

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**

Independent Auditor's Reports and Financial Statements

May 31, 2022 and 2021

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**May 31, 2022 and 2021**

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## Independent Auditor's Report

Board of Directors  
North Wheeler County Hospital District  
d/b/a Parkview Hospital  
Wheeler, Texas

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of North Wheeler County Hospital District d/b/a Parkview Hospital (District), as of and for the years ended May 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District, as of May 31, 2022 and 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our 2022 audit also was conducted in accordance with 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 the entity, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the 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 the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the 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 GAAS 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 GAAS 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 the entity'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 the entity'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 required supplementary information, such as management's discussion and analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 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.

**FORVIS,LLP**

Waco, Texas  
October 13, 2022

# **North Wheeler County Hospital District d/b/a Parkview Hospital Management's Discussion and Analysis Years Ended May 31, 2022 and 2021**

## ***Introduction***

This management's discussion and analysis of the financial performance of North Wheeler County Hospital District d/b/a Parkview Hospital (the District) provides an overview of the District's financial activities for the years ended May 31, 2022 and 2021. It should be read in conjunction with the accompanying financial statements of the District.

## ***Financial Highlights***

- Cash increased in 2022 by \$1,844,163, or 13%, and decreased in 2021 by \$434,119, or 3%.
- The District's net position increased by \$3,730,313, or 18%, in 2022 and increased by \$4,622,126, or 28%, in 2021.
- The District reported operating losses in both 2022 and 2021 of \$4,738,028 and \$3,157,562, respectively. The operating loss in 2022 increased by \$1,580,466, or 50%, over the operating loss reported in 2021. The operating loss in 2021 increased by \$569,434, or 22%, from the operating loss reported in 2020.
- Net nonoperating revenues increased by \$1,558,253, or 23%, in 2022 compared to 2021, and increased by \$897,065, or 15%, in 2021 compared to 2020.

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

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

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

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

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

### ***The Statement of Cash Flows***

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

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

The District's net position is the difference between its assets and liabilities reported in the balance sheets. The District's net position increased by \$3,730,313, or 18%, in 2022 over 2021 and increased by \$4,622,126, or 28%, in 2021 over 2020, as shown in Table 1.

**Table 1: Assets, Liabilities and Net Position**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>			
Patient accounts receivable, net	\$ 749,259	\$ 622,808	\$ 534,931
Other current assets	19,478,531	17,264,155	16,356,427
Capital assets, net	10,808,982	11,559,679	11,036,422
Other noncurrent assets	1,232,160	1,215,428	1,220,812
Total assets	<u>\$ 32,268,932</u>	<u>\$ 30,662,070</u>	<u>\$ 29,148,592</u>
<b>Liabilities</b>			
Long-term debt, noncurrent portion	\$ 6,559,703	\$ 7,007,108	\$ 7,977,598
Other current and noncurrent liabilities	851,189	2,527,235	4,665,393
Total liabilities	<u>7,410,892</u>	<u>9,534,343</u>	<u>12,642,991</u>
<b>Net Position</b>			
Net investment in capital assets	3,849,279	4,167,571	3,235,589
Unrestricted	21,008,761	16,960,156	13,270,012
Total net position	<u>24,858,040</u>	<u>21,127,727</u>	<u>16,505,601</u>
Total liabilities and net position	<u>\$ 32,268,932</u>	<u>\$ 30,662,070</u>	<u>\$ 29,148,592</u>

A significant change in the District liabilities in 2022 is primarily related to the \$1,587,000 decrease in unearned revenue due to recognition of revenue from the provider relief funds discussed in *Note 11*.

A significant change in the District liabilities in 2021 is primarily related to the \$1,875,000 decrease in unearned revenue due to recognition of revenue from the provider relief funds discussed in *Note 11*.

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

In 2022, the District's net position increased by \$3,730,313 as shown in Table 2. This increase is made up of several different components and represents an increase of \$891,813, or 19%, compared with the increase in net position for 2021 of \$4,622,126. The District's change in net position increased by \$1,148,665, or 33%, in 2021 compared to 2020.

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 5,884,098	\$ 6,402,165	\$ 6,122,903
Other operating revenues	91,663	486,332	505,342
Total operating revenues	5,975,761	6,888,497	6,628,245
<b>Operating Expenses</b>			
Salaries and wages and employee benefits	6,501,675	6,266,877	5,908,139
Purchased services and professional fees	1,343,744	1,134,863	1,308,406
Depreciation and amortization	932,641	842,224	722,901
Supplies and other operating expenses	1,935,729	1,802,095	1,276,927
Total operating expenses	10,713,789	10,046,059	9,216,373
<b>Operating Loss</b>	(4,738,028)	(3,157,562)	(2,588,128)
<b>Nonoperating Revenues (Expenses)</b>			
Property taxes	5,242,673	4,850,071	5,666,218
Investment income	141,003	144,904	157,780
Noncapital grants and gifts	3,271,425	2,105,746	450,044
Interest expense	(247,862)	(261,051)	(273,604)
Loss on disposal of capital assets	-	-	(68,100)
Other nonoperating revenues and expenses	61,102	70,418	80,685
Total nonoperating revenues	8,468,341	6,910,088	6,013,023
<b>Capital Grants and Gifts and Special Items</b>			
Capital grant	-	-	48,566
Special Item- forgiveness of PPP Loan	-	869,600	-
Total capital grants and gifts and special item	-	869,600	48,566
<b>Increase in Net Position</b>	<u>\$ 3,730,313</u>	<u>\$ 4,622,126</u>	<u>\$ 3,473,461</u>



## ***Operating Losses***

The first component of the overall change in the District's net position is its operating income or loss — generally, the difference between net patient service revenue and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the District has reported an operating loss. This is consistent with the District's recent operating history as the District was formed and is operated primarily to serve residents of Wheeler, Texas and the surrounding area. The District levies property taxes to provide sufficient resources to enable the facility to serve lower income and other residents.

The operating loss for 2022 increased by \$1,580,466, or 50%, as compared to 2021. The primary component of the increased operating loss is:

- A decrease in net patient service revenue of \$518,067, or 8%, due to continuing impacts of the COVID-19 pandemic on utilization.
- A decrease in other operating revenues of \$394,669, or 81%, due primarily to decreases in the 340B drug program utilization.

The operating loss for 2021 increased by \$569,434, or 22%, as compared to 2020. The primary component of the increased operating loss is:

- A decrease in net patient service revenue of \$279,262, or 5%, due to restrictions from the COVID-19 pandemic.
- An increase in supplies and others operating expenses of \$525,168, or 41%, due to increased need and cost of supplies in response to the COVID-19 pandemic.
- An increase in salaries and wages and employee benefits of \$358,738, or 6%, due to the hiring of positions previously contracted and hazard bonuses to employees for COVID-19 pandemic response

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

In 2022 and 2021, nonoperating revenues and expenses consisted primarily of property taxes levied by the District and noncapital grants and gifts. Historically, tax collections have increased or decreased each year based on changes in the assessed valuation of the property in the District and the changes in tax rates. Property tax rates increased from 0.42577 per \$100 valuation in 2021 to 0.51774 per \$100 valuation in 2022. Property tax revenues increased in 2022 by \$392,602, or 8%, and decreased in 2021 by \$816,147, or 14%, due to declining property values. Noncapital grants and gifts are primarily related to Provider Relief Fund revenue as discussed at *Note 11*.

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

The District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2022 and 2021, as discussed earlier.

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

### ***Capital Assets***

At the end of 2022, the District had \$10,808,982 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2022, the District purchased \$181,944 of new equipment.

At the end of 2021, the District had \$11,559,679 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements.

**Debt**

At May 31, 2022 and 2021, the District had \$6,959,703 and \$7,392,108, respectively, in revenue bonds outstanding.

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

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the District Business Administration by telephoning (806) 826-5581.

# North Wheeler County Hospital District d/b/a Parkview Hospital

## Balance Sheets May 31, 2022 and 2021

### Assets

	<u>2022</u>	<u>2021</u>
<b>Current Assets</b>		
Cash	\$ 16,539,412	\$ 14,695,249
Patient accounts receivable, net of allowance; 2022 - \$1,585,000, 2021 - \$917,000	749,259	622,808
Property taxes receivable, net	2,241,937	1,531,181
Estimated amounts due from third-party payers	137,356	693,793
Supplies	183,022	177,826
Other	7,132	64,132
Prepaid expenses	<u>369,672</u>	<u>101,974</u>
Total current assets	<u>20,227,790</u>	<u>17,886,963</u>
<b>Noncurrent Cash and Investments</b>		
Certificates of deposit	<u>1,118,512</u>	<u>1,102,904</u>
	<u>1,118,512</u>	<u>1,102,904</u>
<b>Capital Assets, Net</b>	10,808,982	11,559,679
<b>Other Assets</b>	<u>113,648</u>	<u>112,524</u>
Total assets	<u><u>\$ 32,268,932</u></u>	<u><u>\$ 30,662,070</u></u>

## Liabilities and Net Position

	2022	2021
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 400,000	\$ 385,000
Accounts payable	41,485	74,596
Accrued expenses	310,415	319,852
Estimated amounts due to third-party payers	28,302	89,707
Estimated self-insurance costs	70,987	70,987
Unearned revenue	-	1,587,093
	<hr/>	<hr/>
Total current liabilities	851,189	2,527,235
	<hr/>	<hr/>
<b>Long-term Debt</b>	6,559,703	7,007,108
	<hr/>	<hr/>
Total liabilities	7,410,892	9,534,343
	<hr/>	<hr/>
<b>Net Position</b>		
Net investment in capital assets	3,849,279	4,167,571
Unrestricted	21,008,761	16,960,156
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Total net position	24,858,040	21,127,727
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Total liabilities and net position	\$ 32,268,932	\$ 30,662,070
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**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended May 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - \$746,358, 2021 - \$58,678	\$ 5,884,098	\$ 6,402,165
Other operating revenues	<u>91,663</u>	<u>486,332</u>
Total operating revenues	<u>5,975,761</u>	<u>6,888,497</u>
<b>Operating Expenses</b>		
Salaries and wages	5,202,130	5,246,018
Employee benefits	1,299,545	1,020,859
Purchased services and professional fees	1,343,744	1,134,863
Supplies and other operating expenses	1,935,729	1,802,095
Depreciation and amortization	<u>932,641</u>	<u>842,224</u>
Total operating expenses	<u>10,713,789</u>	<u>10,046,059</u>
<b>Operating Loss</b>	<u>(4,738,028)</u>	<u>(3,157,562)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	5,242,673	4,850,071
Investment income	141,003	144,904
Interest expense	(247,862)	(261,051)
Noncapital grants and gifts	3,271,425	2,105,746
Tobacco settlement	<u>61,102</u>	<u>70,418</u>
Total nonoperating revenues	<u>8,468,341</u>	<u>6,910,088</u>
<b>Excess of Revenues Over Expenses Before Special Item</b>	3,730,313	3,752,526
<b>Special item - Forgiveness of debt</b>	<u>-</u>	<u>869,600</u>
<b>Increase in Net Position</b>	3,730,313	4,622,126
<b>Net Position, Beginning of Year</b>	<u>21,127,727</u>	<u>16,505,601</u>
<b>Net Position, End of Year</b>	<u><u>\$ 24,858,040</u></u>	<u><u>\$ 21,127,727</u></u>

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Statements of Cash Flows**  
**Years Ended May 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from and on behalf of patients	\$ 6,252,679	\$ 5,920,837
Payments to suppliers and contractors	(3,586,602)	(2,940,742)
Payments to employees	(6,511,112)	(6,257,975)
Other receipts, net	<u>148,663</u>	<u>422,246</u>
Net cash used in operating activities	<u>(3,696,372)</u>	<u>(2,855,634)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Property taxes supporting operations	3,887,625	3,381,859
Noncapital grants and gifts	<u>1,745,434</u>	<u>301,567</u>
Net cash provided by noncapital financing activities	<u>5,633,059</u>	<u>3,683,426</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Property taxes supporting capital activities	644,292	644,292
Principal paid on long-term debt	(385,000)	(375,360)
Interest paid on notes payable to banks and long-term debt	(295,267)	(310,540)
Purchase of capital assets	<u>(181,944)</u>	<u>(1,365,481)</u>
Net cash used in capital and related financing activities	<u>(217,919)</u>	<u>(1,407,089)</u>
<b>Cash Flows from Investing Activities</b>		
Interest and dividends on investments	<u>125,395</u>	<u>145,178</u>
Net cash provided by investing activities	<u>125,395</u>	<u>145,178</u>
<b>Increase (Decrease) in Cash</b>	1,844,163	(434,119)
<b>Beginning of Year</b>	<u>14,695,249</u>	<u>15,129,368</u>
<b>End of Year</b>	<u><u>\$ 16,539,412</u></u>	<u><u>\$ 14,695,249</u></u>

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Statements of Cash Flows (Continued)**  
**May 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of Net Operating Revenues (Expenses) to</b>		
<b>Net Cash Used in Operating Activities</b>		
Operating loss	\$ (4,738,028)	\$ (3,157,562)
Depreciation and amortization	932,641	842,224
Provision for uncollectible accounts	746,358	58,678
Changes in operating assets and liabilities:		
Patient accounts receivable	(872,809)	(146,555)
Accounts payable and accrued liabilities	(42,548)	17,344
Estimated third-party payer settlements	495,032	(393,451)
Other assets and liabilities	<u>(217,018)</u>	<u>(76,312)</u>
Net cash used in operating activities	<u>\$ (3,696,372)</u>	<u>\$ (2,855,634)</u>
<b>Supplemental Cash Flows Information</b>		
Gain on forgiveness of debt	\$ -	\$ 869,600

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

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

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

The North Wheeler County Hospital District d/b/a Parkview Hospital (the District), located in Wheeler, Texas, is a political subdivision created by, and operating under, the laws of the state of Texas. Operations consist of a critical access hospital administered through a five-member board of directors elected by qualified voters of the District. The District is a taxing district with property taxes levied on real property within the hospital district. The District provides inpatient, outpatient, and emergency care services to patients in the northern half of Wheeler County. The District also operates a home health agency, rural health clinic and an assisted living facility in the same geographic area.

***Basis of Accounting and Presentation***

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

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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.

***Property Taxes***

According to the articles of incorporation, the District is authorized to levy a tax on property not to exceed \$.75 per \$100 valuation for the purpose of paying operating expenses and for debt service. Taxes for fiscal 2022 and 2021 were levied on property within the District having an assessed property valuation of approximately \$1.1 billion and \$1.2 billion, respectively.

The District received approximately 36% in 2022 and 32% in 2021 of its financial support from property taxes. These funds were used to support operations.



**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

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

The District's property tax rate was \$0.51774 and \$0.42577 per \$100 valuation and property tax revenue totaled \$5,242,673 and \$4,850,071 for 2022 and 2021, respectively.

The allowance for uncollectible taxes of \$145,060 and \$47,186 at May 31, 2022 and 2021, respectively, was computed based on historical collection information and the experience of other similar taxing authorities.

***Risk Management***

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

The District is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

***Investments and Investment Income***

Investments in non-negotiable certificates of deposit and money market funds are carried at amortized cost. Investment income consists of interest income from certificates of deposit and money market funds.

***Patient Accounts Receivable***

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

***Supplies***

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or net realizable value.

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

***Capital Assets***

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

Land improvements	8 – 20 years
Building improvements	5 – 50 years
Equipment	3 – 20 years
Computer software	3 – 5 years

***Capital Asset Impairment***

The District evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No impairment was recognized during the years ended May 31, 2022 and 2021.

***Compensated Absences***

District policies permit employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date and are included as accrued expenses on the balance sheet.

***Net Position***

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

***Net Patient Service Revenue***

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

***Charity Care***

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

***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.

**Note 2: Net Patient Service Revenue**

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

*Medicare.* The District is certified as a Critical Access Hospital (CAH) by Medicare. As a CAH, the District is reimbursed for substantially all inpatient and outpatient services to Medicare beneficiaries based on reasonable costs. Additionally, as a CAH, the District's licensed beds are limited to 25, and the acute average length of stay may not exceed 96 hours. The District is reimbursed for substantially all services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor.

*Medicaid.* Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. Certain Medicaid beneficiaries may be covered by managed care plans, whose payments are generally based on per diem or prospective rates. The District is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid administrative contractor.

Approximately 72% and 75% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended May 31, 2022 and 2021, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

***Medicaid Supplemental Programs***

On December 12, 2011, the United States Department of Health and Human Services (HHS) approved a Medicaid Section 1115(a) demonstration entitled “Texas Health Transformation and Quality Improvement Program” (Waiver). The Waiver expanded existing Medicaid managed care programs and established two funding pools that assist providers with uncompensated care costs (UC Pool) and promote health system transformation (DSRIP Pool). The revenue from the two funding pools is recognized as earned throughout the related demonstration year.

The Waiver was originally effective from December 12, 2011 to September 30, 2016 and extended through December 2017 as the Texas Health and Human Services Commission (HHSC) and the Centers for Medicare and Medicaid Services (CMS) negotiated a longer-term extension. On December 21, 2017, HHSC received an approved extension from CMS for the period of January 1, 2018 through September 30, 2022. Among other changes, the approved plan required a change in the methodology used to allocate UC funds and a phase out of the DSRIP program over the five-year period.

On January 15, 2021, CMS approved an extension to the Waiver for an additional ten-year period through September 30, 2030. This latest extension would have ended the DSRIP pool effective September 30, 2021, expanded and added other direct payment programs and made other administrative changes to reflect CMS policy changes beginning September 1, 2021. On April 16, 2021, CMS rescinded the extension approval citing an improper exemption from the public notice and comment process originally granted. On March 25, 2022, CMS approved certain directed payment programs, including the Comprehensive Hospital Increased Reimbursement Program (CHIRP), for the period of September 1, 2021 - August 31, 2022. CHIRP replaces and expands the funding pool available under the Uniform Hospital Rate Increase Program (UHRIP). On April 22, 2022, CMS rescinded its April 16, 2021 letter, effectively approving the Waiver extension through September 30, 2030. The District has not yet determined the financial impact of the Waiver extension or CHIRP.

Under the Waiver, eligibility to receive UC Pool or DSRIP Pool payments requires participation in a regional health care partnership. Within a partnership, participants include governmental entities providing public funds known as intergovernmental transfers (IGTs), Medicaid providers and other stakeholders. Participants develop a regional plan that identifies partners, community needs, the proposed projects to meet those needs and funding distribution. Each partnership must have one anchoring entity, which acts as a primary point of contact for HHSC in the region and is responsible for seeking regional stakeholder engagement and coordinating development of a regional plan.

The District receives funds under the Medicaid Disproportionate Share program (DSH). The DSH program provides additional Medicaid reimbursement to qualifying providers that provide a disproportionate level of care to patients who are indigent or are insured under the Medicaid program. The amounts that the District may expect to receive from these programs during the upcoming state fiscal year have not been determined.

**North Wheeler County Hospital District**  
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Total revenue recognized under these programs was approximately \$567,000, after the reduction discussed below, and \$157,000, after the reduction discussed below, net of intergovernmental transfer payments of approximately \$331,000 and \$103,000, for the years ended May 31, 2022 and 2021, respectively, which is included in net patient service revenue in the statements of revenues, expenses and changes in net position.

The funding from the DSH Program and the UC Pool has historically been limited by a federally determined Hospital Specific Limit (HSL) calculation and is subject to recoupment based on subsequent audit results. There has been litigation in U.S. district and circuit appellate courts regarding the legislative intent of certain aspects of the HSL calculation. On August 13, 2019, the D.C. Circuit Court of Appeals issued an opinion in the case of *Children's Hospital Association of Texas vs. Azar* that held that the HSL should be reduced by payments received from other third-party payers related to Medicaid eligible patients and remanded in the case back to the District court. The District Court's final ruling on this case was issued in November 2020, and hospitals in Texas lost the challenge to the HHS ruling which was reinstated back to the rule's original 2017 effective date. At May 31, 2022 and 2021, the District has recorded an expected overpayment related to this ruling of approximately \$14,000 and \$90,000, respectively, which is included in estimated amounts due to third-party payers on the balance sheet.

These programs are subject to ongoing review by HHSC and the state of Texas and the funding is subject to recoupment based on future audits. The historical funding is not necessarily representative of funding the District will receive in future years.

**Note 3: Deposits and Investments**

***Deposits***

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Texas; bonds of any city, county, school district or special road district of the state of Texas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At May 31, 2022 and 2021, none of the District's bank balances of \$17,833,576 and \$15,895,955, respectively, were exposed to custodial credit risk.

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
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**Summary of Carrying Values**

The carrying values of deposits are included in the balance sheets as follows:

	<b>2022</b>	<b>2021</b>
Carrying value:		
Deposits	<u>\$ 17,657,924</u>	<u>\$ 15,798,153</u>
Included in the following balance sheets captions:		
Cash	\$ 16,539,412	\$ 14,695,249
Certificates of deposit	<u>1,118,512</u>	<u>1,102,904</u>
	<u>\$ 17,657,924</u>	<u>\$ 15,798,153</u>

**Note 4: Patient Accounts Receivable**

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at May 31 consisted of:

	<b>2022</b>	<b>2021</b>
Medicare	\$ 1,226,533	\$ 454,160
Medicaid	23,577	27,976
Other third-party payers	404,910	335,300
Patients	<u>679,115</u>	<u>722,755</u>
	2,334,135	1,540,191
Less allowance for uncollectible accounts	<u>(1,584,876)</u>	<u>(917,383)</u>
	<u>\$ 749,259</u>	<u>\$ 622,808</u>

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

**Note 5: Capital Assets**

Capital assets activity for the years ended May 31 was:

	<b>2022</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 17,420	\$ -	\$ -	\$ -	\$ 17,420
Land improvements	288,626	18,600	-	-	307,226
Buildings and improvements	12,019,750	46,799	-	-	12,066,549
Equipment	4,582,042	116,545	-	-	4,698,587
	<u>16,907,838</u>	<u>181,944</u>	<u>-</u>	<u>-</u>	<u>17,089,782</u>
Less accumulated depreciation:					
Land improvements	152,281	16,435	-	-	168,716
Buildings and improvements	2,389,684	463,862	-	-	2,853,546
Equipment	2,806,194	452,344	-	-	3,258,538
	<u>5,348,159</u>	<u>932,641</u>	<u>-</u>	<u>-</u>	<u>6,280,800</u>
Capital assets, net	<u>\$ 11,559,679</u>	<u>\$ (750,697)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,808,982</u>

  

	<b>2021</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Land	\$ 17,420	\$ -	\$ -	\$ -	\$ 17,420
Land improvements	238,921	49,705	-	-	288,626
Buildings and improvements	11,728,321	291,429	-	-	12,019,750
Equipment	3,557,696	1,024,346	-	-	4,582,042
	<u>15,542,358</u>	<u>1,365,480</u>	<u>-</u>	<u>-</u>	<u>16,907,838</u>
Less accumulated depreciation:					
Land improvements	136,958	15,323	-	-	152,281
Buildings and improvements	1,942,976	446,708	-	-	2,389,684
Equipment	2,426,002	380,192	-	-	2,806,194
	<u>4,505,936</u>	<u>842,223</u>	<u>-</u>	<u>-</u>	<u>5,348,159</u>
Capital assets, net	<u>\$ 11,036,422</u>	<u>\$ 523,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,559,679</u>

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
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**May 31, 2022 and 2021**

**Note 6: Accrued Expenses**

Accrued expenses included in current liabilities at May 31 consisted of:

	<u>2022</u>	<u>2021</u>
Payable to employees (including payroll taxes and benefits)	\$ 217,415	\$ 218,719
Accrued interest payable	<u>93,000</u>	<u>101,133</u>
	<u>\$ 310,415</u>	<u>\$ 319,852</u>

**Note 7: Long-term Debt Obligations**

The following is a summary of long-term debt transactions for the District for the years ended May 31:

		<u>2022</u>				
		<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term debt:						
Revenue bonds payable:						
Series 2015	\$ 7,080,000	\$ -	\$ (385,000)	\$ 6,695,000	\$ 400,000	
Net bond premium	<u>312,108</u>	<u>-</u>	<u>(47,405)</u>	<u>264,703</u>	<u>-</u>	
Total long-term obligations	<u>\$ 7,392,108</u>	<u>\$ -</u>	<u>\$ (432,405)</u>	<u>\$ 6,959,703</u>	<u>\$ 400,000</u>	
		<u>2021</u>				
		<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term debt:						
Revenue bonds payable:						
Series 2015	\$ 7,455,000	\$ -	\$ (375,000)	\$ 7,080,000	\$ 385,000	
Net bond premium	<u>361,957</u>	<u>-</u>	<u>(49,489)</u>	<u>312,108</u>	<u>-</u>	
Paycheck Protection Program loan	<u>869,600</u>	<u>-</u>	<u>(869,600)</u>	<u>-</u>	<u>-</u>	
Total long-term obligations	<u>\$ 8,686,557</u>	<u>\$ -</u>	<u>\$ (1,294,089)</u>	<u>\$ 7,392,108</u>	<u>\$ 385,000</u>	



**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

***Revenue Bonds Payable – Series 2015***

The Series 2015 revenue bonds payable consist of hospital limited tax and revenue bonds (Bonds) in the original amount of \$9,225,000 dated March 30, 2015, which bear interest at 3.00% to 4.50%. The Bonds are payable in annual principal installments ranging from \$330,000 to \$660,000 through February 1, 2035, with interest due semi-annually. Proceeds from the issuance of these bonds are being used for new construction and renovation of the existing facility. The Bonds are secured by property tax revenues of the District and the assets restricted under the bond indenture agreement.

The debt service requirements for the Bonds as of May 31, 2022, are as follows:

Year Ending May 31,	Total to be Paid	Principal	Interest
2023	\$ 688,000	\$ 400,000	\$ 288,000
2024	687,000	415,000	272,000
2025	685,400	430,000	255,400
2026	688,200	450,000	238,200
2027	685,200	465,000	220,200
2028-3032	3,433,713	2,645,000	788,713
2033-2035	2,062,800	1,890,000	172,800
	<u>\$ 8,930,313</u>	<u>\$ 6,695,000</u>	<u>\$ 2,235,313</u>

***Net Bond Premium***

With the issuance of the Series 2015 revenue bonds, the District recorded an aggregate original issue re-offering premium of \$663,667. The amount of bond premium that is amortizable each year was determined using the yield to maturity on the Series 2015 bond based on the initial offering price. The District recorded a reduction in interest expense of \$47,405 and \$54,037 for the years ended 2022 and 2021, respectively, related to the amortization of the bond premium. The bond premium amount will be amortized over the life of the bonds using the interest method.

***Paycheck Protection Program Loan***

During April 2020, the District obtained a loan under the Paycheck Protection Program (PPP). The PPP loan was originally due April 30, 2022, with monthly interest payments at 1.00 percent and monthly principal payments beginning November 2020. The District obtained legal notice of forgiveness of the PPP loan in January 2021 and was recognized as a special item on the statements of revenues, expenses and changes in net position as of May 31, 2021.

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

**Note 8: Employee Health Claims**

Substantially all of the District's employees and their dependents are eligible to participate in the District's employee health insurance plan. The District is self-insured for health claims of participating employees and dependents up to \$35,000 per individual. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount.

Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors.

Activity in the District's accrued employee health claims liability during 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 70,987	\$ 70,987
Current year claims incurred and changes in estimates for claims incurred in prior years	1,106,824	822,681
Claims and expenses paid	<u>(1,106,824)</u>	<u>(822,681)</u>
Balance, end of year	<u>\$ 70,987</u>	<u>\$ 70,987</u>

**Note 9: Charity Care**

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Charges excluded from revenue under the District's charity care policy were \$827,525 and \$948,243 for 2022 and 2021, respectively.

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Notes to Financial Statements**  
**May 31, 2022 and 2021**

**Note 10: Contingencies**

***Litigation***

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

***Medical 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/\$300,000 per occurrence. These limits coincide with the malpractice insurance coverage maintained by the District.

**Note 11: COVID-19 Pandemic and CARES Act Funding**

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

The extent of the COVID-19 pandemic's adverse effect on the District's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the District's control and ability to forecast. Because of these and other uncertainties, the District cannot estimate the length or severity of the effect of the pandemic on the District's business.

***Provider Relief Fund***

The District received approximately \$4,100,000, including approximately \$720,000 received during the year ended May 31, 2022, of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Notes to Financial Statements**  
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The District is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the District's operating revenues and expenses through May 31, 2022, the District has recognized approximately \$2,300,000 and \$1,800,000 in noncapital grants and gifts in the statements of revenues, expenses and changes in net position for the years ended May 31, 2022 and 2021, respectively. The unrecognized amount of Provider Relief Fund distributions of approximately \$0 and \$1,590,000 as of May 31, 2022 and 2021, respectively, are recorded as part of unearned revenue in the accompanying balance sheets.

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



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**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**

**Independent Auditor's Report**

Board of Directors  
North Wheeler County Hospital District  
d/b/a Parkview Hospital  
Wheeler, Texas

We have audited, 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, the financial statements of North Wheeler County Hospital District d/b/a Parkview Hospital (District), which comprise the District's balance sheet as of May 31, 2022, 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 the financial statements, and have issued our report thereon dated October 13, 2022.

***Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2022-002 to be a significant deficiency.

### ***Report on 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 financial statements. 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*.

### ***District's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

### ***Purpose of this Report***

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

**FORVIS,LLP**

October 13, 2022  
Waco, Texas

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Schedule of Findings and Responses**  
**May 31, 2022**

<b>Reference Number</b>	<b>Finding</b>
2021-001	<p>Financial Reporting Process</p> <p><b>Criteria:</b> Financial statements should be prepared in accordance with generally accepted accounting principles, and internal controls should be in place to ensure this happens.</p> <p><b>Condition:</b> The District's financial statements required material adjusting entries to properly state the balance sheet and statement of revenues, expenses and changes in net position.</p> <p><b>Context:</b> Monthly reconciliations and a formal review process were not performed on all balance sheet accounts resulting in inaccurate financial information.</p> <p><b>Effect:</b> Financial information presented to those charged with governance was inaccurate.</p> <p><b>Cause:</b> The District is a small facility with limited personnel, forcing the Chief Financial Officer (CFO) to perform multiple accounting functions and leaving little time for review of routine monthly reconciliations.</p> <p><b>Recommendation:</b> The CFO should ensure that financial data is reconciled and reviewed by management.</p> <p><b>Views of responsible officials and planned corrective actions:</b> The District plans to implement controls and processes to improve accuracy of financial information.</p>

**North Wheeler County Hospital District**  
**d/b/a Parkview Hospital**  
**Schedule of Findings and Responses (Continued)**  
**May 31, 2022**

<b>Reference Number</b>	<b>Finding</b>
2021-002	<p>Segregation of Duties</p> <p><b>Criteria:</b> Personnel functions and duties that create the ability to perpetrate and conceal fraud should be segregated.</p> <p><b>Condition:</b> The District has a lack of segregation of duties regarding the cash receipts cycle.</p> <p><b>Context:</b> The head bookkeeper has access to cash, the ability to adjust accounts, and reconciles bank statements. The business office director can take payments, generate bills, authorize discounts, change patient master files as well as reconciling duties. Admissions personnel have the ability to admit a patient, receive payments, add patients to master files, and adjust accounts. When employees have the ability to make changes in the master file, post entries and reconcile patient accounts, there is generally a risk of misappropriation.</p> <p><b>Effect:</b> The potential ability to perpetrate and conceal fraud.</p> <p><b>Cause:</b> The District is a small entity with a limited number of personnel.</p> <p><b>Recommendation:</b> The District should segregate incompatible duties to improve its internal controls related to cash receipts.</p> <p><b>Views of responsible officials and planned corrective actions:</b> We understand the importance of the segregation of duties as it relates to maintaining internal control. As mentioned, the District does have limited personnel in certain areas but will evaluate further segregation as costs allow.</p>