WINNIE-STOWELL HOSPITAL DISTRICT
WINNIE, TEXAS

AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management
Winnie-Stowell Hospital District
Winnie, Texas

We have audited the accompanying financial statements of Winnie-Stowell Hospital District (the “District”), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Winnie-Stowell Hospital District’s statements of net position, and the related statements of revenues, expenses, and changes in net position, and cash flows.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Winnie-Stowell Hospital District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion**.**

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about Winnie-Stowell Hospital District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Winnie-Stowell Hospital District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Winnie-Stowell Hospital District 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages A-1 through A-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic 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 September 30, 2022, on our consideration of the 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 the results of that testing, and not to provide an 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.

Durbin & Company, L.L.P.

Durbin & Company, L.L.P.
Lubbock, Texas
September 30, 2022

Winnie-Stowell Hospital District
Winnie, Texas

Management's Discussion and Analysis

For the Years Ended
December 31, 2021 and 2020

WINNIE-STOWELL HOSPITAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS AND FINANCIAL STATEMENTS

Our discussion and analysis of Winnie-Stowell Hospital District's financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 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 decreased in 2021 by $2,029,743 or 14.7% and increased in 2020 by $26,592 or 0.2%.
- The District's net patient service revenue increased in 2021 by $41,148,900 or 17.5% and increased in 2020 by $25,632,349 or 12.2%.
- The District's operating expenses increased in 2021 by $42,563,143 or 17.5% and increased in 2020 by $34,148,930 or 16.3%.
- The District's non-operating revenues decreased in 2021 by $641,183 or 7.8% and increased in 2020 by $8,989,191 or 1163.5%.

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 Fund 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 to it. 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 measures of the quality of service it provides to the community, as well as local economic factors to assess 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 and liabilities reported in the Statement of Net Position on page 2. The District's assets, liabilities, and net position are summarized in **Table 1**. The total net position represents the District's net worth.

Table 1: Assets, Liabilities, and Net Position

	2021	2020	2019
Assets:			
Current Assets	$ 97,868,701	$ 78,957,466	$ 55,639,798
Capital Assets (net)	121,283	126,462	21,700
Total Assets	$ 97,989,984	$ 79,083,928	$ 55,661,498
Liabilities:			
Other Current and Non-Current	$ 82,946,636	$ 55,692,261	$ 41,867,151
Deferred Inflows of Resources	3,252,152	9,570,728	-
Total Net Position	11,791,196	13,820,939	13,794,347
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 97,989,984	$ 79,083,928	$ 55,661,498

A significant component of the change in the District's assets is the increase in patient accounts receivable in the amount of $15,858,878 in 2021, and the increase in prepaid and other current assets of $15,634,491 in 2020. A significant component of the change in the District's liabilities, deferred inflows of resources and net position is the increase in accounts payable of $26,988,205 and the decrease in deferred inflows of resources of $6,318,576 which is related to the receipt of provider relief funds discussed in Note 13.

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION

In 2021 and 2020, the District's net position increased in 2021 by $2,029,743 or 14.7% and decreased in 2020 by $26,592 or 0.2%.

	2021	2020	2019
Operating Revenues:			
Net Patient Service Revenue	$ 276,659,770	$ 235,510,870	$ 209,878,521
Other Operating Revenue	12,314	13,222	9,839
Total Operating Revenue	276,672,084	235,524,092	209,888,360
Operating Expenses:			
Salaries	126,149	117,525	98,549
Employee Benefits	10,394	10,124	6,863
Nursing Home Expenses	260,782,079	221,915,400	199,408,758
Indigent Care	1,142,607	622,402	1,673,947
Legal and Consulting Fees	2,283,616	1,923,116	1,868,842
Other Operating	21,927,211	19,122,504	6,508,203
Depreciation and Amortization	5,179	3,021	-
Total Operating Expenses	286,277,235	243,714,092	209,565,162
Operating Income (Loss)	(9,605,151)	(8,190,000)	323,198
Nonoperating Revenues and (Expenses):			
Sales Tax Revenue	675,333	645,787	768,179
CAREs Act Provider Relief Funds	9,610,727	9,545,150	-
Investment Income	21,443	43,981	73,238
Interest Expense	(2,732,094)	(2,018,326)	(1,614,016)
Total Nonoperating Revenue / (Expense)	7,575,409	8,216,592	(772,599)
Increase (Decrease) in Net Position	$ (2,029,742)	$ 26,592	$ (449,401)

Operating Income (Loss)

Contributing to the overall change of the District's net position is its operating income, generally, the difference between the net patient service revenue and the expenses incurred to perform those services. The District has reported an operating income (loss) of ($9,605,151) and ($8,190,000) in 2021 and 2020, respectively.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of sales taxes levied by the state and provider relief funds. The District received $29,546 more in taxes in 2021, while in 2020 the taxes collected decreased by $122,392. The District recognized provider relief funds of $9,610,727 and $9,545,150 as of December 31, 2021 and 2020. Nonoperating expenses consist primarily of interest expense. The District paid $713,768 more in interest in 2021 and $404,310 more in 2020.

THE DISTRICT'S CASH FLOWS

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses previously discussed.

DEBT ADMINISTRATION

Debt

At December 31, 2021 and 2020, the District had $23,572,318 and $23,304,017, respectively, in notes payable as detailed in Note 8 of the financial statements.

Other Economic Factors

The District maintains good relations with various employers in the area. The District seeks to maintain its provider status in the many health insurance networks that local employers participate in. The District will continue to look for ways to foster its relationship with local employers and work towards promoting the services it offers to potential patients in the area.

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, the District's office at Winnie-Stowell Hospital District, 538 Broadway, Winnie, Texas 77665.

Winnie-Stowell Hospital District
Winnie, Texas

Financial Statements

For the Years Ended
December 31, 2021 and 2020

WINNIE-STOWELL HOSPITAL DISTRICT
STATEMENTS OF NET POSITION

DECEMBER 31, 2021 AND 2020

ASSETS:	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	$ 21,470,809	$ 11,079,682
Short-Term Investments	6,020,261	6,109,405
Assets Restricted by Contributors or Grantors	2,078	2,060
Patient Accounts Receivable, Net of Allowance	44,056,394	28,197,516
Nursing Home Supplemental Payment Receivable	10,437,568	8,380,760
Prepaid and Other Current Assets	15,749,173	25,076,993
Sales Taxes Receivable	132,418	111,050
Total current assets	97,868,701	78,957,466
CAPITAL ASSETS, NET		
Depreciable Capital Assets, Net	$ 121,283	$ 126,462
Total Capital Assets, Net	$ 121,283	$ 126,462
Total Assets	$ 97,989,984	$ 79,083,928

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

WINNIE-STOWELL HOSPITAL DISTRICT
STATEMENTS OF NET POSITION

DECEMBER 31, 2021 AND 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:	2021	2020
CURRENT LIABILITIES		
Accounts Payable	$ 59,372,734	$ 32,384,529
Accrued Payroll, Benefits, and Related Liabilities	1,584	3,715
Notes Payable	23,572,318	23,304,017
Total Current Liabilities	82,946,636	55,692,261
Total Liabilities	82,946,636	55,692,261
DEFERRED INFLOWS OF RESOURCES	3,252,152	9,570,728
NET POSITION		
Invested in Capital Assets Net of Related Debt	121,283	126,462
Unrestricted	11,669,913	13,694,477
Total Net Position	11,791,196	13,820,939
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 97,989,984	$ 79,083,928

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

WINNIE-STOWELL HOSPITAL DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING REVENUES:		
Net Nursing Home Patient Service Revenue	$ 276,659,770	$ 235,510,870
Other Revenue	12,314	13,222
Total Operating Revenues	276,672,084	235,524,092
OPERATING EXPENSES:		
Salaries	126,149	117,525
Employee Benefits	10,394	10,124
Nursing Home Expenses	260,782,079	221,915,400
Indigent Care	1,142,607	622,402
Legal and Consulting Fees	2,283,616	1,923,116
Other Operating	21,927,211	19,122,504
Depreciation and Amortization	5,179	3,021
Total Operating Expenses	286,277,235	243,714,092
Operating Income (Loss)	(9,605,151)	(8,190,000)
NONOPERATING REVENUES (EXPENSES):		
Sales Tax Revenue	675,333	645,787
CAREs Act Provider Relief Funds	9,610,727	9,545,150
Investment Income	21,443	43,981
Interest Expense	(2,732,094)	(2,018,326)
Total Nonoperating Revenues (Expenses)	7,575,409	8,216,592
Excess of Revenues Over Expenses Before Capital Grants and Contributions	(2,029,742)	26,592
Increase (Decrease) in Net Position	(2,029,742)	26,592
Net Position, Beginning of Year	13,820,939	13,794,347
Net Position, End of Year	$ 11,791,196	$ 13,820,939

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

WINNIE-STOWELL HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	$ 230,505,787	$ 217,499,352
Other Receipts and Payments, net	12,314	13,222
Indigent Care Support	4,466,467	(12,746,337)
Payments to Suppliers and Contractors	(226,047,658)	(225,407,216)
Payments to Employees	(138,674)	(127,472)
Net cash provided by (used in) operating activities	8,798,236	(20,768,451)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	21,443	43,981
Purchase of Investments	89,126	(3,218,189)
Net Cash Provided by (Used in) Investing Activities	110,569	(3,174,208)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	-	(107,783)
Net Cash Provided by (Used in) Capital and Related	-	(107,783)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Sales Tax	653,965	680,846
CAREs Act Provider Relief Funds	3,292,151	19,115,878
Principal Payments on Debt and Notes Payable	(23,035,716)	(14,180,780)
Proceeds From Issuance of Long-Term Debt and Notes Payable	23,304,017	23,304,017
Interest Payments on Long-Term Debt and Notes Payable	(2,732,094)	(2,018,326)
Net Cash Provided by (Used in) Noncapital Financing Activities	1,482,323	26,901,635
Net Increase (Decrease) in Cash and Cash Equivalents	10,391,128	2,851,193
Cash and Cash Equivalents, Beginning of Year	11,079,682	8,228,489
Cash and Cash Equivalents, End of Year	$ 21,470,809	$ 11,079,682

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

WINNIE-STOWELL HOSPITAL DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
RECONCILIATION OF CASH AND EQUIVALENTS TO THE BALANCE SHEETS		
Cash and equivalents presented under the following titles:		
Cash and Cash Equivalents	$ 21,470,809	$ 11,079,682
	$ 21,470,809	$ 11,079,682
RECONCILIATION OF NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Income (Loss)	(9,605,151)	(8,190,000)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Used in Operating Activities:		
Depreciation and Amortization	5,179	3,021
(Increase) Decrease in:		
Accounts Receivable	(15,858,878)	1,400,808
Prepaid Expenses and Other Current Assets	9,327,820	(15,634,491)
Nursing Home Supplemental Payment Receivable	(2,056,808)	(3,046,308)
Increase (Decrease) in:		
Accounts Payable	26,988,205	4,698,342
Accrued Salaries and Benefits Payable	(2,131)	177
Net Cash Provided By (Used in) Operating Activities	$ 8,798,236	$ (20,768,451)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Winnie-Stowell Hospital District (the "District") was formed as a political subdivision under the laws of the State of Texas, and became effective on January 1, 2005, in the eastern portion of Chambers County, Texas. The District is governed by an elected five-member board of directors serving four-year terms. As a hospital district it is not controlled by or dependent upon any other entity and does not exercise control over operations of any other entity. The District has entered into operations transfer agreements with twenty-five nursing facilities which transferred the operations and certain operating assets of each facility. The District has also received an assignment or transfer of the Medicare and Medicaid Provider agreements for each facility.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America.

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 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 Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

Newly Adopted 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. In accordance with GASB Statement No. 95, the Statement is effective for reporting periods beginning after June 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. In accordance with GASB Statement No. 95, the Statement is effective for reporting periods beginning after December 15, 2020. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Accounting Pronouncements (Continued)

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. In accordance with GASB Statement No. 95, the Statement is effective for reporting periods beginning after December 15, 2021.

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;
- 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Accounting Pronouncements (Continued)

The requirements of this Statement are effective as follows:

- 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, 2021, in accordance with GASB Statement No. 95;
- 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, 2021, in accordance with GASB Statement No. 95;
- 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, 2021, in accordance with GASB Statement No. 95.

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 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Accounting Pronouncements (Continued)

GASB Statement No. 98 – In October 2021, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. The objective of this Statement is to establish the term Annual Comprehensive Financial Report and its acronym ACFR. The terms *comprehensive annual financial report* and *comprehensive annual financial reports* in NCGA and GASB pronouncements are replaced with *annual comprehensive financial report* and *annual comprehensive financial reports*, respectively. The associated acronyms in NCGA and GASB pronouncements are replaced with ACFR and ACFRs. This Statement replaces an existing term but does not otherwise establish new accounting and financial reporting requirements. The requirements of this Statement apply to all state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

Pending Adoption of Recent Accounting Pronouncements

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.

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 date 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, excluding amounts whose use is limited by board designation or other arrangements under trust agreements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, and trends in historical write-off experience, specific impaired accounts, and economic conditions. Allowances for uncollectibles and contractuals are general 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.

Investments – The District is authorized to invest excess working capital and assets whose use is limited in certificate of deposit, money market accounts, or U.S. government securities. The District can invest its excess working capital monies in certificates of deposit at its designated depository and other financial institutions. Investments at the District's depository are secured by the Federal Deposit Insurance Corporation (FDIC) or through the purchase of collateral in the form of US government securities by the depository.

Assets Whose Use is Limited - Assets whose use is limited (if any) include assets held under indenture agreements and designated assets set aside by the board of directors to be used for capital expenditures over which the board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the District have been reclassified as current assets

Capital Assets – Capital assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. 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. 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 these assets.

The District has elected to capitalize expenditures over $5,000 and provide for depreciation of capital assets by the straight-line method at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life as follows:

Building	5 to 50 years
Major Moveable Equipment	3 to 20 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position – Net position of the District is classified into two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

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

Federal Income Taxes - The District is a political subdivision under the laws of the State of Texas, and therefore, it is exempt from federal income tax pursuant to Section 115 of the Internal Revenue Code. Additionally, pursuant to Section 1.6033-2(g)(6) of the Income Tax Regulations, it is not required to file an information return form 990.

Indigent Care – The District provides payment for services to health care providers for certified indigents who have applied and met the District's criteria for indigent care. The District pays a discounted rate which in most cases is equal to the Medicaid reimbursement rates.

Sales Tax Revenue – Sales taxes are collected by the state of Texas and remitted to the District monthly. The tax is collected by the vendor and is required to be remitted to the state by the 20th of the month following collection. The tax is then paid to the District by the Friday following the second Wednesday of the subsequent month. These funds were used to support operations.

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 and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage during the year.

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

NOTE 2 – NURSING HOME NET PATIENT SERVICE REVENUE

A significant portion of the District's nursing home revenues and related accounts receivable are derived from programs administered by various federal and state agencies. Accordingly, the District is subject to regulatory requirements imposed by these governmental agencies. Revenues under certain of these programs are subject to examination and retroactive adjustment. Management does not expect a material settlement to result from any such examinations.

Patient service revenue for the Nursing Homes is comprised as follows:

	2021	2020
SNF Patient Revenue	$ 252,839,445	$ 202,484,477
Other Revenue	4,687,957	22,555,089
Supplemental Payments	23,550,340	16,366,018
Gross Nursing Home Patient Service Revenue	281,077,742	241,405,584
Provision for Bad Debts	(4,417,972)	(5,894,714)
Net Nursing Home Patient Service Revenue	$ 276,659,770	$ 235,510,870

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

At December 31, 2021 and 2020, the carrying amount of the District's deposits with financial institutions was $10,434,683 and $7,397,900, respectively, and the bank balance was $10,554,762 and $7,421,928, respectively.

	2021	2020
Amount insured by the FDIC	$ 1,000,000	$ 1,359,405
Amount collateralized with securities held by the pledging financial institution's trust department in the District's name	25,801,592	15,142,411
Total bank balance	$ 26,801,592	$ 16,501,816

NOTE 4 – INVESTMENTS

The District has funds invested in TexSTAR which is reported as cash and equivalents. TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. TexSTAR is administered by First Southwest Asset Management, Inc. and JP Morgan Chase. The fund is rated AAAm by Standard and Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Funds Investment Act for local government investment pools. At December 31, 2021 and 2020, the carrying amount of the District's deposits with financial institutions was $690,478 and $690,359, respectively. Separate financial statements can be obtained by sending TexSTAR a fax or calling 1-800-TEX-STAR.

TexSTAR is a member of Securities Investor Protection Corporation (SIPC). The SIPC provides $500,000 of coverage for missing securities, including $250,000 for claims of cash awaiting reinvestment. Market losses are not covered by SIPC.

The District's investments may be exposed to the following types of risk:

Interest Rate Risk – Interest rate risk is the risk that the market values of investments will change based on changes in market interest rates. The District limits maturities to one year or less as a means of managing its exposure to fair value losses arising from increasing interest rates. State investment pools are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2021 and 2020, the District's investments in TexSTAR was rated AAA by Standard & Poor's.

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. TexSTAR is managed to fulfill all requirements of the Texas Public Funds Investment Act.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer. At December 31, 2021 and 2020, the investment in state investment pools was approximately 4.0% and 4.0% of total cash and cash equivalents and short-term investments respectively.

NOTE 5 – NURSING HOME ACCOUNTS RECEIVABLE

Concentration of Credit Risk – The District grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 is as follows:

	2021	2020
Medicare	23%	30%
Medicaid	34%	16%
Managed Care	32%	42%
Patients	11%	12%
Total	100%	100%

NOTE 6 – SALES TAX RECEIVABLE

Sales taxes are reported as revenues in the period for which they are collected. Tax revenue for 2021 and 2020 was $675,333 and $645,787, respectively. As of December 31, 2021 and 2020, the balance of sales tax receivable and its related allowance for uncollectible taxes are as follows:

	2021	2020
Taxes Receivable	$ 132,418	111,050

NOTE 7 – CAPITAL ASSETS

The following is a summary of capital assets at cost less accumulated depreciation:

	Balance 12/31/20	Additions	Reclass/ Retirements	Balance 12/31/21
Building and improvements	$ 129,483	$ -	$ -	$ 129,483
Equipment	140,655	-	-	140,655
Construction in progress	-	-	-	-
Totals at Historical Cost	270,138	-	-	270,138
Less Accumulated Depreciation for:				
Building and improvements	(3,021)	-	-	(3,021)
Equipment	(140,655)	-	-	(145,834)
Total Accumulated Depreciation	(143,676)	-	-	(148,855)
Capital Assets, Net	$ 126,462	$ -	$ -	$ 121,283

	Balance 12/31/19	Additions	Reclass/ Retirements	Balance 12/31/20
Building and improvements	$ -	$ 107,783	$ 21,700	$ 129,483
Equipment	140,655	-	-	140,655
Construction in progress	21,700	-	(21,700)	-
Totals at Historical Cost	162,355	107,783	-	270,138
Less Accumulated Depreciation for:				
Building and improvements	-	(3,021)	-	(3,021)
Equipment	(140,655)	-	-	(140,655)
Total Accumulated Depreciation	(140,655)	(3,021)	-	(143,676)
Capital Assets, Net	$ 21,700	$ 104,762	$ -	$ 126,462

NOTE 8 – NOTES PAYABLE

Following is a summary of notes payable at December 31:

	Balance 12/31/20	Additions	Reductions	Balance 12/31/21
(17) Salt Creek Capital	$ 6,042,713	$ -	$ (6,042,713)	$ -
(17a) Salt Creek Capital	6,042,713	-	(6,042,713)	-
(18) Salt Creek Capital	5,609,296	-	(5,609,296)	-
(19) Salt Creek Capital	-	11,786,159	-	11,786,159
(20) Salt Creek Capital	-	11,786,159	-	11,786,159
(2b) Allegiance Bank	5,609,295	-	(5,609,295)	-
Total Notes Payable	$ 23,304,017	$ 23,572,318	$ (23,304,017)	$ 23,572,318

	Balance 12/31/19	Additions	Reductions	Balance 12/31/20
(15) Salt Creek Capital	$ 7,113,078	$ -	$ (7,113,078)	$ -
(16) Salt Creek Capital	5,067,702	-	(5,067,702)	-
(17) Salt Creek Capital	-	6,042,713	-	6,042,713
(17a) Salt Creek Capital	-	6,042,713	-	6,042,713
(18) Salt Creek Capital	-	5,609,296	-	5,609,296
(2) Allegiance Bank	2,000,000	-	(2,000,000)	-
(2b) Allegiance Bank	-	5,609,295	-	5,609,295
Total Notes Payable	$ 14,180,780	$ 23,304,017	$ (14,180,780)	$ 23,304,017

The terms and due dates of the District's notes payable at December 31, 2021 and 2020 follow:

- (2) Allegiance Bank – 3.5% note payable with all outstanding principal and interest due January 7, 2019. Note payable was transferred from Post Oak Bank to Allegiance bank during 2019 and renewed with a new maturity date of July 7, 2020. Note payable is collateralized by cash and investments.
- (2b) Allegiance Bank – 3.5% note payable with all outstanding principal and interest due July 7, 2020. Note payable was renewed with a new maturity date of November 10, 2021. Note payable is collateralized by cash and investments.
- (15) Salt Creek Capital – 16.8% note payable with all outstanding principal and interest due March 31, 2020 and is collateralized by cash and investments.

NOTE 8 – NOTES PAYABLE (CONTINUED)

- (16) Salt Creek Capital – 16.8% note payable with all outstanding principal and interest due October 1, 2020 and is collateralized by cash and investments.
- (17) Salt Creek Capital – 16.8% note payable with all outstanding principal and interest due March 31, 2021 and is collateralized by cash and investments.
- (17a) Salt Creek Capital – 16.8% note payable with all outstanding principal and interest due March 31, 2021 and is collateralized by cash and investments.
- (18) Salt Creek Capital – 16.8% note payable with all outstanding principal and interest due November 1, 2021 and is collateralized by cash and investments.
- (19) Salt Creek Capital – 16.8% note payable with all outstanding principal and interest due April 30, 2022 and is collateralized by cash and investments.
- (20) Salt Creek Capital – 16.8% note payable with all outstanding principal and interest due October 30, 2022 and is collateralized by cash and investments.

In 2021 and 2020, total interest incurred was $2,732,094 and $2,018,326, respectively, all of which was charged to operations.

NOTE 9 – INDIGENT CARE

The District is responsible for providing healthcare for residents of the District that qualify under the indigent program guidelines. In March 2015, the District hired an indigent care director and began operating the indigent care program themselves. In addition, the District is part of an indigent care assistance agreement with Winnie Community Hospital (the “Hospital”). This agreement is intended to reimburse the Hospital for services provided to residents of the District. The District incurred expense for indigent care and assistance in the amount of $1,142,607 and $622,402 for the year ended December 31, 2021 and 2020, respectively.

NOTE 10 – NURSING HOME OPERATIONS

During 2014, the District entered into operations transfer agreements with thirteen nursing facilities which transferred the operations and certain operating assets of each facility. In fiscal years 2017 and 2018, the District entered into operations transfer agreements with a total of eleven additional nursing homes. In fiscal year 2020, the District entered into an operation transfer agreement with an additional nursing home. In 2021, the District entered into operations transfer agreement with an additional fourteen nursing home. The District has also received an assignment or transfer of the Medicare and Medicaid Provider agreements for each facility. In addition to the operations transfer agreements, the District has also entered into a lease agreement with each facility for the lease of real property, fixed assets, and associated equipment that encompass the nursing home’s physical properties. The total rental expense paid to all facilities was $33,546,256 and $24,922,581 for the year ended December 31, 2021 and 2020, respectively. Subsequent to December 31, 2021, the District entered into operations transfer agreements with XX additional homes.

NOTE 10 – NURSING HOME OPERATIONS (CONTINUED)

At the time of each transfer agreement, the District executed a management agreement with LTC Group, LLC to provide certain operational and clinical review services for all of the nursing home facilities on behalf of the Hospital District. The initial term of these agreements are through August 31, 2016, unless sooner terminated. These agreements shall be automatically renewed for successive two-year periods unless either party cancels in writing on or before 90 days prior to the end of the current term. As of December 31, 2021 and 2020, no termination event has occurred.

Under these agreements, the District has paid total service fees of $11,820,596 and $9,178,043, respectively, which is recorded in other operating expenses on the statements of revenues, expenses, and changes in net position for the year ended December 31, 2021 and 2020.

In connection with these agreements, the District has recorded all patient revenue and the related accounts receivable. The District recorded $276,659,770 and $235,510,870 in net patient related revenue for the years ended December 31, 2021 and 2020, respectively. These revenues are recorded as Net Nursing Home Patient Service Revenues on the statements of revenues, expenses, and changes in net position.

Additionally, the District has entered into separate management agreements whereby each facility is managed by a third-party in which the District pays monthly fees for management services and operating expenses including quality incentives, if any, based upon the terms of each individual agreement. These fees total $260,782,079 and $221,915,400 for the years ended December 31, 2021 and 2020, respectively. These expenses are recorded as Nursing Home expenses on the statements of revenues, expenses, and changes in net position. Amounts due and unpaid as of December 31, 2021 and 2020 for these expenses are $59,372,734 and $32,384,529, respectively.

Quality Incentive Payment Program (QIPP) – During its 84th session, the Texas Legislature directed HHSC to transition MPAP to a new Quality Incentive Payment Program (QIPP) effective September 1, 2016, and HHSC will implement QIPP on September 1, 2017. QIPP will require participating facilities meeting certain qualifying criteria to submit projects to HHSC requesting the additional funding as supported in the individual projects. These projects are expected to improve quality and innovation in the provision of nursing facility services, including but not limited to payment incentives to establish culture change, small house models, staffing enhancements and outcome measures to improve the quality of care and life for nursing facility residents. A portion of the additional funding will be funded through intergovernmental transfer (IGT) payments from each participating provider. QIPP IGTs for a specific capitation rate period will be due to HHSC approximately six months prior to the beginning of the rate period. The District has recorded a QIPP receivable of $10,437,568 and $8,380,760 at December 31, 2021 and 2020, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation – The District is, from time to time, subject to claims and suits for damages, including damages for personal injuries to patients and others, most of which are covered as to risk and amount. In the opinion of management, there were no known pending legal proceedings that could have a material effect on the District's financial position or results of operations.

NOTE 12 – MALPRACTICE CLAIMS

The District is a unit of government covered by the Texas Tort Claims Acts which, by statute, limits its liability to $100,000 per person and $300,000 for each single occurrence. These limits coincide with the malpractice insurance coverage maintained by the District, which is purchased under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made.

NOTE 13 – COVID-19 PROVIDER RELIEF FUNDS

The Coronavirus Aids, Relief, and Economic Security (CARES) Act (P.L. 116-136), THE Paycheck Protection Program (PPP) and Health Care Enhancement Act (P.L. 116-139), and the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (P.L. 116-123) appropriated funds to reimburse eligible healthcare providers for healthcare related expense 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, Allocation for Skilled Nursing Facilities (SNFs), Nursing Home Infection Control, and Allocation for Safety Net Hospitals. 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 1-4 –** 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 $3,252,152 and $3,083,475 for the year ended December 31,2021 and 2020. For the years ended December 31, 2021 and 2020, the District recognized $0 and $3,083,475, respectively, in PRF revenue.

NOTE 13 – COVID-19 PROVIDER RELIEF FUNDS (CONTINUED)

- **Skilled Nursing Facilities (SNFs) and Nursing Home Infection Control** – The Relief Funds provided to skilled nursing facilities is to help them combat the effects of the pandemic on the nation's vulnerable seniors. The provider relief funds will be used to support nursing homes suffering from significant expensed or lost revenue attributable to COVID-19. Each SNF will receive a fixed distribution of $50,000, plus a distribution of $2,500 per bed to all certified SNFs with six or more certified beds. The Nursing Home must attest they will only use the Provider Relief Fund payments to prevent, prepare for, and respond to coronavirus. The payment shall reimburse for health care related expense or lost revenues that are attributable to coronavirus. The District received skilled nursing facilities funds in amount of $1,475,761 and $16,032,403 for the year ended December 31, 2021 and December 31, 2020.

In accordance with the Department of Health and Human Services Post-Payment Notice of Reporting Requirements, the recipients must submit their use of PRF payments by reporting healthcare related expense attributable to coronavirus that another source has not reimbursed then applying actual patient care lost revenues to the remaining funds. If recipients do not expend PRF funds in full by the end of calendar year 2020, they will have an additional six months in which to use remaining amounts toward expenses attributable to coronavirus but not reimbursed by other sources, and /or lost revenues. For the year ended December 31, 2021, the District received $4,727,913 in total COVID-19 provider relief funds, had $9,610,727 expenses attributable to coronavirus not reimbursed by other sources and estimated lost revenues. Additionally, the District only recognized revenue of $9,610,727 for the year ended December 31, 2021 with amount of $3,252,152 as deferred inflows. The respective revenue is included with nonoperating revenues in accompanying statements of revenues, expenses and changes in net position.

NOTE 14 – SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2021, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is September 30, 2022, which is the date on which the financial statements were available to be issued.

Supplementary Information

WINNIE-STOWELL HOSPITAL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Programs:		
Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	93.498	19,115,877
Total Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution		19,115,877
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		19,115,877
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 19,115,877

The accompanying notes are an integral part of this schedule.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal award activity of Winnie-Stowell Hospital District (the "District") under programs of the federal government for the year ended December 31, 2021. The information in this Schedule 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, activities and changes in net assets, 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 as allowed under the Uniform Guidance.

NOTE 4 – SUBRECIPIENTS

The District did not provide any federal awards to subrecipients during the year ended December 31, 2021

NOTE 5 – PROVIDER RELIEF FUND (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) and Period 2 (Payment Received Periods from July 1, 2020 to December 31, 2020 and Periods of Availability from January 1, 2020 to December 31, 2021). As such, the amount presented in this SEFA will differ from amounts presented in the statement of operations and changes in net assets.

DURBIN&CO LLP
Certified Public Accountants

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
Winnie-Stowell Hospital District
Winnie, 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 Winnie-Stowell Hospital District (the "District"), which comprise the statement of net position as of December 31, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated September 30, 2022.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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 Winnie-Stowell Hospital 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 Winnie-Stowell Hospital District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Durbin & Company, L.L.P.

Durbin & Company, L.L.P.
Lubbock, Texas
September 30, 2022

DURBIN&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
Winnie-Stowell Hospital District
Winnie, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Winnie-Stowell 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 December 31, 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.

In our opinion, Winnie-Stowell 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 December 31, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Winnie-Stowell Hospital District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Winnie-Stowell Hospital District's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Winnie-Stowell Hospital District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Winnie-Stowell Hospital District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Durbin & Company, L.L.P.

Durbin & Company, L.L.P.
Lubbock, Texas
September 30, 2022

WINNIE-STOWELL HOSPITAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SUMMARY OF AUDITOR'S RESULTS

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

2. No significant deficiencies relating to the audit of the financial statements are 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 Winnie-Stowell 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 Winnie-Stowell Hospital District expresses an unmodified opinion on all major federal programs.

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

7. The programs tested as a major program were:

Progam	CFDA Number
Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	93.498

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

9. Winnie-Stowell Hospital District was determined NOT to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

- No matters reportable

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

- No matters reportable

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

- No matters reportable

WINNIE STOWELL HOSPITAL DISTRICT
WWW.WSHD-TX.ORG

Chair: Edward Murrell
Sect.: Jeff Rollo
Dir. Kacey Vratis

P.O. Box 1997
Winnie, Texas 77665
Phone: 409-296-1003

Dir. Bobby Way
Vice Chair: Anthony Stramecki
Admin. Sherrie Norris
Indigent Dir.: Patricia Ojeda

September 30, 2022

Durbin & Company, L.L.P.

1500 Broadway, Suite 1000

Lubbock, Texas 79401

This representation letter is provided in connection with your audit(s) of the financial statements of Winnie-Stowell Hospital District, which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of September 30, 2022, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 1, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all financial information of the District and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3) We acknowledge our responsibility for 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.
4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related party relationships and transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the District's accounts.

9) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

11) There are no instances of noncompliance with laws or regulations with respect to Medicare and Medicaid antifraud and abuse statutes, in any jurisdiction, whose effects we believe should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, other than those disclosed or accrued in the financial statements. This is including, but not limited to, the antikickback statute of the Medicare and Medicaid Patient and Program Protection Act of 1987, limitations on certain physician referrals (the Stark law), and the False Claims Act.

12) Billings to third-party payors comply in all material respects with applicable coding guidelines and laws and regulations, including those dealing with Medicare and Medicaid antifraud and abuse. Such billings include only those charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.

13) There have been no investigations, either internal or external, and there are no investigations in progress, relating to compliance with applicable laws and regulations that would have an effect on the amounts reported or disclosed in the financial statements.

14) There have been no oral or written communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, in any jurisdiction, including those related to deficiencies in financial reporting practices; Medicare and Medicaid antifraud and abuse statutes; or other matters that could have a material adverse effect on the financial statements.

15) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of net position date and have been reduced to their estimated net realizable value.

16) We have made an adequate provision for estimated adjustments to revenue resulting from issues such as denied claims, changes to home health resource group, resource utilization group, ambulatory payment classification, and diagnostic-related group (DRG) assignments.

17) The valuation allowances we have recorded are necessary, appropriate, and properly supported.

18) We have made available to you all peer review organization, fiscal intermediary, and third-party payor reports and information.

19) The CARES Act Provider Relief Funds program revenue is recorded in accordance with general accepted accounting principles and the Terms and Conditions, which require reporting

requirements as specified by the Secretary of the U.S. Department of Health and Human Services.

Information Provided

20) We have provided you with:

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

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

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

   d) Minutes of the meetings of the Board of Directors and related committees or summaries of actions of recent meetings for which minutes have not yet been prepared.

21) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

22) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

23) We have no knowledge of any fraud or suspected fraud that affects the District, including financial reporting related to compliance with existing laws and regulations governing reimbursement from third-party payors, and involves:

   - Management,
   - Employees who have significant roles in internal control, or
   - Others where the fraud could have a material effect on the financial statements.

24) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, grantors, regulators, or others.

25) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements whose effects should be considered when preparing financial statements.

26) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

27) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

28) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, or noncompliance or deficiencies related to existing laws and regulations governing reimbursement from third-party payors.

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

30) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

31) For cost reports filed with third parties:

- We have properly filed all required Medicare, Medicaid, and similar reports with third parties.
- We are responsible for the accuracy and propriety of all filed cost reports.
- Filed cost reports include costs that are appropriate, allowable under applicable reimbursement rules and regulations, patient-related, and properly allocated to applicable payors.
- The reimbursement methodologies and principles we use are in accordance with applicable rules and regulations.
- We have given adequate consideration to, and made appropriate provision for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.
- We have made provisions, when material, for estimated retroactive adjustments by third-party payors under reimbursement agreements.
- We have fully disclosed in the cost report all items required to be disclosed, including disputed costs that are claimed to establish a basis for a subsequent appeal.
- We have recorded third-party settlements that include differences between filed (and to-be-filed) cost reports and calculated settlements that we believe are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. Although we believe the District is entitled to all amounts claimed on the cost reports, we also believe the differences reflected therein are appropriate.

32) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

33) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

34) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws and regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

35) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting noncompliance.

36) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

37) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

38) The District has complied with all aspects of contractual agreements, including existing laws and regulations governing reimbursement from third-party payors, that would have a material effect on the financial statements in the event of noncompliance.

39) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

40) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34, as amended.

41) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

42) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

43) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

44) Provisions for uncollectible receivables have been properly identified and recorded.

45) Expenses have been appropriately classified in the statement of revenues, expenses, and changes in net position, and allocations have been made on a reasonable basis.

46) Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.

47) Internal and intra-entity activity and balances have been appropriately classified and reported.

48) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

49) Capital assets, including intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

50) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

51) We are following our established accounting policy regarding which resources (that is, restricted or unrestricted) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the net position classifications for financial reporting purposes.

52) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

53) With respect to federal award programs:

   a. We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform*

Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.

b. We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

g. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

h. We have received no requests from a federal agency to audit one or more specific programs as a major program.

i. We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, including its Addendum, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.

j. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, if applicable.

m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.

q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.

r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

t. We have charged costs to federal awards in accordance with applicable cost principles.

u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies, including all management decisions.

v. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

x. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Edward Murrell

Edward Murrell, Board President

Sherrie Norris

Sherrie Norris, District Administrator

IDESREPORT_950757_1

FORM SF-SAC | Report ID: **950757** | Version: **1**

PART II: FEDERAL AWARDS

1. Federal Awards Expended During Fiscal Period

Schedule of Expenditures of Federal Awards

PART III: INFORMATION FROM THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS

1. Major Program Information and Audit Findings

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	a	b	c
	CFDA #								Loan Programs		Federal Award Source			Passed Through		Major Program		
Row Number (auto-generated)	Federal Awarding Agency Prefix [1]	CFDA Three-Digit Extension [2]	Additional Award Identification [3]	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total [4] (auto-generated)	Cluster Total [5] (auto-generated)	Loan/Loan Guarantee (Loan)	If Loan, the End of the Audit Period Outstanding Loan Balance [6]	Direct Award (Direct)	If not Direct, list Name of Pass-through Entity	If not Direct, list Identifying Number Assigned by the Pass-through Entity, if assigned [7]	Federal Award Passed Through to Subrecipients	If Passed Through, provide Amount Passed Through	Major Program (MP)	If MP, Type of Audit Report [8]	Number of Audit Findings
					($)		($)	($)	Y/N	($)	Y/N			Y/N	($)	Y/N		
1	93	498		PROVIDER RELIEF FUND	$19,115,887	N/A	$19,115,887		N		Y			N		Y	U	0
				Total Federal Awards Expended =	$19,115,887													

1. See Appendix I of instructions for valid Federal awarding agency two-digit prefixes.
2. Three-digit CFDA extensions listed in the Catalog of Federal Domestic Assistance (CFDA - beta.sam.gov). If the extension is unknown, see instructions.
3. Used to collect other data or information to identify the award which is not a CFDA number (e.g., program year, contract number). This item is optional if Part II, Item 1(b) has a valid CFDA extension.
4. The system will provide total Federal awards expended for each Federal program by summing the individual CFDA lines which have the same CFDA number.
5. The system will provide total Federal awards expended for each cluster of programs by summing the individual CFDA lines which have the same Cluster Name.
6. Used to collect the loan or loan guarantee (loan) balances outstanding at the end of the audit period for loan programs as identified in Part II, Item 1(i) (2 CFR 200.510(b)(5)). Enter "N/A" for loans made to students of an institution of higher education (IHE) where the IHE does not make the loans (2 CFR 200.502(c)).
7. If no identifying number was assigned, enter "N/A".
8. If Major Program is marked "Y", enter only one letter (U = Unmodified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report. If Major Program is marked "N", leave item blank.

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PART II: FEDERAL AWARDS - Continued

2. Notes to the Schedule of Expenditures of Federal Awards (SEFA)

Note 1: Describe the significant accounting policies used in preparing the SEFA. (2 CFR 200.510(b)(6))

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

4,000 characters

Note 2: Did the auditee use the de minimis cost rate? (2 CFR 200.414(f))

	Yes
X	No
	Both

Please explain.

The auditee did not use the de minimis cost rate.

4,000 characters

Additional Notes — All additional notes included in the reporting package must be entered in this section and will be automatically numbered sequentially by the IDES system as they are entered.

Note 3:

75 characters

4,000 characters

Note 4: Enter note title.

75 characters

Enter additional note text.

4,000 characters

Note 5: Enter note title.

75 characters

Enter additional note text.

4,000 characters

Note 6: Enter note title.

75 characters

Enter additional note text.

4,000 characters

Note 7: Enter note title.

75 characters

Enter additional note text.

4,000 characters

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WINNIE-STOWELL HOSPITAL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 1/1/2021 - 12/31/2021

Federal Awarding Agency/Program Title	*Federal CFDA Number*	*Additional Award Identification (Optional)*	*Name of Funder Pass-Through Entity*	*Identifying Number Assigned By Funder Pass-Through Entity*	*Total Amount Provided to Sub-Recipients*	*Federal Expenditures*	*Federal Program Total*	*Cluster Name*	*Cluster Total*
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
PROVIDER RELIEF FUND	93.498					$19,115,887	$19,115,887	N/A	$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES						$19,115,887			
TOTAL EXPENDITURE OF FEDERAL AWARDS						$19,115,887			

Please Note:

Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

SEFAREPORT_950757_1

WINNIE-STOWELL HOSPITAL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 1/1/2021 - 12/31/2021

Significant Accounting Policies Used in Preparing the SEFA

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

10% De Minimis Cost Rate

The auditee did not use the de minimis cost rate.