	0	0	0	0	0	101,000	0	0	0
	Property tax revenue								101,000		Not Applicable to Estimates	
	Property taxes receivable, net of allowance		(101,000)									
To increase payroll accrual		F	0	0	(93,481)	0	0	93,481	0	0	(93,481)	93,481
	Salaries and wages							93,481			(93,481)	93,481
	Accrued salaries, wages and compensated absences				(93,481)							
Total passed adjustments			(101,000)	0	(115,314)	0	(20,000)	45,889	101,000	89,425	(115,314)	115,314

Impact on Change in Net Position	**126,889**
Impact on Net Position	**216,314**