CONCHO COUNTY HOSPITAL DISTRICT
EDEN, TEXAS

AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2021 AND 2020

INDEPENDENT AUDITOR'S REPORT

Management and the Board of Directors
Concho County Hospital District
Eden, Texas

We have audited the accompanying statements of net position of Concho County Hospital District, (the "District") as of September 30, 2021 and 2020, and the related statements revenues, expenses, and changes in net position and cash flows for the years then ended, the related notes to the financial statements, which collectively comprise the District's basic financial statements

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 and the standards applicable to financial audits contained in the *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 September 30, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and defined benefit plan information on pages A-1 through A-5 and pages 31 through 33, respectively, 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 operation, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do no express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have issued our report dated January 24, 2024, on our consideration of Concho County Hospital District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide and opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

D&CO, LLP

Durbin & Company, L. L. P.
Lubbock, Texas
January 24, 2024

CONCHO COUNTY HOSPITAL DISTRICT
EDEN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2021 AND 2020

CONCHO COUNTY HOSPITAL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021 AND 2020
(Unaudited)

Our discussion and analysis of Concho County Hospital District's (the "District") financial performance provides an overview of the District's financial activities as of and for the fiscal years ended September 30, 2021 and 2020. Please read it in conjunction with the District's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The District's net position reflects a $543,032 or 5.1% increase in 2021 and a $237,967 or 2.3% increase in 2020.
- Net patient service revenue increased by $586,459 or 8.9% in 2021 and decreased by $398,599 or 5.7% in 2020.
- The District reported an operating loss in 2021 of $2,533,211 and an operating loss in 2020 of $2,301,520, respectively.
- Nonoperating revenues (expenses) increased $536,756 or 21.1% in 2021 over 2020. In 2020, nonoperating revenues (expenses) increased $1,753,693 or 223.2% over 2019.
- The District recognized a gain on the extinguishment of debt of $580,600 from the forgiveness of the Paycheck Protection Program loan.

USING THIS ANNUAL REPORT

The District's financial statements consist of three statements, a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, and enabling legislation.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

Our analysis of the District's finances begins on page A-2. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position 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 and all liabilities using the accrual basis of accounting. 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 them. You can think of the District's net position—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to access the overall health of the District.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing 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 balance during the reporting period?"

THE DISTRICT'S NET POSITION

The District's net position is the difference between its assets, deferred outflows of resources, liabilities, and deferred inflows of resources reported in the Statement of Net Position on page 1 and 2. The District's net position increased by $543,032 or 5.1% in 2021 and increased by $237,967 or 2.3% in 2020, as you can see from **Table 1**.

Table 1: Assets, Liabilities, and Net Position

	2021	2020	2019
Assets:			
Current Assets	$ 7,252,834	$ 8,670,519	$ 6,302,473
Capital Assets (net)	5,150,858	4,905,719	5,148,005
Deferred Outflows of Resources	306,362	105,536	316,144
Net Pension Asset	112,610	95,163	-
Total Assets and Deferred Outflows of Resources	$ 12,822,664	$ 13,776,937	$ 11,766,622
Liabilities:			
Long-Term Debt Outstanding	$ 46,647	$ 682,039	$ 310,461
Other Current and Non-Current	1,147,034	688,914	936,706
Deferred Inflows of Resources	405,646	1,725,679	77,117
Total Liabilities and Deferred Inflows of Resources	1,599,327	3,096,632	1,324,284
Total Net Position	11,223,337	10,680,305	10,442,338
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 12,822,664	$ 13,776,937	$ 11,766,622

Total assets and deferred outflows of resources decreased by $954,273 or 6.9% in 2021, primarily due to the decrease in cash and cash equivalents. Total liabilities and deferred inflows of resources decreased $1,497,305 or 48.4% in 2021, primarily due to the increase in estimated third-party settlements and decrease in deferred revenue attributable to the CAREs Act Provider Relief Funds.

OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION

The District's net position increased by $543,032 and $237,967 in 2021 and 2020, respectively. This change is made up of very different components, as you can see from **Table 2**.

Table 2: Operating Results and Changes in Net Position

	2021	2020	2019
Operating Revenues:			
Net Patient Service Revenue	$ 7,211,031	$ 6,624,572	$ 7,023,171
Delivery System Reform Incentive Program	164,139	288,913	39,607
Other Operating Revenue	28,463	65,128	58,531
Total Operating Revenue	7,403,633	6,978,613	7,121,309
Operating Expenses:			
Salaries, Benefits and Payroll Taxes	4,039,581	3,935,339	3,355,153
Other Operating Expenses	5,435,794	4,737,687	3,815,774
Depreciation / Amortization	461,469	607,107	560,583
Total Operating Expenses	9,936,844	9,280,133	7,731,510
Operating Income (Loss)	(2,533,211)	(2,301,520)	(610,201)
Nonoperating Revenues and Expenses:			
Property Tax Revenue	708,872	828,161	735,288
Payment in Lieu of Taxes	111,300	-	-
Noncapital Grants and Contributions	93,817	99,583	9,660
Investment Income	12,438	19,189	18,543
Interest Expense	6,271	8,843	8,449
COVID-19 Federal Financial Assistance	1,550,536	1,569,012	-
Gain on Extinguishment of Debt	580,600	-	-
Other	12,409	14,699	13,854
Total Nonoperating Revenues (Expenses)	3,076,243	2,539,487	785,794
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Contributions	543,032	237,967	175,593
Increase (Decrease) in Net Position	543,032	237,967	175,593
Net Position, Beginning of Year	10,680,305	10,442,338	10,266,745
Net Position, End of Year	$ 11,223,337	$ 10,680,305	$ 10,442,338

Operating Income (Loss)

The first component of the overall change in the District's net position is its operating income (loss) generally, the difference between net patient service revenues and the expenses incurred to perform those services. The District reported operating loss in 2021 and 2020 of $2,533,211 and $2,301,520, respectively.

The primary components of the increased operating loss in 2021 are:

- Net patient service revenue increased by $586,459 or 8.9%.
- Other operating expenses increased by $698,107 or 14.7%.
- Salaries, benefits, and payroll taxes increased by $104,242 or 2.6%.

The primary components of the increased operating loss in 2020 are:

- Net patient service revenue decreased by $398,599 or 5.7%.
- Salaries, benefits, and payroll taxes increased by $580,186 or 17.3%.
- Other operating expenses increased by $921,913 or 24.2%.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the District, payment in lieu of property taxes, noncapital grants and contributions, investment income, interest expense, and CAREs Act Provider Relief Funds.

Property tax revenue decreased by $119,289, or 14.4%, in 2021 and increased by $92,873, or 12.6%, in 2020, respectively. During 2021 and 2020, the District received payment in lieu of property taxes of $111,300 and $-0-, respectively. During 2021, the District recognized a gain on the extinguishment of debt in the amount of $580,600 from the forgiveness of the Paycheck Protection Program loan.

The District recognized $1,550,536 and $1,569,012 in CAREs Act Provider Relief Funds program revenue in 2021 and 2020. The funds were used to reimburse the District for eligible healthcare related expenses attributable to COVID-19.

Grants and Contributions

The District received both capital and operating grants for various sources for specific purposes. Capital grants and contributions received during 2021 and 2020 were $93,817 and 99,583, respectively.

THE DISTRICT'S CASH FLOWS

Changes in the District's cash flows are consistent with changes in operating income (loss) and nonoperating revenues and expenses, discussed earlier.

THE DISTRICT'S CASH FLOWS (CONTINUED)

The net of all cash flow activities resulted in a net decrease in cash and cash equivalents of $2,302,846 and a net increase of $2,739,111 in 2021 and in 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2021 and 2020, the District had $5,150,858 and $4,905,719, respectively, invested in capital asset, net of accumulated depreciation, as detailed in Note 8 of the financial statements. The District acquired capital assets in the amount of $713,708 and $364,821 in 2021 and 2020, respectively. Construction in progress at 2021 and 2020 was $31,667 and $7,100, respectively.

Debt

At September 30, 2021 the District had long-term debt outstanding of $46,647 and $682,039, respectively, as detailed in Note 9 of the financial statements. During fiscal year 2021 and 2020, the District made payments of $635,392 and $209,022, respectively, on outstanding debt.

During 2021, the Paycheck Protection Program loan in the amount of $580,600 was forgiven in full, as detailed in Note 9 of the financial statements.

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. If you have any questions about this report or need additional financial information, contact, Administrator/CEO at Concho County Hospital District, 614 Eaker, Eden, Texas 76837.

CONCHO COUNTY HOSPITAL DISTRICT
EDEN, TEXAS

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2021 AND 2020

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2021 AND 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,396,723	$ 4,699,569
Short-Term Investments	2,349,801	2,346,108
Patient Accounts Receivable, Net of Allowance	1,951,395	887,655
Estimated Third-Party Payor Settlements	-	331,777
Other Receivables	260,059	237,064
Inventory of Supplies	244,346	132,955
Prepaid and Other Current Assets	43,668	27,710
Property Taxes Receivable	6,842	7,681
Total Current Assets	7,252,834	8,670,519
NONCURRENT ASSETS		
Land	105,513	105,513
Construction-in-Progress	31,667	7,100
Depreciable Capital Assets, Net	5,013,678	4,793,106
Total Noncurrent Assets	5,150,858	4,905,719
Total Assets	12,403,692	13,576,238
DEFERRED OUTFLOWS OF RESOURCES		
Contributions Subsequent to the Measurement Date	88,360	89,241
Difference Between Changes in Assumption	218,002	16,295
Total Deferred Outflows of Resources	306,362	105,536
NET PENSION ASSET	112,610	95,163
Total Assets and Deferred Outflows of Resources	$ 12,822,664	$ 13,776,937

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

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2021 AND 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:	2021	2020
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 46,647	$ 440,352
Accounts Payable	127,383	260,970
Accrued Payroll, Benefits, and Related Liabilities	242,404	221,120
Estimated Third-Party Payor Settlements	556,249	-
Other Accrued Liabilities	220,998	206,824
Total Current Liabilities	1,193,681	1,129,266
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	-	241,687
Total Noncurrent Liabilities	-	241,687
Total Liabilities	1,193,681	1,370,953
DEFERRED INFLOWS OF RESOURCES		
Differences Between Projected and Actual Earnings	149,195	93,261
Differences Between Expected and Actual Experience	180,004	105,435
CAREs Act Provider Relief Funds	76,447	1,526,983
Total Deferred Inflows of Resources	405,646	1,725,679
Total Liabilities and Deferred Inflows of Resources	1,599,327	3,096,632
NET POSITION		
Net Investment in Capital Assets	5,104,211	4,223,680
Unrestricted	6,119,126	6,456,625
Total Net Position	11,223,337	10,680,305
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 12,822,664	$ 13,776,937

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

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
OPERATING REVENUES:		
Net Patient Service Revenue	$ 7,211,031	$ 6,624,572
Delivery System Reform Incentive Program	164,139	288,913
Other Revenue	28,463	65,128
Total Operating Revenues	7,403,633	6,978,613
OPERATING EXPENSES:		
Salaries	3,279,959	3,142,803
Employee Benefits and Payroll Taxes	759,622	792,536
Professional Fees and Purchased Services	2,096,894	2,091,381
Supplies	2,185,845	1,879,258
Other Operating	1,153,055	767,048
Depreciation and Amortization	461,469	607,107
Total Operating Expenses	9,936,844	9,280,133
Operating Income (Loss)	(2,533,211)	(2,301,520)
NONOPERATING REVENUES (EXPENSES):		
Property Tax Revenue	708,872	828,161
Payment in Lieu of Tax	111,300	-
Noncapital Grants and Contributions	93,817	99,583
Investment Income	12,438	19,189
Interest Expense	6,271	8,843
CARES Act Provider Relief Funds Progam Revenue	1,550,536	1,569,012
Gain on Extinguishment of Debt	580,600	-
Other Non Operating Revenue	12,409	14,699
Total Nonoperating Revenues (Expenses)	3,076,243	2,539,487
Excess (Deficit) of Revenues Over Expenses Before Capital Grants and Contributions	543,032	237,967
Increase (Decrease) in Net Position	543,032	237,967
Net Position, Beginning of Year	10,680,305	10,442,338
Net Position, End of Year	$ 11,223,337	$ 10,680,305

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

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENT OF CASH FLOWS

AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	$ 7,045,317	$ 6,986,087
Other Receipts and Payments, net	173,781	297,023
Payments to Suppliers and Contractors	(5,566,227)	(4,815,818)
Payments to Employees	(4,236,570)	(3,793,142)
Net cash provided by (used by) operating activities	(2,583,699)	(1,325,850)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	12,438	19,189
Purchase of Investments	(3,693)	(8,209)
Net Cash Provided by (Used by) Investing Activities	8,745	10,980
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt and Notes Payable	(54,792)	(209,022)
Interest Payments on Long-Term Debt and Notes Payable	6,271	8,843
Purchase of Capital Assets	(706,608)	(364,821)
Net Cash Used by Capital and Related Financing Activities	(755,129)	(565,000)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	709,711	828,104
Payments in Lieu of Property Taxes	111,300	-
Noncapital Grants and Contributions	93,817	99,583
Principal Payments on Debt and Notes Payable	-	580,600
CARES Act Provider Relief Funds	100,000	3,095,995
Other	12,409	14,699
Net Cash Provided by (Used in) Noncapital Financing Activities	1,027,237	4,618,981
Net Increase (Decrease) in Cash and Cash Equivalents	(2,302,846)	2,739,111
Cash and Cash Equivalents, Beginning of Year	4,699,569	1,960,458
Cash and Cash Equivalents, End of Year	$ 2,396,723	$ 4,699,569

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

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)

AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
RECONCILIATION OF CASH AND EQUIVALENTS TO STATEMENTS OF NET POSITION:		
Cash and equivalents presented under the following titles:		
Cash and Cash Equivalents	$ 2,396,723	$ 4,699,569
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$ (2,533,211)	$ (2,301,520)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:		
Provision for Bad Debt	1,146,669	181,094
Depreciation and Amortization	461,469	607,107
(Increase) Decrease in:		
Accounts Receivable	(2,210,409)	(419,062)
Prepaid Expenses and Other Current Assets	(150,344)	17,816
Estimated Third-Party Payor Settlements	888,026	599,483
Net Pension Asset	(17,447)	(95,163)
Deferred Outflows of Resources	(200,826)	210,608
Increase (Decrease) in:		
Accounts Payable	(133,587)	(48,602)
Accrued Salaries and Benefits Payable	21,284	26,752
Other Accrued Liabilities	14,174	(6,042)
Net Pension Liability	-	(219,900)
Deferred Inflows of Resources	130,503	121,579
Net Cash Provided By (Used in) Operating Activities	$ (2,583,699)	$ (1,325,850)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Extinguishment of Debt	$ 580,600	$ -

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Concho County Hospital District (the "District") is an acute care hospital located in Eden, Texas. The District was created by and operates under the laws of the State of Texas. Operations consist of a 16-bed hospital, administered through a seven-member Board of Directors elected by the citizens of the county.

Enterprise Fund Accounting - The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The District has elected to apply the provisions based on Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement.* The District has also elected to apply the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The District considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Patient Accounts Receivable - The allowance for estimated uncollectible patient accounts receivable is maintained at a level which, in management's judgment, is adequate to absorb patient account balance write-offs inherent in the billing process. The amount of the allowance is based on management's evaluation of the collectability of patient accounts receivable, including the nature of the accounts, credit concentrations, trends in historical write-off experience, specific impaired accounts, and economic conditions. Allowances for uncollectibles and contractuals are generally determined by applying historical percentages to financial classes within accounts receivable. The allowances are increased by a provision for bad debt expenses and contractual adjustments, and reduced by write-offs, net of recoveries.

Inventory of Supplies - Inventory is stated at the lower of cost or market on the First-In, First-Out (FIFO) method.

Short-Term Investments - The District's short-term investments are stated at fair value and are comprised of certificates of deposits, which mature within the next fiscal year.

Capital Assets – Capital Assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. The District provides for depreciation of capital assets by the straight-line method and at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment life. Such amortization is included in depreciation and amortization in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The District's capitalization policy states that assets with a value greater than $5,000 and a useful life described below will be capitalized. The following are a range of useful lives used by asset class:

Land Improvements	15 to 20 years
Building (Components)	5 to 50 years
Fixed Equipment	7 to 25 years
Major Moveable Equipment	3 to 20 years

Defined Benefit Pension Plan - For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension income/expense related to the defined benefit pension plan, information about the fiduciary net position of the Texas County and District Retirement System ("TCDRS") defined benefit pension plan and additions to/deductions from the TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. 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/Inflows of Resources - Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources, respectively.

Net Position – Net position of the District is classified in three components: net investment in capital assets; restricted; and unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The unrestricted component of net position is the net amounts of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Operating Revenues and Expenses – For purposes of display, the District's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Federal Income Taxes - The District is a tax-exempt organization; therefore, no expense has been provided for income taxes in the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care - The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Management's policy for the provision of charity care is to request proof of income and personal property values, proof of Concho, County residency, number of household members, other benefits received, and other pertinent information. The District applies Federal Poverty Guidelines to determine patient eligibility and performs an application review every six months after approval. Because the District does not pursue the collection of amounts determined to qualify as charity care, charity care is excluded from net patient revenue.

Grants and Contributions - From time to time, the District receives grants from the state as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Property Taxes – The District received approximately 6.8% and 8.7% of its financial support from property taxes for the years ended September 30, 2021 and 2020. These taxes are collected by the Concho County Appraisal District and are remitted to the District when received. The District's taxes are levied and become collectible from October 1 to January 31 of the succeeding year. The taxes are based on the assessed values listed as of the prior January 1, which is the due date a lien attaches to the taxable property. Revenue from property taxes is recognized in the year in which the taxes are levied. The District provides an allowance for uncollectible taxes based on historical collection information.

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 disaster; and employee health, dental and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Reclassifications – Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statements presentation. These reclassifications had no effect on the change in net position.

Newly Adopted Accounting Pronouncement:

GASB Statement No. 95 – In May 2020, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stake holders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for the periods beginning after June 15, 2018, or later.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Accounting Pronouncement (Continued):

GASB Statement No. 95 (Continued):

- The effective date for GASB Statement No. 87 has been postponed from reporting periods beginning after December 15, 2019 to reporting periods beginning after June 15, 2021.
- The effective date for GASB Statement No. 89 has been postponed from reporting periods beginning after December 15, 2019 to reporting periods beginning after December 15, 2020.
- The effective date for GASB Statement No. 91 has been postponed from reporting periods beginning after December 15, 2020 to reporting periods beginning after December 15, 2021.
- The effective date for GASB Statement No. 92 has been postponed from reporting periods beginning after June 15, 2020 to reporting periods beginning after June 15, 2021.

Pending Adoption of Recent Accounting Pronouncements:

GASB Statement No. 87 – In June 2017, GASB issued GASB Statement No. 87 – *Leases.* The objective of this Statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement is effective for reporting periods beginning after December 15, 2021. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

GASB Statement No. 89 – In June 2018, GASB issued GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about the capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The Statement is effective for periods beginning after December 15, 2021. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

GASB Statement No. 91 – Governmental Accounting Standards Board Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2020.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Adoption of Recent Accounting Pronouncements (Continued):

GASB Statement No. 92 – In January 2020, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 92 – *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, to be effective for fiscal years beginning after June 15, 2021 and is effective for all reporting periods thereafter;
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB);
- The applicability of GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits;
- The applicability of certain requirements of GASB Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements;
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition;
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers;
- Reference to nonrecurring fair value measurements of assets and liabilities in authoritative literature;
- Terminology used to refer to derivative instruments.
- The requirements related to the effective date of Statement 87, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance;
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020;
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020;
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Management is currently evaluating the effect this statement will have on the financial statements and related disclosure.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Adoption of Recent Accounting Pronouncements (Continued):

GASB Statement No. 96 – In May 2020, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This statement is effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

GASB Statement No. 97 – In June 2020, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 97 – *The Annual Comprehensive Financial Report*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021, with earlier application encouraged. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

NOTE 2 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare and Medicaid – The District is a Critical Access Hospital. Thus, inpatient acute care services, certain inpatient non-acute care services, and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology.

NOTE 2 - NET PATIENT SERVICE REVENUE (CONTINUED)

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

Other - The District has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Net patient service revenue is comprised as follows:

	2021	2020
Routine Patient Services	$ 444,594	$ 253,792
Ancillary Patient Services		
Inpatient	628,449	417,079
Outpatient	9,617,411	7,597,240
Gross Patient Service Revenue	10,690,454	8,268,111
Charity	(1,196,997)	(1,324,979)
Third-Party Contractual Adjustments	(1,383,382)	(559,624)
Provision for Bad Debts	(1,146,669)	(181,094)
Medicaid Supplemental Payments & Other Credits	247,625	422,158
Net Patient Service Revenue	$ 7,211,031	$ 6,624,572

Estimated Third-Party Payor Settlements - Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Anticipated final settlement amounts from current and prior years' cost reports are recorded in the financial statements as they are determined by the District. Estimated third-party payor settlements recorded in the statements of net position at September 30, 2021 and 2020 are ($556,249) and $331,777, respectively.

Charity Care - The value of charity care provided by the District based upon its established rates, was $1,196,997 and $1,324,979 in 2021 and 2020, respectively. ASU 2010-23 requires charity care to be disclosed on a cost basis. The District utilizes the cost to charge ratios, as calculated based on its most recent cost reports, to determine the total cost. The District's cost of providing charity care was $1,158,263 and $1,582,550 for the years ended September 30, 2021 and 2020, respectively.

NOTE 3 – SHORT–TERM INVESTMENTS

The District's investments are reported at fair value, and consist of certificates of deposit, which matures within the next fiscal year. The fair value of the District's short-term investments at September 30, 2021 and 2020 were $2,349,801 and $2,346,108, respectively, all of which are covered by FDIC and also collateralized with securities held by the pledging financial institution in the District's name.

The District's investments are subject to the following risks:

Interest Rate Risk – Interest rate risk is the risk that market value of investments will change based on changes in market interest rates.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

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.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer.

Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in value of investments will occur in the near-term and that such change could materially affect the amounts reported in the accompanying statements of net position.

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2021 and 2020, the carrying amount of the District's deposits with financial institutions was $4,746,524 and $7,045,677, respectively. The bank balance at September 30, 2021 and 2020 was $5,045,311 and $7,305,908 , respectively.

	2021	2020
Amount insured by the FDIC - Demand Deposits	$ 500,000	$ 500,000
Amount insured by the FDIC -Time and Savings	500,000	500,000
Amount collateralized with securities held by the pledging financial institution in the Hospital's name	4,045,311	6,305,908
Total bank balance	$ 5,045,311	$ 7,305,908

NOTE 5 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable consist of the following at September 30:

	2021	2020
Gross Accounts Receivable	$ 4,439,340	$ 2,315,850
Less: Allowance for Bad Debts	(2,284,462)	(1,315,712)
Allowance for Contractuals	(203,483)	(112,483)
Accounts Receivable, Net of Allowance	$ 1,951,395	$ 887,655

Concentration of Credit Risk - The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30 is as follows:

	2021	2020
Medicare	25%	20%
Medicaid	6%	5%
Other Third-Party Payors	28%	21%
Patients	41%	54%
Total	100%	100%

NOTE 6 – TAXES RECEIVABLE

Property taxes are levied on October 1 of each year and become delinquent as of February 1 of the following year. Taxes are reported as revenues in the period for which they are levied. Tax revenue, net of related expenses for the years ended September 30, 2021 and 2020, was $708,872 and $828,161, respectively. As of September 30, 2021 and 2020, the balance of property taxes receivable, and its related allowance for uncollectible taxes are as follows:

	2021	2020
Property Taxes Receivable	$ 50,491	$ 52,830
Less: Allowance for Uncollectible Taxes	(43,649)	(45,149)
Taxes Receivable, Net of Allowance	$ 6,842	$ 7,681

NOTE 7 – PROPERTY TAX ABATEMENT

The District entered into a property tax abatement agreement with a local business under the Texas Property Redevelopment and Tax Abatement Act, Tax Code Chapter 312. Under the Act, the District may grant property tax abatements of a business' property tax bill for the purpose of attracting new industries and to encourage the retention and development of existing businesses that are located within a reinvested zone designed under Chapter 312, Texas Tax Code.

For the fiscal year ending September 30, 2021 and 2020, the District has reported the following tax abatement agreements noted below:

225DD 8me, LLC – Effective May 28, 2019, the District entered into a tax abatement agreement with 225DD 8me, LLC for the development of alternating current solar powered electric power generating facilities (solar farm), located in Concho County, Texas. As a result, the District will forego assessment and collection of ad valorem property taxes levied by the District on the improvements and facilities during the abatement period. The abatement period will begin on the earlier of commencement of commercial operations date or the notice of abatement commencement (estimated to be January 1, 2020) and terminate on the tenth year following the commencement date, unless sooner terminated. As consideration for the abatement granted by the District, 225DD 8me, LLC agrees to timely perform all covenants pursuant to the terms of the agreement including making of an annual payment in lieu of taxes to the District for each year during the abatement period. The payment in lieu of taxes shall be calculated by multiplying the number of megawatts of installed rated electrical generating capacity of the improvements by $324. In the event of a default, the District is entitled to recapture any and all property taxes which have been abated as a result of the agreement.

RES Cactus Flats Wind Energy – Effective June 28, 2016, the District entered into a tax abatement agreement with RES Cactus Flats Wind Energy for the development of wind powered electric power generating facilities (wind farms), located in Concho County, Texas. As a result, the District will forego assessment and collection of ad valorem property taxes levied by the District on the improvements and facilities during the abatement period. The abatement period will begin on the earlier of commencement of commercial operations date or the notice of abatement commencement (estimated to be January 1, 2019) and terminate on the tenth year following the commencement date, unless sooner terminated. As consideration for the abatement granted by the District, RES Cactus Flats agrees to timely perform all covenants pursuant to the terms of the agreement including making of an annual payment in lieu of taxes to the District for each year during the abatement period. The payment in lieu of taxes shall be calculated by multiplying the number of megawatts of installed rated electrical generating capacity of the improvements by $750. In the event of a default, the District is entitled to recapture any and all property taxes which have been abated as a result of the agreement.

For fiscal years ending September 30, 2021 and 2020, the District abated property taxes totaling $251,594 and $-0-, respectively. Payments in lieu of taxes are recognized as revenue in the period for which they are levied. For the years ended September 30, 2021 and 2020, the District recognize revenue for payments in lieu of taxes of $111,300 and $-0-, respectively. The respective revenue is included within nonoperating revenues in the statements of revenue, expenses, and changes in net position.

NOTE 7 – PROPERTY TAX ABATEMENT (CONTINUED)

Maverick Creek Wind, LLC – Effective July 24, 2018, the District entered into a tax abatement agreement with Maverick Creek Wind, LLC for the development of wind powered electric power generating facilities (wind farms), located in Concho County, Texas. As a result, the District will forego assessment and collection of ad valorem property taxes levied by the District on the improvements and facilities during the abatement period. The abatement period will begin on the earlier of commencement of commercial operations date or the notice of abatement commencement (estimated to be January 1, 2022) and terminate on the tenth year following the commencement date, unless sooner terminated. As consideration for the abatement granted by the District, Maverick Creek Wind, LLC agrees to timely perform all covenants pursuant to the terms of the agreement including making of an annual payment in lieu of taxes to the District for each year during the abatement period. The payment in lieu of taxes shall be calculated by multiplying the number of megawatts of installed rated electrical generating capacity of the improvements by $725. In the event of a default, the District is entitled to recapture any and all property taxes which have been abated as a result of the agreement.

NOTE 8 – CAPITAL ASSETS

Capital asset additions, retirements, and balances for the years ended September 30, 2021 and 2020 were as follows:

	Balance 09/30/20	Additions	Reclass/ Retirements	Balance 09/30/21
Land	$ 105,513	$ -	$ -	$ 105,513
Building and Improvements	5,944,844	444,509		6,389,353
Equipment	3,363,741	237,532	-	3,601,273
Capital Leases	1,217,752	-	-	1,217,752
Construction in Progress	7,100	31,667	(7,100)	31,667
Totals at Historical Cost	10,638,950	713,708	(7,100)	11,345,558
Less Accumulated Depreciation for:				
Building and Improvements	(1,864,708)	(224,083)	-	(2,088,791)
Equipment	(2,814,333)	(165,606)	-	(2,979,939)
Capital Leases	(1,054,190)	(71,780)	-	(1,125,970)
Total Accumulated Depreciation	(5,733,231)	(461,469)	-	(6,194,700)
Capital Assets, Net	$ 4,905,719	$ 252,239	$ (7,100)	$ 5,150,858

NOTE 8 – CAPITAL ASSETS (CONTINUED)

	Balance 09/30/19	Additions	Reclass/ Retirements	Balance 09/30/20
Land	$ 105,513	$ -	$ -	$ 105,513
Building and Improvements	5,756,674	188,170	-	5,944,844
Equipment	3,194,190	169,551	-	3,363,741
Capital Leases	1,217,752	-	-	1,217,752
Construction in progress	-	7,100	-	7,100
Totals at Historical Cost	10,274,129	364,821	-	10,638,950
Less Accumulated Depreciation for:				
Building and Improvements	(1,652,934)	(211,774)	-	(1,864,708)
Equipment	(2,658,550)	(155,783)	-	(2,814,333)
Capital Leases	(814,640)	(239,550)	-	(1,054,190)
Total Accumulated Depreciation	(5,126,124)	(607,107)	-	(5,733,231)
Capital Assets, Net	$ 5,148,005	$ (242,286)	$ -	$ 4,905,719

Construction in progress at September 30, 2021 also includes costs related to Concho County Clinic Building Ramp and Concho County Hospital Tracing Software. The estimated cost of the ramp is approximately $3,600 and was scheduled to place in service in October 2021. The estimated cost for the tracing software is approximately $28,000, and the scheduled to place in service in fiscal year 2024.

Construction in progress at September 30, 2020 include amounts related to Concho County Clinic Building COVID Testing Sheltered Parking project. The estimated cost of the project is approximately $29,000 and was placed in service in October 2020.

Total depreciation expense for 2021 and 2020, was $461,469 and $607,107, respectively.

NOTE 9 – LONG-TERM DEBT

A schedule of changes in the District's long-term debt consists of the following at September 30:

	Balance 09/30/20	Additions	Reductions	Balance 09/30/21	Due Within One Year
Notes Payable:					
Paycheck Protection Program	$ 580,600	$ -	$ (580,600)	$ -	$ -
Total Notes Payable	580,600	-	(580,600)	-	-
Capital Lease:					
GE	101,439	-	(54,792)	46,647	46,647
Total Capital Leases	101,439	-	(54,792)	46,647	46,647
Total Long-Term Debt and Capital Leases	$ 682,039	$ -	$ (635,392)	$ 46,647	$ 46,647

	Balance 09/30/19	Additions	Reductions	Balance 09/30/20	Due Within One Year
Notes Payable:					
Paycheck Protection Program	$ -	$ 580,600	$ -	$ 580,600	$ 385,281
Total Notes Payable	-	580,600	-	580,600	385,281
Capital Lease:					
Kingsbridge	148,962	-	(148,962)	-	-
GE	161,499	-	(60,060)	101,439	55,071
Total Capital Leases	310,461	-	(209,022)	101,439	55,071
Total Long-Term Debt and Capital Leases	$ 310,461	$ 580,600	$ (209,022)	$ 682,039	$ 440,352

The terms and due dates of the District's long-term debt at September 30, 2021 and 2020:

- GE: Capital lease obligation with vendor, for CT scanner equipment, payable in 11 monthly installments of $9,457 followed by 48 monthly installments of $4,067 with a stated interest rate of (8.24%), matures August 2022.

- Kingsbridge: Capital lease obligation with vendor, for patient room renovations, payable in monthly installments of $15,114 with effective interest rate 3.17%, matures July 2020. Upon maturity, each schedule shall continue on a monthly basis until terminated by either party.

NOTE 9 – LONG-TERM DEBT (CONTINUED)

- PPP Loan dated April 29, 2020 in the amount of $580,600 with interest at 1% and a maturity date of March 29, 2022. The loan was provided under Division A, Title 1, Section 1102 Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CAREs Act"). The provisions of the CAREs Act amend the Small Business Administration ("SBA") to include a provision for the PPP. Beginning in April 2020, the PPP allows certain entities to apply for a loan to cover the cost of specific expenses incurred during the period February 15, 2020 through June 30, 2020 ("covered period"). The primary purpose of the loan is to provide small businesses the opportunity to maintain employment levels during the covered period. Under the provisions of the SBA Act, principal and interest payments are deferred for at least six months and up to one year after disbursement. While the PPP loan program allows for all or part of this loan to be forgiven by the SBA, whether forgiveness will be granted and in what amount is subject to an application to, and approval by, the SBA and may also be subject to further requirements in any regulations and guidelines the SBA may adopt. If any portion of the loan is not forgiven, monthly principal and interest payments in the amount of $32,647 will be deferred for the first six months, thereafter, the remaining principal balance and accrued interest shall be payable in 18 equal monthly installments through March 29, 2022. The loan was forgiven in full by the SBA on August 31, 2021.

In 2021 and 2020, total interest incurred was $6,271 and $8,843, respectively, all of which was charged to interest expense.

Future maturities of long-term debt principal and interest are as follows:

	Capital Lease Obligations	
For the Year Ending September 30,	Principal	Interest
2022	$ 46,647	$ (1,914)
Total	$ 46,647	$ (1,914)

NOTE 10 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM

Uncompensated Care - The District participated in the Section 1115 Demonstration Waiver Program, a program designed to benefit rural community hospitals. This program is facilitated through the District providing an intergovernmental transfer whereby federal matching funds are provided to supplement the District for the shortfall in Medicaid funding. In connection with this program, the District provided intergovernmental transfers of $29,571 and $124,935, and received $92,011 and $379,709 for the years ended September 30, 2021 and 2020, respectively. The District recognized net revenue of $54,974 and $254,774 for the years ended September 30, 2021 and 2020, respectively. The respective revenue is included within net patient service revenue in the statements of revenues, expenses, and changes in net position.

Delivery System Reform Incentive Program - As part of the Section 1115 Demonstration Waiver Program, the District is eligible to receive incentive payments through the Delivery System Reform Incentive Payment Program (DSRIP). This incentive program is designed to improve the experience of care, improve the health of populations, and containing costs. By participating in the DSRIP program, the District provides an intergovernmental transfer to finance the non-federal share of the incentive payments. In connection with this program, the District provided intergovernmental transfers of $77,206 and $141,722, and received $241,345 and $430,635 for the years ended September 30, 2021 and 2020, respectively. The District recognized net revenue of $164,139 and $288,913 for the years ended September 30, 2021 and 2020, respectively, which is included within other revenue in the statements of revenues, expenses, and changes in net position.

NOTE 11 – MEDICAID DISPROPORTIONATE SHARE FUNDS

The Indigent Health Care and Treatment Act, passed by the 69th Texas Legislature in 1985, first apportioned funds to the Texas Department of Human Services (DHS) to provide assistance to hospitals providing a disproportionate share of inpatient indigent health care. The State of Texas created a mechanism whereby intergovernmental transfers were made between selected district and county hospitals to generate additional federal matching funds.

Hospitals participating in the Medicaid program that meet the conditions of participation and that serve a disproportionate share of low-income patients as defined by state law are eligible for additional reimbursement from the disproportionate share hospital fund. There are direct and indirect implied expectations regarding purposes of this funding. The focus of the funds is to benefit the health care needs of the medically indigent, including recipients of Medicaid benefits, those eligible for Medicaid benefits, the uninsured, and others for whom the cost of medical and hospital care has exceeded their ability to pay. However, state and federal law offer considerable flexibility to recipient hospitals regarding specific use of funds. In connection with this program, the District recognized net revenue of $177,422 and $137,034 for the years ended September 30, 2021 and 2020, respectively, which is included within net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position.

NOTE 12 – COVID-19 PROVIDER RELIEF FUNDS

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act (P.L. 116-136), the Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139), and the Coronavirus Response and Relief Supplemental Appropriations Act (P.L. 116-123) appropriated funds to reimburse eligible healthcare providers for healthcare related expenses or lost revenues attributable to coronavirus. These funds were distributed by the Health Resources and Services Administration ("HRSA") through the Provider Relief Fund ("PRF") program. The District received relief funds through Phase 1-3 stimulus payments and targeted distributions such as Rural Distribution.

Recipients of these funds agreed to Terms and Conditions, which require compliance with reporting requirements as specified by the Secretary of Health and Human Services in program instructions.

- **Stimulus Phases 1-3 –** By accepting the Relief Funds, the District must maintain compliance with the Secretary's terms and conditions, including but not limited to, using the Relief Funds to prevent, prepare for, and respond to coronavirus, and shall reimburse the District only for health care related expenses or lost revenues that are attributable to coronavirus. The District's commitment to full compliance with all terms and conditions is material to the Secretary's decision to disburse these funds. Non-compliance with any terms and conditions is grounds for the secretary to recoup some or all of the payment made from the Relief Fund. The District received stimulus funds in the amount of $-0- and $130,009 for the year ended September 30, 2021 and 2020, respectively. For the years ended September 30, 2021 and 2020, the District recognized $64,122 and $65,887, respectively, in rural distribution revenue.

- **Rural Distribution –** The provider Relief Funds designated to rural hospitals is for those hospitals that are located in a geography that is a non-Metro county, is an independent rural health clinic, critical access hospital, or has a Rural-Urban Commuting Area (RUCA) code of 2, 3, or 4-10. The funds received by the District shall reimburse the expenses used to prevent, prepare for, and respond to coronavirus or lost revenues attributable to coronavirus. The District received rural distribution funds in the amount of $-0- and $2,965,986 for the years ended September 30, 2021 and 2020, respectively. For the years ended September 30, 2021 and 2020, the District recognized $1,462,861 and $1,503,125, respectively, in rural distribution revenue.

- **Paycheck Protection Program ("PPP")** – Sections 1102 and 1106 of the CARES Act provides for the Paycheck Protection Program and loan forgiveness. The PPP and loan forgiveness are intended to provide economic relief to small businesses nationwide adversely impacted under the Coronavirus Disease 2019 Emergency Declaration through the provision of loans issued by the U.S. Small Business Administration ("SBA"). The PPP loan allows borrowers to cover eligible payroll costs and certain mortgage interest, rent, and utility payments during the covered period. The covered period is an eight consecutive week period beginning on the date of disbursement of the PPP loan proceeds or the first day of the first payroll cycle in the covered period. During the year ended September 30, 2021 and 2020, the District received in $-0- and $580,600, respectively, in PPP loan proceeds. The loan carried an interest rate of 1.00%, payable in monthly installments of $32,647, matures March 29, 2022, and secured by the SBA. During 2021, the PPP loan was forgiven in full. As a result, as of September 30, 2021 and 2020, the District recognized a gain on extinguishment of debt of debt of $580,600 and $-0-, respectively.

NOTE 13 – AMERICAN RESCUE PLAN ACT

In March 2021, the United States Congress passed the American Rescue Plan ("ARP") Act (P.L. 117-2). The ARP Act appropriated additional funds to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. These funds were distributed by the Health Resources and Services Administration ("HRSA") through the COVID-19 Testing and Mitigation program. The COVID-19 Testing and Mitigation program provides assistance for maintaining and increasing COVID-19 testing efforts, expanding access to testing in rural communities, and expanding the range of mitigation activities in local communities. During September 30, 2021 and 2020, the District received $100,000 and $-0-, respectively, in COVID-19 Testing and Mitigation program funds. At September 30, 2021 and 2020, the District recorded remaining COVID-19 Testing and Mitigation program receipts of $23,553 and $-0-, respectively. The remaining COVID-19 Testing and Mitigation program funds are included in deferred inflows of resources in the accompanying statements of net position.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation – The District is a unit of government covered by the Texas Tort Claims Act, which by statute, limits its liability to $100,000 per person/$300,000 per occurrence. These limits coincide with the malpractice insurance coverage maintained by the District. The District, from time-to-time, may be subject to claims and suits for damages as well. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the District's financial position or results of operations.

Leases – The District leases various equipment and facilities under operating leases expiring at various dates. Total rental expense, including operating leases, in September 30, 2021 and 2020 was $194,287 and $12,415, respectively.

Texas Medicaid 1115 Healthcare Transformation Waiver Recoupment Liability – During 2017, several hospitals filed a lawsuit against the federal government challenging the rule calculating disproportionate share (DSH) and uncompensated care (UC) payments. The hospitals claimed the rule's definition of "costs incurred" was contrary to the Medicaid Act. The main issue is whether payments made by Medicare and private insurers should be subtracted from a hospital's "costs incurred" in the calculation of the Medicaid Hospital Specific Limit (HSL). In August 2019, the D.C. Circuit reinstated the 2017 Final Rule as adopted by the Centers for Medicare and Medicaid Services. As a result, the HSL was subsequently recalculated, resulting in numerous hospitals receiving DSH and UC funds in excess of the calculated limit during demonstration years 7 and 8. Consequently, management has recorded an estimate for the anticipated recoupment of DSH and UC funds at September 30, 2021 and 2020. At September 30, 2021, management recorded an estimated recoupment liability of $195,000 and $185,000, respectively. The recoupment liability is included within other accrued liabilities in the accompanying combined statements of net position.

NOTE 15 – EMPLOYEE BENEFITS

Plan Description

The District participates in the Texas County & District Retirement System (TCDRS), an agent multiple-employer defined benefit pension plan covering all full-time and part-time non temporary employees, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. 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 a comprehensive annual financial report (CAFR) on a calendar year basis. The most recent CAFR for TCDRS can be found at the following link, 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 TCDRS.

Benefits Provided (Continued)

Members can retire at ages 60 and above with 10 or more years, with 30 years regardless of age, when the sum of their age and years of service equals 80 or more. A member is vested after 10 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. If a member withdraws their personal contributions in a lump sum, they are not entitled to any amounts contributed by the employer.

The following employees were covered by the benefit terms at December 31:

	2020	2019
Inactive Employees or Beneficiaries Currently Receiving Benefits	22	19
Inactive Employees Entitled to but not Yet Receiving Benefits	44	42
Active Employees	66	64
Total	132	125

NOTE 15 – EMPLOYEE BENEFITS (CONTINUED)

Contributions

The District's governing board 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 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 5% 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 plan year ended September 30, 2020 and 2019, employees contributed \$159,662 and \$132,472, or 5.0% and 5.0% of covered payroll, respectively, and the District contributed \$118,788 and \$90,876, or 3.7% and 3.4% of covered payroll, to the Plan.

Net Pension Asset/(Liability)

At September 30, 2021 and 2020, the District's net pension asset/(liability) was measured as of December 31, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was respectively determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total pension asset/(liability) in the December 31, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Acutarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation

NOTE 15 – EMPLOYEE BENEFITS (CONTINUED)

Net Pension Asset/(Liability) (Continued)

Mortality rates were based as follows:

Depositing Members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service Retirees, Beneficiaries and Non-depositing Members	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.
Disabled Retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014

The actuarial assumption 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 – December 31, 2016, except where required to be different by GASB 68. The economic assumptions were reviewed at the March 2021 TCDRS Board Meeting and revised assumptions were adopted.

The long-term expected rate of return on pension investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net or pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 15 – EMPLOYEE BENEFITS (CONTINUED)

Net Pension Asset/Liability (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
U.S Equities	11.50%	4.25%
Global Equities	2.50%	4.55%
International Equities-Developed	5.00%	4.25%
International Equities-Emerging	6.00%	4.75%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships (MLP's)	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Private Equity	25.00%	7.25%
Hedge Funds	6.00%	1.85%
Cash Equivalents	2.00%	-0.70%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.60% and 8.10% 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.

NOTE 15 – EMPLOYEE BENEFITS (CONTINUED)

Discount Rate (Continued)

The following table summarizes the changes in the net pension liability as of December 31, 2020, the valuation date:

	Increase (Decrease)		
Changes in Net Pension Liability / (Asset)	Total Pension Liability	Fiduciary Net Position	Net Pension Liability / (Asset)
Balances as of December 31, 2019	$ 4,067,609	$ 4,162,771	$ (95,163)
Changes for the Year:			
Service Cost	228,282	-	228,282
Interest on Total Pension Liability	333,764	-	333,764
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains or Losses	(140,696)	-	(140,696)
Effect of Assumptions Changes or Inputs	264,303	-	264,303
Refund of Contributions	(186,348)	(186,348)	-
Benefit Payments	(171,322)	(171,322)	-
Administrative Expenses	-	(3,299)	3,299
Member Contributions	-	159,662	(159,662)
Net Investment Income	-	429,880	(429,880)
Employer Contributions	-	118,788	(118,788)
Other	-	(1,932)	1,932
Balances as of December 31, 2020	$ 4,395,591	$ 4,508,202	$ (112,610)

NOTE 15 – EMPLOYEE BENEFITS (CONTINUED)

Discount Rate (Continued)

The following table summarizes the changes in the net pension liability as of December 31, 2019, the valuation date:

	Increase (Decrease)		
Changes in Net Pension Liability / (Asset)	Total Pension Liability	Fiduciary Net Position	Net Pension Liability / (Asset)
Balances as of December 31, 2018	$ 3,760,706	$ 3,540,807	$ 219,899
Changes for the Year:			
Service Cost	238,362	-	238,362
Interest on Total Pension Liability	316,711	-	316,711
Effect of Plan Changes	-	-	-
Effect of Economic/Demographic Gains or Losses	(66,522)	-	(66,522)
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	(38,061)	(38,061)	-
Benefit Payments	(143,588)	(143,588)	-
Administrative Expenses	-	(3,172)	3,172
Member Contributions	-	132,472	(132,472)
Net Investment Income	-	581,429	(581,429)
Employer Contributions	-	90,876	(90,876)
Other	-	2,008	(2,008)
Balances as of December 31, 2019	$ 4,067,608	$ 4,162,771	$ (95,163)

NOTE 15 – EMPLOYEE BENEFITS (CONTINUED)

Discount Rate (Continued)

Sensitivity to the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability of the District as of the December 31, 2020 and 2019 valuation dates, calculated using the discount rate of 7.60% and 8.10%, respectively, as well as what the District's net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate as of the valuation date December 31:

	2020		
	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total Pension Liability	$ 5,010,081	$ 4,395,591	$ 3,885,104
Fiduciary Net Position	4,508,202	4,508,202	4,508,202
Net Pension (Asset)/Liability	$ 501,879	$ (112,611)	$ (623,098)

	2019		
	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total Pension Liability	$ 4,633,312	$ 4,067,609	$ 3,595,804
Fiduciary Net Position	4,162,771	4,162,771	4,162,771
Net Pension (Asset)/Liability	$ 470,541	$ (95,162)	$ (566,967)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS financial report.

NOTE 15 – EMPLOYEE BENEFITS (CONTINUED)

Pension (Income)/Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended September 30, 2021 and 2020, the District recognized pension (income)/expense of $36,968 and $136,331, respectively. At September 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the TCDRS defined benefit pension plan from the following sources:

	2020	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	$ 180,004	$ -
Change in Assumptions or Inputs	-	218,002
Net Difference Between Projected and Actual Earnings	149,195	-
Contributions Made Subsequent to Measurement Date	N/A	88,360

	2019	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	$ 105,434	$ -
Change in Assumptions or Inputs	-	16,295
Net Difference Between Projected and Actual Earnings	93,261	-
Contributions Made Subsequent to Measurement Date	N/A	89,240

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended December 31:	
2021	$ (39,674)
2022	(1,695)
2023	(64,251)
2024	(5,577)
2025	-
Thereafter	-

NOTE 16 – SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2021, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is January 24, 2024, which is the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CONCHO COUNTY HOSPITAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

Schedules of Changes in the District's Net Pension Asset and Related Ratios

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	$ 228,282	$ 238,362	$ 233,795	$ 234,947	$ 235,644	$ 187,400	$ 148,553
Interest on Total Pension Liability	333,764	316,711	287,954	263,580	230,539	205,490	183,274
Effect of Plan Changes	-	-	-	-	-	(32,147)	-
Effect of Assumption Changes or Inputs	264,303	-	-	19,680	-	38,730	-
Effect of Economic/Demographic (Gains) or Losses	(140,696)	(66,522)	(459)	(68,612)	(62,611)	(17,194)	(1,302)
Benefit Payments/Refunds of Contributions	(357,670)	(181,648)	(160,440)	(135,113)	(95,783)	(91,224)	(66,310)
Net Change in Total Pension Liability	327,983	306,903	360,850	314,482	307,789	291,055	264,215
Total Pension Liability, Beginning	4,067,609	3,760,706	3,399,856	3,085,374	2,777,585	2,486,530	2,222,315
Total Pension Liability, Ending	4,395,592	4,067,609	3,760,706	3,399,856	3,085,374	2,777,585	2,486,530
Fiduciary Net Position							
Employer Contributions	$ 118,788	$ 90,876	$ 102,102	$ 108,123	$ 118,529	$ 114,882	$ 114,839
Member Contributions	159,662	132,472	137,976	150,171	140,437	128,216	112,367
Investment Income Net of Investment Expenses	429,880	581,429	(64,801)	435,169	193,072	(8,041)	150,962
Benefit Payments/Refunds of Contributions	(357,670)	(181,648)	(160,440)	(135,113)	(95,783)	(91,224)	(66,310)
Administrative Expenses	(3,299)	(3,172)	(2,844)	(2,345)	(2,110)	(1,836)	(1,798)
Other	(1,932)	2,007	2,726	2,422	4,958	(1,628)	(25,559)
Net Changes in Fiduciary Net Position	345,429	621,964	14,719	558,427	359,103	140,369	284,499
Fiduciary Net Position, Beginning	4,162,770	3,540,806	3,526,087	2,967,660	2,608,557	2,468,188	2,183,687
Fiduciary Net Position, Ending	4,508,199	4,162,770	3,540,806	3,526,087	2,967,660	2,608,557	2,468,187
Net Pension Liability/(Asset), Ending	$ (112,607)	$ (95,161)	$ 219,900	$ (126,231)	$ 117,714	$ 169,028	$ 18,343
Fiduciary Net Position as a % of Total Pension Liability	102.56%	102.34%	94.15%	103.71%	96.18%	93.91%	99.26%
Pensionable Covered Payroll	$ 3,193,239	$ 2,649,447	$ 2,759,512	$ 3,003,426	$ 2,808,736	$ 2,564,329	$ 2,247,336
Net Pension Liability as a % of Covered Payroll	-3.53%	-3.59%	7.97%	-4.20%	4.19%	6.59%	0.82%

This schedule is presented to illustrate the requirements 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.

See Independent Auditor's Report on required supplemental information.

CONCHO COUNTY HOSPITAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SEPTEMBER 30, 2021

Schedule of District Contributions*(1)*

Year Ending December 31,	Actuarially Determined Contribution (1)	Employer Contributions in Relation to the Actuarially Determined Contribution(1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2011	$ 57,341	$ 57,341	$ -	$ 1,204,644	4.8%
2012	70,803	70,803	-	1,430,360	5.0%
2013	87,305	87,305	-	1,760,182	5.0%
2014	114,839	114,839	-	2,247,336	5.1%
2015	114,882	114,882	-	2,564,329	4.5%
2016	118,529	118,529	-	2,808,736	4.2%
2017	108,123	108,123	-	3,003,426	3.6%
2018	102,102	102,102	-	2,759,512	3.7%
2019	90,876	90,876	-	2,649,447	3.4%
2020	118,778	118,778	-	3,193,239	3.7%

(1) *TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No.68 indicates the employer should reeport employer contributions amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS.*

(2) *Payroll is calculated based on contributions as reported to TCDRS.*

Notes to Schedule of Employer Contributions:

Valuation Date:

Actuarially determined contribution rates are calculated each 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
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.6% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
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.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in Schedule of Employer Contributions*	2015 : No changes in plan provisions are reflected in the Schedule. 2016: No changes in plan provisions are reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule.

SUPPLEMENTARY INFORMATION

CONCHO COUNTY HOSPITAL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution	93.498		$ 3,095,995
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697		23,553
Total Direct Programs			3,119,548
Passed Through the Texas Department of Agriculture:			
Small Rural Hospital Improvement Grant Program	93.301	2020SHP017	10,287
Total Passed Through the Texas Department of Agriculture			10,287
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			3,129,835
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,129,835

The accompanying notes are an integral part of this schedule.

CONCHO COUNTY HOSPITAL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "SEFA") includes the federal award activity of Concho Hospital District (the "District"), under programs of the federal government for the year ended September 30, 2021. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, revenues, expenses, and changes in net position, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

The District did not provide any federal awards to subrecipients during the year ended September 30, 2021.

NOTE 5 – PROVIDER RELIEF FUNDS (93.498)

Expenditures under CFDA 93.498, Provider Relief Fund (PRF) applies the guidance of the U.S. Department of Health and Human Services (HHS). For the PRF program, the amount on the SEFA is reported based on the PRF portal submission guidelines. Payments from HHS for the PRF are assigned to one of four Payment Received Periods based upon the date each payment from the PRF was received. Each Period has a specified Period of Availability and timing of reporting requirements. The SEFA includes those qualifying expenditures and/or lost revenues that were reported in the PRF portal for Period 1 (Payment Received Periods from April 10, 2020 to June 30, 2020 and Periods of Availability from January 1, 2020 to June 30, 2021). As such, the amount presented in this SEFA will differ from amounts presented in the statement of revenues, expenses, and changes in net position.

NOTE 6 – PERSONAL PROTECTIVE EQUIPMENT (PPE) (UNAUDITED)

For the year ended September 30, 2021, the District received $-0- in federally donated personal protective equipment in response to the COVID-19 pandemic (unaudited).

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

Board of Directors and Management
Concho County Hospital District
Eden, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Concho Hospital District (the "District"), which comprise the statement of financial position as of September 30, 2021, the related statements of revenues, expenses, and changes in net position and statements of cash flows, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 have not been identified. However, as described in the accompanying schedule of findings and questions costs, we did identify certain deficiencies in internal control that we consider to be material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned as items 2021-001, 2021-002, and 2021-003 that we consider to be material weaknesses.

Internal Control over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-004 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Concho Hospital District's Response to Findings

Concho Hospital District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Concho Hospital District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

D&CO, LLP

D & Co., L.L.P.
Lubbock, Texas
January 24, 2024

D & CO. LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors and Management
Concho County Hospital District
Eden, Texas

Report on Compliance for Each Major Federal Program

We have audited Concho Hospital District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Concho Hospital District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

D&CO, LLP

Durbin & Company, L.L.P.
Lubbock, Texas
January 24, 2024

CONCHO COUNTY HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 31, 2021

SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Concho Hospital District were prepared in accordance with GAAP.

2. Three material weaknesses and one significant deficiency relating to the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of Concho Hospital District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for Concho Hospital District expresses an unmodified opinion on all major federal programs.

6. There are no such findings related to major programs that are required to be reported in accordance with 2 CFR §200.516(a).

7. The program tested as a major program were:

Cluster/Program	CFDA Number
COVID-19 - Provider Relief Fund (PRF) and America Rescue Plan (ARP) Rural Distribution	93.498

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. Concho Hospital District was determined not to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weakness:

Reference Number	Finding
2021-001	Estimated Third-Party Payor Settlements - Cost Report

Condition: Management is responsible for establishing a process to recognize accounting estimates for third-party payor settlements in accordance with generally accepted accounting principles (GAAP).

Context: A material weakness exists in the design and operation of providing for an adequate accounting estimate for estimated third-party payor settlements.

Cause: Due to the complexity of the estimate, management does not record an estimate for the current year cost report until the cost report is prepared, which is approximately 5 months after year-end.

Effect: The estimate for third-party payor settlements was misstated during the year. A material adjustment was proposed and posted by management to properly state the financial statements.

Recommendation: Management should establish a process to estimate and record third-party payor settlements. The estimate should be based on a trend analysis of past filed cost reports and the status of those reports as reviewed by the Medicare Medicaid intermediary.

Views of Responsible Officials and Planned Corrective Actions: Management is aware there can be large fluctuations in cost report settlements from year to year based on multiple factors including patient days, payer mix, costs of providing services, and outpatient utilization. Due to these reasons, management did not estimate a cost report settlement in accordance with GAAP.

FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Material Weakness (Continued):

Reference Number	Finding
2021-002	Financial Close Process

Condition: Although management has a process in place to maintain basic financial statements in accordance with generally accepted accounting principles (GAAP), certain general ledger accounts were not reconciled during the year. Areas in which material audi adjustments were proposed and recorded by management included:

- Net Pension Asset
- Inventory
- Capital Lease Expense
- Deferred Revenue
- Gain on Loan Forgiveness
- Prior Year Adjustments to Retained Earnings

Criteria: Management is responsible for preparing financial statements in accordance with GAAP.

Cause: The monthly and year-end financial close process is not designed to reconcile all areas that require financial recognition.

Effect: Material audit adjustments were proposed and recorded by management to the areas referenced above.

Recommendation: Management should strengthen the internal control processes to includ general ledger reconciliation procedures for all general ledger accounts on a monthly and annual basis to reflect financial activity in accordance with GAAP.

Views of Responsible Officials: Management will review and refine internal control procedures to include reconciliation procedures for all general ledger accounts on a monthly and/or annual basis, to reflect financial activity in accordance with GAAP.

FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Material Weakness (Continued):

Reference Number	Finding
2021-003	Estimates for Uncollectible Patient Accounts

Condition: Net patient accounts receivable was not recorded in accordance with GAAP at year-end. As a result, net patient accounts receivable were not properly safeguarded from misstatements.

Cause: Although management has processes and procedures in place to calculate estimates for uncollectible patient accounts during the District's month and year-end financial close process, management did not consider the impact of upfront patient collections. To aide in increasing cash collections, management implemented incentives for staff to request upfront collections from patients at the date of service. This increase in collections was not adequately considered in management's calculation of estimate for uncollectible patient accounts receivable at year-end.

Effect: An audit adjustment, which was material, was proposed and recorded by management.

Recommendation: Management should review and update its processes and procedures for estimating uncollectible patient accounts receivable. Such updates should include anticipated changes in collection rates based on implementation of policies or programs within the patient accounts receivable financial reporting cycle. Other updates may include review and analysis of actual patient account collections and write-off rates. These changes should be reviewed and approved by management.

Views of Responsible Officials and Planned Corrective Actions:
Management strives to report financial statements accurately on a monthly basis. Estimates and insights utilized in the monthly preparation of financial statements are limited to the knowledge available at the time of preparation. Management will continue to use estimates and calculations in order to attempt to accurately reflect the District's financial statements in accordance with GAAP.

FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Significant Deficiency:

Reference Number	Finding
2021-004	Segregation of Duties

Criteria or Specific Requirement: Management is responsible for providing segregation of duties to ensure that assets are safeguarded and financial statements are reliable.

Condition: Due to the limited size of the office staff, the District has a lack of segregation of duties.

Cause: Due to the limited size of accounting staff, the overall control of accounting data is more concentrated than desired.

Effect: The potential for misappropriation of assets or misstatements in the financial statements could potentially go undetected and uncorrected in a timely manner.

Context: Individuals within the accounting department have incompatible duties of record-keeping, authorization, and/or custody of assets in the general ledger, bank reconciliation, and accounts payable processes.

Auditor's Recommendation **:** Management should evaluate the costs versus the benefits of improving segregation of duties in the staffing of key financial reporting areas.

Views of Responsible Officials and Planned Corrective Actions:
Management will review segregation of duties and ensure proper checks and balances are in place.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

- None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

- None