

**BALLINGER MEMORIAL HOSPITAL DISTRICT
BALLINGER, TEXAS**

**AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND 2019**

INDEPENDENT AUDITOR'S REPORT

Management and the Board of Directors
Ballinger Memorial Hospital District
Ballinger, Texas

We have audited the accompanying statements of net position of Ballinger Memorial Hospital District, (the "District"), as of September 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and statements of cash flows, for the years then ended and the related notes to financial statements, which collectively comprise Ballinger Memorial Hospital 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Durbin & Company, L.L.P.
Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ballinger Memorial Hospital District as of September 30, 2020 and 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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 29 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Durbin & Company, L.L.P.
Lubbock, Texas
March XX, 2021

**BALLINGER MEMORIAL HOSPITAL DISTRICT
BALLINGER, TEXAS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND 2019**

**BALLINGER MEMORIAL HOSPITAL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019
(Unaudited)**

Our discussion and analysis of Ballinger Memorial Hospital District (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal years ended September 30, 2020 and 2019. 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 \$4,391,157, or 54.3%, increase in 2020 and a \$537,679, or 7.1%, increase in 2019
- The District reported operating income of \$914,936 in 2020 and reported an operating loss of \$778,534 in 2019
- Net patient service revenue increased \$3,379,648, or 27.8%, in 2020 and increased \$1,406,993, or 13.1%, in 2019 compared to 2018

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 the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District’s net position and changes in it. You can think of the District’s net position—the difference between assets, deferred outflows of resources, and liabilities—as one way to measure the District’s financial health, or net position. Over time, increases or decreases in the District’s net position is 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.

**BALLINGER MEMORIAL HOSPITAL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019
(Unaudited)**

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. This 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 balances 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 Statements of Net Position on page 1. The District’s net position increased by \$4,391,157, or 54.3%, in 2020 and increased by \$537,679, or 7.1%, in 2019, as you can see from **Table 1**.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets and Deferred Outflows of Resources:			
Current Assets	\$ 15,733,458	\$ 4,782,783	\$ 5,144,619
Capital Assets, Net	4,216,238	4,956,594	4,928,275
Other Long-Term Assets	-	79,080	15,872
Total Assets	<u>19,949,696</u>	<u>9,818,457</u>	<u>10,088,766</u>
Deferred Outflows of Resources	<u>419,455</u>	<u>167,671</u>	<u>291,213</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 20,369,151</u></u>	<u><u>\$ 9,986,128</u></u>	<u><u>\$ 10,379,979</u></u>
Liabilities:			
Long-Term Debt, Net of Current Portion	\$ -	\$ 175,569	\$ 256,562
Notes Payable	907,977	-	-
Other Current and Non Current Liabilities	<u>1,376,290</u>	<u>1,727,128</u>	<u>2,577,665</u>
Total Liabilities	<u>2,284,267</u>	<u>1,902,697</u>	<u>2,834,227</u>
Deferred Inflows of Resources	<u>5,610,296</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	7,894,563	1,902,697	2,834,227
Net Position:			
Net Investment in Capital Assets	4,216,238	4,781,025	4,671,713
Restricted for Capital Improvements	278,011	-	-
Unrestricted	<u>7,980,339</u>	<u>3,302,406</u>	<u>2,874,039</u>
Total Net Position	<u><u>12,474,588</u></u>	<u><u>8,083,431</u></u>	<u><u>7,545,752</u></u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 20,369,151</u></u>	<u><u>\$ 9,986,128</u></u>	<u><u>\$ 10,379,979</u></u>

**BALLINGER MEMORIAL HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019
(Unaudited)**

OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION

The District's net position increased by \$4,391,157 and \$537,679 in 2020 and 2019, respectively.

Table 2: Operating Results and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues:			
Net Patient Service Revenue	\$ 15,521,263	\$ 12,141,615	\$ 10,734,622
Nursing Home Revenue	6,597,376	6,538,517	6,177,445
Other Operating Revenue	1,039,722	755,898	601,800
Total Operating Revenue	<u>23,158,361</u>	<u>19,436,030</u>	<u>17,513,867</u>
Operating Expenses:			
Salaries, Wages, and Benefits	7,440,747	7,034,555	5,412,951
Nursing Home Expenses	6,721,354	6,538,517	6,177,445
Other Operating Expenses	7,061,949	5,658,466	5,167,919
Depreciation / Amortization	1,019,375	983,026	949,154
Total Operating Expenses	<u>22,243,425</u>	<u>20,214,564</u>	<u>17,707,469</u>
Operating Income (Loss)	<u>914,936</u>	<u>(778,534)</u>	<u>(193,602)</u>
Nonoperating Revenues and Expenses:			
Property Tax Revenue	925,133	908,403	848,793
Noncapital Grants and Contributions	500	-	10,000
Interest Expense	(14,317)	(2,797)	(26,570)
CARES Act Provider Relief Funds Program Revenue	2,351,935	-	-
Other	34,110	30,217	42,753
Total Nonoperating Revenues (Expenses)	<u>3,297,361</u>	<u>935,823</u>	<u>874,976</u>
Excess of Revenues over Expenses Before Capital Grants and Contributions	4,212,297	157,289	681,374
Capital Grants and Contributions	<u>178,860</u>	<u>380,390</u>	<u>161,467</u>
Increase in Net Position	<u>4,391,157</u>	<u>537,679</u>	<u>842,841</u>
Net Position, Beginning of Year	<u>8,083,431</u>	<u>7,545,752</u>	<u>6,702,911</u>
Net Position, End of Year	<u>\$ 12,474,588</u>	<u>\$ 8,083,431</u>	<u>\$ 7,545,752</u>

**BALLINGER MEMORIAL HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019
(Unaudited)**

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 income in 2020 of \$914,936 and reported an operating loss of \$778,534 in 2019.

The primary components of the operating income in 2020 are:

- Net patient service revenue increased by \$3,379,348, or 27.8%, from 2019
- Other operating revenue increased by \$283,824, or 37.6%, from 2019
- Salaries, wages, and benefits expense increased by \$406,192, or 5.8%, from 2019

The primary components of the operating loss in 2019 are:

- Net patient service revenue increased by \$1,406,993, or 13.1%, from 2018
- Salaries, wages, and benefits expense increased by \$1,621,604, or 30.0%, from 2018
- Professional fees and purchased services increased by \$440,947, or 22.1%, from 2018

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of property taxes levied by the District. The District's property tax revenues, net of appraisal fees, during 2020 and 2019 were \$925,133 and \$908,403, respectively.

Grants and Contributions

The District receives both capital and operating grants from various sources for specific programs. Capital grants and contributions received during 2020 and 2019 were \$178,860 and \$380,390, respectively. Noncapital grants and contributions received during 2020 and 2019 were \$500 and \$-0-, respectively.

THE DISTRICT'S CASH FLOWS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020 and 2019, the District had \$4,216,238 and \$4,956,594, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 7 of the financial statements. The District acquired capital assets in the amount of \$279,018 and \$1,011,345 in 2020 and 2019, respectively.

**BALLINGER MEMORIAL HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019
(Unaudited)**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt

During 2020, the District assumed a Paycheck Protection Program ("PPP") loan in the amount of \$907,977, as detailed in Note 8 of the financial statements. The District made no payments on the PPP loan during 2020 and the PPP loan was forgiven in full in November 2020. During 2020, the District held a line of credit up to \$1.5 million with West Texas State Bank. The line of credit is necessary for operations of the District. During 2020, the District drew \$-0- against the line of credit and paid \$-0-.

At the end of 2020 and 2019, the District had long-term debt outstanding of \$-0- and \$175,569, respectively, as detailed in Note 9 of the financial statements. During 2020, the District assumed a debt which totaled \$1,291,259.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, 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 the administration at Ballinger Memorial Hospital District, 608 Avenue B, Ballinger, Texas 76821.

**BALLINGER MEMORIAL HOSPITAL DISTRICT
BALLINGER, TEXAS**

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2020 AND 2019**

BALLINGER MEMORIAL HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2020 AND 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,876,569	\$ 1,093,429
Short-Term Investments	6,921,810	-
Restricted Cash and Cash Equivalents	278,011	-
Patient Accounts Receivable, Net	1,549,511	1,549,528
Accounts Receivable - Nursing Home	242,691	292,679
Estimated Third-Party Payor Settlements	693,248	207,449
Other Receivables	1,462,227	900,454
Inventory of Supplies	452,477	348,440
Prepaid and Other Current Assets	239,044	375,752
Property Taxes Receivable	<u>17,870</u>	<u>15,052</u>
Total Current Assets	15,733,458	4,782,783
CAPITAL ASSETS,		
Land	43,920	43,920
Net of Accumulated Depreciation	<u>4,172,318</u>	<u>4,912,674</u>
Total Capital Assets, Net	4,216,238	4,956,594
NET PENSION ASSET	<u>-</u>	<u>79,080</u>
Total Assets	19,949,696	9,818,457
DEFERRED OUTFLOWS OF RESOURCES		
Differences Between Expected and Actual Experience	41,820	4,586
Difference Between Projected and Actual Earnings	-	49,397
Changes in Assumptions	1,223	1,467
Contributions Subsequent to the Measurement Date	<u>376,412</u>	<u>112,221</u>
Total Deferred Outflows of Resources	<u>419,455</u>	<u>167,671</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 20,369,151</u>	<u>\$ 9,986,128</u>

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

BALLINGER MEMORIAL HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2020 AND 2019

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION:**

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ -	\$ 82,520
Notes Payable	907,977	-
Accounts Payable	350,288	319,039
Accounts Payable - Nursing Home	305,213	366,057
Accrued Payroll, Benefits, and Related Liabilities	495,934	426,975
Self-Funded Health Insurance	65,291	38,500
Other Accrued Liabilities	<u>103,592</u>	<u>576,557</u>
 Total Current Liabilities	 2,228,295	 1,809,648
NONCURRENT LIABILITIES		
Net Pension Liability	55,972	-
Long-Term Debt, Net of Current Portion	-	93,049
Total Noncurrent Liabilities	<u>55,972</u>	<u>93,049</u>
 Total Liabilities	 2,284,267	 1,902,697
DEFERRED INFLOWS OF RESOURCES		
Difference Between Projected and Actual Earnings	15,026	-
CARES Act Provider Relief Funds	2,297,180	-
Medicare Accelerated and Advance Payments	3,298,090	-
Total Deferred Inflows of Resources	<u>5,610,296</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	4,216,238	4,781,025
Restricted for Capital Improvements	278,011	-
Unrestricted	<u>7,980,339</u>	<u>3,302,406</u>
 Total Net Position	 <u>12,474,588</u>	 <u>8,083,431</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 20,369,151</u>	 <u>\$ 9,986,128</u>

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

BALLINGER MEMORIAL HOSPITAL DISTRICT

**STATEMENTS OF REVENUE, EXPENSES,
AND CHANGES IN NET POSITION**

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Net Patient Service Revenue	\$ 15,521,263	\$ 12,141,615
Nursing Home Revenue	6,597,376	6,538,517
Delivery System Reform Incentive Program	255,601	204,317
Quality Incentive Payment Program	243,374	150,134
Other Operating Revenue	<u>540,747</u>	<u>401,447</u>
Total Operating Revenues	23,158,361	19,436,030
OPERATING EXPENSES:		
Salaries and Wages	5,944,759	5,233,347
Employee Benefits	1,495,988	1,801,208
Professional Fees and Purchased Services	3,030,985	2,437,935
Supplies and Other	4,030,964	3,220,531
Operating Expenses - Nursing Home	6,721,354	6,538,517
Depreciation and Amortization	<u>1,019,375</u>	<u>983,026</u>
Total Operating Expenses	<u>22,243,425</u>	<u>20,214,564</u>
Operating Income (Loss)	<u>914,936</u>	<u>(778,534)</u>
NONOPERATING REVENUES (EXPENSES):		
Property Tax Revenue	925,133	908,403
Noncapital Grants and Contributions	500	-
Investment Income	34,110	30,217
Interest Expense	(14,317)	(2,797)
CARES Act Provider Relief Funds Program Revenue	<u>2,351,935</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>3,297,361</u>	<u>935,823</u>
Excess of Revenues over Expenses Before Capital Grants and Contributions	4,212,297	157,289
Capital Grants and Contributions	<u>178,860</u>	<u>380,390</u>
Increase in Net Position	<u>4,391,157</u>	<u>537,679</u>
Net Position, Beginning of Year	<u>8,083,431</u>	<u>7,545,752</u>
Net Position, End of Year	<u><u>\$ 12,474,588</u></u>	<u><u>\$ 8,083,431</u></u>

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

BALLINGER MEMORIAL HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from and on Behalf of Patients	\$ 21,586,437	\$ 17,601,832
Payments to Suppliers and Contractors	(13,906,928)	(12,441,314)
Payments to Employees	(7,319,884)	(7,306,456)
Other Receipts and Payments, Net	<u>477,478</u>	<u>1,077,189</u>
Net Cash Provided (Used) by Operating Activities	837,103	(1,068,749)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Earnings	33,992	30,217
Purchase of Investments	<u>(6,921,810)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>(6,887,818)</u>	<u>30,217</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Grants and Contributions	178,860	380,390
Proceeds from Issuance of Long-term Debt and Notes Payable	383,282	-
Principal Payments on Long-term Debt	(558,851)	(80,993)
Interest Paid on Long-term Debt	(14,317)	(4,754)
Purchase of Capital Assets	(655,105)	(640,640)
CARES Act Provider Relief Funds for Capital Activities	<u>40,000</u>	<u>-</u>
Net Cash Used by Capital and Related Financing Activities	(626,131)	(345,997)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property Tax Revenues	922,315	910,373
Payments for Intergovernmental Transfers	-	(647,742)
Proceeds from Issuance of Notes Payable	907,977	-
Noncapital Grants and Contributions	500	-
CARES Act Provider Relief Funds	<u>7,907,205</u>	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	<u>9,737,997</u>	<u>262,631</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 3,061,151	 (1,121,898)
Cash and Cash Equivalents, Beginning of Year	<u>1,093,429</u>	<u>2,215,327</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,154,580</u>	<u>\$ 1,093,429</u>

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

BALLINGER MEMORIAL HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
Cash and Cash Equivalents Presented Under the Following Titles:		
Cash and Cash Equivalents	\$ 3,876,569	\$ 1,093,429
Restricted Cash and Cash Equivalents	278,011	-
Total Cash and Cash Equivalents	<u>\$ 4,154,580</u>	<u>\$ 1,093,429</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ 914,936	\$ (778,534)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,019,375	983,026
Provision of Bad Debts	1,635,975	1,437,227
(Increase) Decrease in:		
Patient Accounts Receivable	(1,635,958)	(1,526,530)
Patient Accounts Receivable - Nursing Home	49,988	185,615
Estimated Third-Party Payor Settlements	(485,799)	(207,449)
Other Receivables	(561,773)	320,820
Inventory of Supplies	(104,037)	(1,970)
Prepaid Expenses and Other Current Assets	136,826	(322,003)
Net Pension Asset	79,080	(63,208)
Deferred Outflows of Resources	(251,784)	123,542
Increase (Decrease) in:		
Accounts Payable	31,249	144,682
Accounts Payable - Nursing Home	(60,844)	(351,859)
Accrued Salaries, Benefits, and Payroll Liabilities	68,959	15,084
Estimated Third-Party Payor Settlements	-	(1,167,163)
Self-Funded Health Insurance	26,791	(60,500)
Other Accrued Liabilities	(96,879)	200,471
Net Pension Liability	55,972	-
Deferred Inflows of Resources	<u>15,026</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 837,103</u>	<u>\$ (1,068,749)</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Capital Asset Purchases Included in Accounts Payable	<u>\$ -</u>	<u>\$ 370,705</u>
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The accompanying notes are an integral part of these financial statements.

**BALLINGER MEMORIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Ballinger Memorial Hospital District (the District), was created by a law of the State of Texas. The District is governed by a board of directors, elected by the citizens of Runnels County, Texas. The District is organized for the purpose of providing healthcare services to the residents of Runnels County and the surrounding area. The District's primary sources of support are from patient revenues and other ancillary income. Patient revenues include funds received from Medicare, state agencies, insurance companies, and the patients themselves. In addition, the District is responsible for the health care of indigent residents of Runnels County, Texas and is funded, in part, by ad valorem taxes on real and personal property within the jurisdiction.

Ballinger Memorial Hospital District Health Foundation (the "Foundation") is a legally separate, tax exempt component unit of the District formed during 2011. The Foundation's primary function is to raise and hold funds to support the District and its programs. A majority of the board of the Foundation is appointed by the District board of directors while the remaining members are appointed by the current board members. The current board of directors consists of District board of director members and management, as well as local business professionals. The financial activity of the Foundation is reported as a blended component unit of the District.

The accompanying financial statements include the accounts of Ballinger Memorial Hospital District and the following nursing home and rehabilitation facilities, Coleman Healthcare Center and Cross-Country Healthcare Center. The transactions and balances between the entities have been eliminated.

Enterprise Fund Accounting – The District uses enterprise fund accounting. Revenue 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 Pronouncements*. The District has also elected to apply the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

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 – For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less to be cash equivalents, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.

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.

**BALLINGER MEMORIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable (Continued) – 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 contractual adjustments 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 historical costs on the First-In, First-Out (FIFO) method.

Capital Assets – Capital assets are stated at cost and include expenditures for improvements and betterments which substantially increase the useful lives of existing plant and equipment. Maintenance repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss is credited or charged to income. 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. Donated assets are recorded at fair market value on the date of donation.

The District capitalizes all assets over \$10,000 and provides for depreciation on property and equipment 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 as follows:

Land Improvements	15 to 20 years
Building (Components)	5 to 40 years
Fixed Equipment	5 to 20 years
Major Moveable Equipment	3 to 20 years

Net Position – Net position of the District is classified into two components: net investment in capital assets; 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 unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets component of net position.

Operating Revenues and Expenses – For purposes of display, the District’s statement 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. Non-exchange 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.

**BALLINGER MEMORIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes - The District is a political subdivision under the laws of the State of Texas, and, therefore, it is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

The Foundation, a blended component unit of the District, is exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in 501(c)(3). However, the Foundation is required to file an annual informational Form 990 return.

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 Runnels County, Texas 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 service revenue.

Property Taxes – The District levies taxes as provided under state law on properties within the District. These taxes are collected by the Runnels 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 or prior to January 1, which is the due date a lien attaches to the taxable property. Property tax revenues are recognized when they become available. Allowances are provided for delinquent taxes.

Grants and Contributions – From time to time, the District receives grants from federal and state agencies, 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.

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; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to presentation in the 2020 financial statements. These restatements had no effect on the change in net position.

**BALLINGER MEMORIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019. 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, 2019. 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.

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 GASB Statement No. 87, *Leases* to be effective for *fiscal years* beginning after December 15, 2019 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;

**BALLINGER MEMORIAL HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Adoption of Recent Accounting Pronouncements (Continued):

GASB Statement No. 92 (Continued) – The requirements of this Statement are effective as follows:

- 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 disclosures.

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 periods beginning after June 15, 2018, or later.

- 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.

