ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023



Davis, Heinemann & Company, P.C.

Certified Public Accountants 1300 11th Street Suite 500

Huntsville, Texas 77340 (936) 291-3020

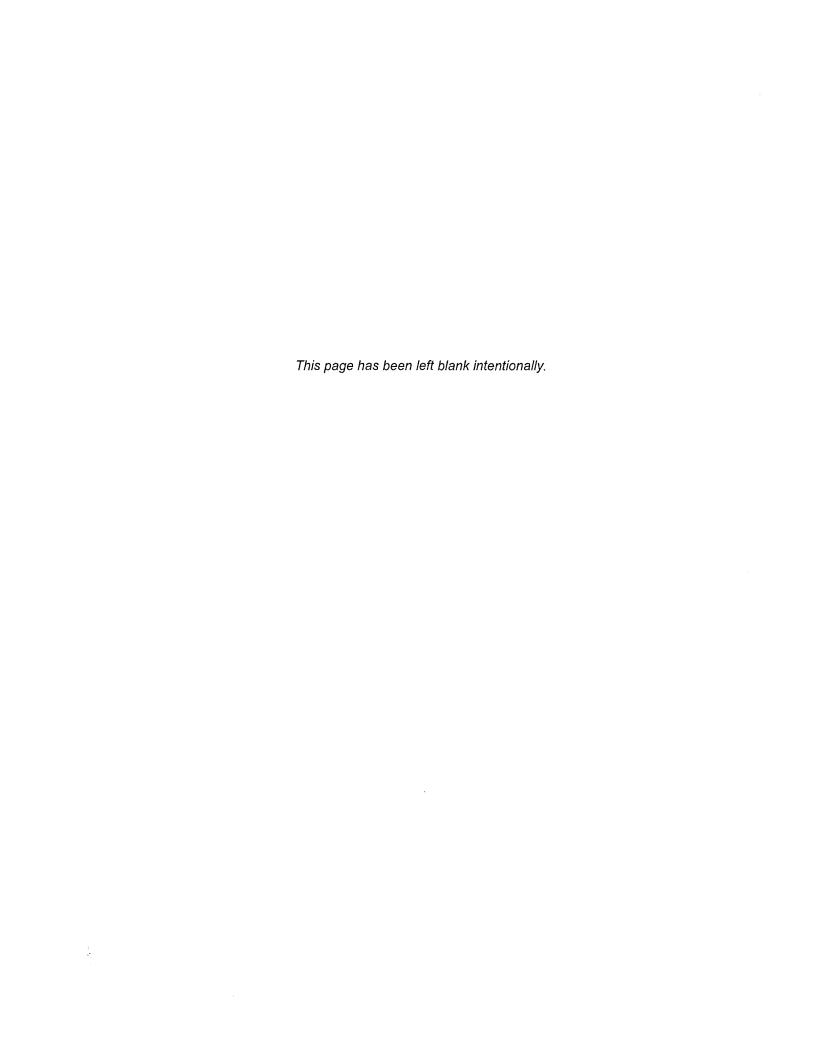
Introductory Section



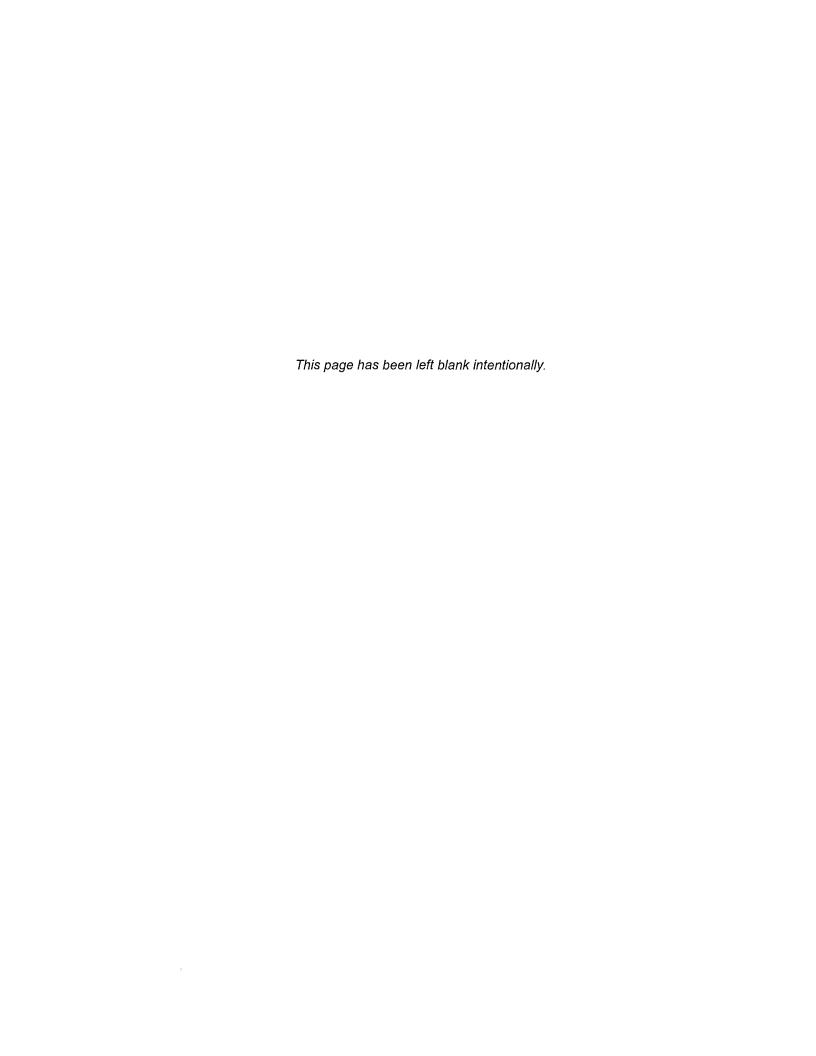
Walker County Hospital District Annual Financial Report For The Year Ended December 31, 2023

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Financial Section





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Independent Auditor's Report

To the Board of Managers Walker County Hospital District P.O. Box 1267 Huntsville, Texas 77342-1267

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Walker County Hospital District ("the District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Walker County Hospital District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Walker County Hospital District, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Walker County 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 opinions.

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 Walker County 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 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 opinions. 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 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, 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 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 the 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's Discussion and Analysis, and budgetary comparison information 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.

Respectfully submitted,

Davis, Heinemann & Company, P.C.

i, Human + Co. P.C.

Huntsville, TX October 21, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Walker County Hospital District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$32,154,279 at December 31, 2023.
- During the year, the District's expenses were \$972,427 less than the \$10,178,734 generated in leases, property tax collections and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$11,359,612.

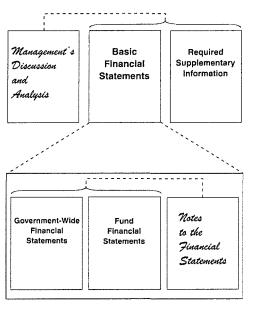
OVERVIEW OF THE FINANCIAL STATEMENTS

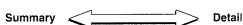
This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District's Annual Financial Report





Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one should consider additional factors such as changes in the District's taxing jurisdictions.

The government-wide financial statements of the District include the *Governmental activities*. All of the District's basic services are included here. Charges for service paid by participating jurisdictions and other revenues finance these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and, when applicable, by bond covenants.
- The Board of Managers establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

• Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's net position was \$32,154.3 thousand at December 31, 2023 (See Table A-1).

Table A-1
Walker County Hospital District's Net Position
(In thousands of dollars)

	Governmental Activities			Change Total		
		2023		2022		2023-2022
Current Assets:						
Cash and Cash Equivalents	\$	3,161.3	\$	4,457.4	\$	(1,296.1)
Receivables:						
Taxes		5,607.3		4,989.2		618.1
Other		257.9		197.6		60.3
Restricted Assets:						
Cash and Cash Equivalents		7,941.3		6,647.6		1,293.7
Prepaid Items		-				
Total Current Assets:		16,967.8		16,291.8		676.0
Noncurrent Assets:						
Capital Assets		25,949.9		25,507.0		442.9
Less: Accumulated Depreciation		(19,142.7)		(18,398.1)		(744.6)
Investments		8,380.1		8,380.1		-
Total Noncurrent Assets		15,187.3		15,489.0		(301.7)
Total Assets		32,155.1		31,780.8		374,3
Current Liabilities:						
Accounts Payable		-		-		-
Other Current Liabilities		0.3		598.4		(598.1)
Security Deposit		0.5		0.5		
Total Current Liabilities		0.8		598.9		(598.1)
Total Liabilities		0.8		598.9		(598.1)
Net Position:						
Invested in Capital Assets		6,807.2		7,108.9		(301.7)
Unrestricted		25,347.1		24,073.0		1,274.1
Total Net Position	\$:	32,154.3	\$	31,181.9	\$	972.4

Changes in net position. At the end of 2023, the District's total revenues were \$10,178.7 thousand. A significant portion, sixty-eight (68) percent, of the District's revenue comes from property tax collections and twenty-four (24) percent of the revenue is from lease income. Eight (8) percent of the District's revenue comes from gain other revenue and interest earnings.

The total cost of all programs and services was \$9,206.3 thousand; eighty-nine (89) percent of these costs are for indigent care, nine (9) percent of costs are for health services, and two (2) percent are for administration expenses.

Governmental Activities

Table A-2
Changes in Walker County Hospital District's Net Position
(In thousands of dollars)

	Governmental					
		Ac	tivit	ties		Change
		2023		2022		2023-2022
General Revenues:						
Property Taxes	\$	6,937.2	\$	6,270.5	\$	666.7
Lease Income	•	2,400.0	•	2,400.0	•	-
Other Income		199.4		192.0		7.4
Investment Income		642.1		(2.1)		644.2
Gain/Loss on Sale of Asset		-		845.0		(845.0)
Total General Revenues		10,178.7	,	9,705.4		473.3
Program Revenues:						
Charges for Services		-		-		-
Total Program Services		-				-
Total Revenues		10,178.7		9,705.4		473.3
Program Expenses:						
Indigent Care		8,174.1		5,731.2		2,442.9
Health Services		784.6		828.3		(43.7)
Administration Expense		247.6		834,5		(586.9)
Total Expenses		9,206.3		7,394.0		1,812.3
Change in Net Position		972.4		2,311.4		(1,339.0)
Beginning Net Position		31,181.9		28,870.5		2,311.4
Ending Net Position	\$	32,154.3	\$	31,181.9	\$	972.4

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the District had invested \$25,949.9 thousand in a broad range of capital assets, including buildings, furniture and equipment. (See Table A-3.)

Table A-3
Walker County Hospital District's Capital Assets
(In thousands of dollars)

	Governmental				
		Ac	tivit	ies	Change
		2023		2022	2023-2022
Land	\$	1,126.7	\$	1,126.7	\$ - ,
Buildings and Improvements		19,785.2		19,410.5	374.7
Equipment	_	5,038.0		4,969.8	68.2
Totals at Historical Costs	_	25,949.9		25,507.0	442.9
Accumulated Depreciation	_	(19,142.7)		(18,398.1)	(744.6)
Net Capital Assets	\$_	6,807.2	\$.	7,108.9	\$ (301.7)

Long-Term Debt

At year end the District had no outstanding debt.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund Budgetary Highlights

Over the course of the year, the District did not amend the budget. Actual expenditures were more than final appropriations by \$93.9 thousand.

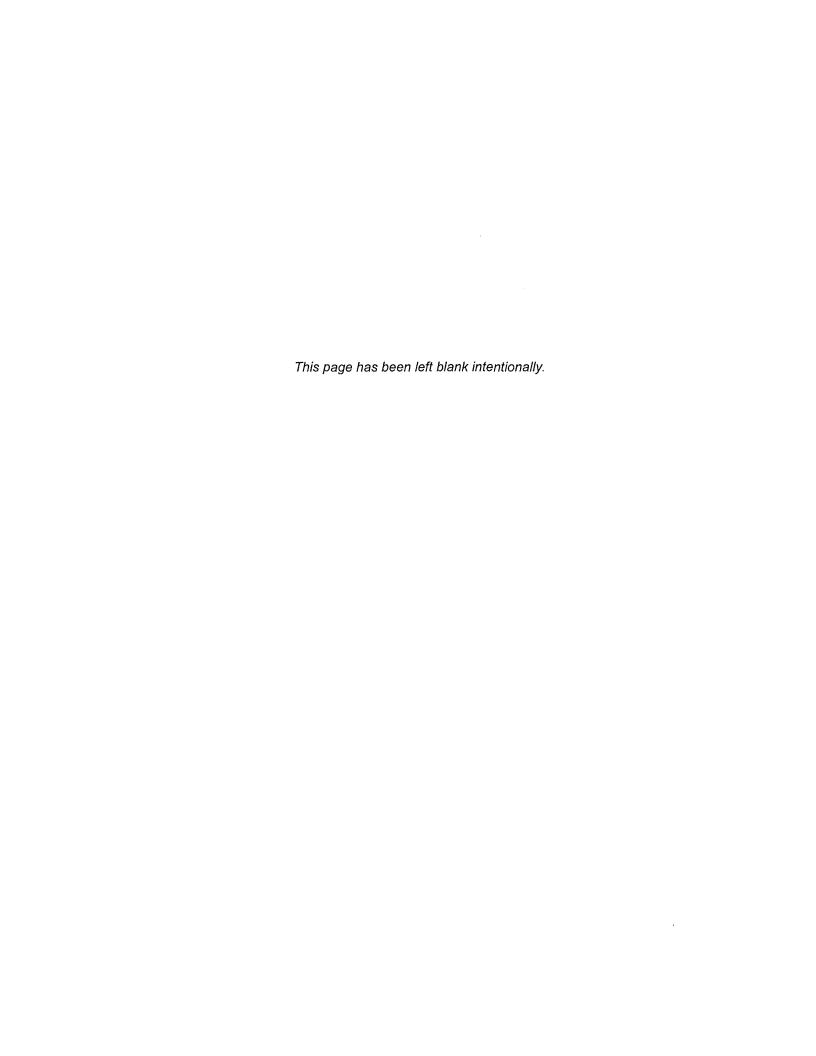
Resources available were \$749.9 thousand more than the final estimated budgeted amounts. The largest positive variance, \$594.1 thousand, resulted from investment income being more than projected.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

• Fiscal Year 2024 budget increases expenditures from final 2023 appropriations by \$1,100.6 thousand to \$9,911.3 thousand. This is a little over twelve (12) percent increase from the prior year due to estimated increase in capital and contingency expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's administration office.



Basic Financial Statements



WALKER COUNTY HOSPITAL DISTRICT STATEMENT OF NET POSITION

DECEMBER 31, 2023

		Governmental Activities
ASSETS:		
Cash and Cash Equivalents	\$	3,161,301
Receivables:		
Taxes		5,607,372
Other, Net		257,864
Restricted Assets:		
Cash and Cash Equivalents		7,941,256
Capital Assets (Net of Accumulated Depreciation):		
Land		1,126,694
Other Capital Assets, Net		5,680,515
Investment - Huntsville Community Hospital	_	8,380,087
Total Assets	_	32,155,089
LIABILITIES:		
Security Deposits		500
Other Current Liabilities	-	310
Total Liabilities	_	810
NET BOOKEN		
NET POSITION:		
Net Investment in Capital Assets		6,807,209
Unrestricted	_	25,347,070
Total Net Position	\$_	32,154,279

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2023

			Vet (Expense) Revenue and Changes in Net Position
Functions/Programs	 Expenses	_	Governmental Activities
PRIMARY GOVERNMENT:			
Governmental Activities: Indigent Care	\$ 8,174,103	\$	(8,174,103)
Health Services	784,605		(784,605)
Administration Expense	247,599		(247,599)
Total Governmental Activities	 9,206,307		(9,206,307)
Total Primary Government	\$ 9,206,307		(9,206,307)
General Revenues:			
Property Taxes			6,937,162
Lease Income			2,400,000
Investment Income			642,141
Other			199,431
Total General Revenues			10,178,734
Change in Net Position			972,427
Net Position - Beginning			31,181,852
Net Position - Ending		\$	32,154,279

BALANCE SHEET - GOVERNMENTAL FUNDS DECEMBER 31, 2023

100570		General Fund
ASSETS: Cash and Cash Equivalents Receivables:	\$	3,161,301
Taxes Other, Net		5,607,372 257,864
Restricted Assets: Cash and Cash Equivalents Total Assets	s	7,941,256 16,967,793
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALA Liabilities:	.NCES	
Security Deposits Other Current Liabilities Total Liabilities	\$	500 310 810
DEFERRED INFLOWS OF RESOURCES:		810
Deferred Property Taxes Total Deferred Inflows of Resources		5,607,371 5,607,371
Fund Balances: Unreserved Total Fund Balance		11,359,612 11,359,612
Total Liabilities and Fund Balance	\$	16,967,793

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2023

Total fund balances - governmental funds balance sheet	\$ 1	11,359,612
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not reported in the funds. Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		6,807,209 5,607,371 8,380,087
Net position of governmental activities - Statement of Net Position \$	S3	32,154,279

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund
Revenue:	
Property Taxes	\$ 6,319,013
Lease Income	2,400,000
Investment Income	642,141
Other	 199,431
Total Revenues	 9,560,585
Expenditures:	
Indigent Care	8,174,103
Health Services	40,000
Administration Expense	 690,543
Total Expenditures	 8,904,646
Excess (Deficiency) of Revenues Over (Under) Expenditures	655,939
Other Financing Sources (Uses):	
Total Other Financing Sources (Uses)	 -4
Net Change in Fund Balance	655,939
Fund Balance - Beginning	 10,703,673
Fund Balance - Ending	\$ 11,359,612

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2023

Net change in fund balances - total governmental funds	\$	655,939
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA. The depreciation of capital assets used in governmental activities is not reported in the funds. Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	********	442,944 (744,605) 618,149
Change in net position of governmental activities - Statement of Activities	\$	972,427

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS DECEMBER 31, 2023

	Custodial Fund
	UPL Medicaid
ASSETS:	
Cash and Cash Equivalents	\$ 465,447
Total Assets	\$465,447
LIABILITIES:	
Claims Payable	\$ 465,447
Total Liabilities	\$

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

A. Summary of Significant Accounting Policies

The combined financial statements of Walker County Hospital District (the "District") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

b. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings Building Improvements	50 20
Office Equipment	3-15
Computer Equipment	3-15

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

The detail of significant receivables at December 31, 2022 consist of the following

WCAD Tax Collections \$ 257,864

Total Accounts Receivable \$ 257,864

e. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Managers. Committed amounts cannot be used for any other purpose unless the Board of Managers removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Managers. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Managers or by an official or body to which it delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

f. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position) and governmental funds balance sheet will sometime report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

g. Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board of Managers is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Board of Managers.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board of Managers. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board of Managers and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

5. Implementation of New Standards

In the current fiscal year, the District did not implement any new standards from the Governmental Accounting Standards Board (GASB).

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u> <u>Action Taken</u> None reported Not applicable

Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund NameDeficitNone reportedAmountRemarksNot applicableNot applicable

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At December 31, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$11,094,403 and the bank balance was \$11,108,848. The District's cash deposits at December 31, 2023 and during the year ended December 31, 2023, were not entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: First National Bank of Huntsville
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$1,739,475.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$1,403,261 and occurred during the month of January, 2023.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

D. Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

	Beginning Balances	Increases	Decreases		Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land \$	1,126,694 \$	(\$	\$	1,126,694
Construction in progress					
Total capital assets not being depreciated	1,126,694				1,126,694
Capital assets being depreciated:					
Buildings and improvements	19,410,532	374,671			19,785,203
Equipment	4,968,737	69,276			5,038,013
Total capital assets being depreciated	24,379,269	443,947			24,823,216
Less accumulated depreciation for:					
Buildings and improvements	(15,006,216)	(493,636)	*-		(15,499,852)
Equipment	(3,391,879)	(250,970)			(3,642,849)
Total accumulated depreciation	(18,398,095)	(744,606)			(19,142,701)
Total capital assets being depreciated, net	5,981,174	(300,659)			5,680,515
Governmental activities capital assets, net \$_	7,107,868 \$	(300,659)	F	_\$_	6,807,209

Depreciation was charged to functions as follows:

Health Services	\$ 744,606
	\$ 744,606

E. Long-Term Obligations

The District has no long-term debt.

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, the District obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The District pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The District continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

G. Lease Agreements

Huntsville Community Hospital, Inc.

Walker County Hospital District owns the land and facility that was formerly known as Huntsville Memorial Hospital. Beginning February 1, 2020 a new Facility and Lease Agreement was signed between the District and Huntsville Community Hospital (HCH).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

The term of the lease is for an initial period of five (5) years, beginning November 22, 2019, with an option to extend an additional five years, if both parties agree. The lease was amended effective June 2021 with a new term of seven years. The leased property consists of buildings, improvements, real property, furnishings, personal property, equipment and fixtures.

Under the lease agreement, base rent is approximately \$597,000 a year. The parties agree to periodically review the financial stability of the hospital and when appropriate, increase the base rent to a mutually agreed upon amount, provided that at such time as the base rent is increased, HCH has attained financial stability by generating sufficient funds from operations to cover the cost of the operation of the hospital and fund the capital needs of the hospital for at least one (1) fiscal year in accordance with the approved annual operating and capital budgets of the hospital or for another period of time to which the parties agree.

The lease is intended to be an absolute triple net lease. HCH agrees to pay all taxes, maintenance and repair, insurance premiums and other related costs.

H. Other Agreements

In 2019, Walker County Hospital Corporation (WCHC) filed for bankruptcy. During the bankruptcy proceedings, the District agreed to work with Huntsville Community Hospital, Inc. (HCH) to continue to operate the hospital as a full-service acute care hospital for the provision of inpatient and outpatient acute care hospital services. In the Amended and Restated Bylaws of Huntsville Community Hospital, Inc. dated February 28, 2020, two classes of members were defined. Community Hospital Corporation (CHC) is the Class A member and the District is the Class B member. Any major changes to the Corporation or revisions to the bylaws require the approval of both the Class A and Class B members. CHC is the management company for the hospital and HCH is the operating company for the hospital.

The District primarily uses tax revenues to pay for indigent care for qualified residents within the District. However, during bankruptcy proceedings, the District took on a major role in funding the purchase of assets and receivables from the bankrupt company by providing \$9,400,000 in funding to be used to purchase the assets and then to donate the receivables to HCH and to rent the newly purchased and previously acquired equipment to HCH for \$1 per year. The Lease Agreement provides for an increased amount of rent to be paid by HCH to the District, once the operating company is financially sound.

Contingent Indigent Care Liability

Walker County, Texas

Walker County Hospital District provides health care services to inmates housed in the Walker County jail. The inmates must meet the indigent requirement and be a qualified resident of the Hospital District. Walker County Hospital District reimburses Walker County for indigent inmate medical care and drug prescriptions.

Medicaid UPL Program

The primary purpose of the Walker County Hospital District is to provide indigent care services to qualified residents of Walker County through the Medicaid UPL Program. The District sends funds to the Texas State Comptroller of Public Accounts for the purpose of certifying the State's matchable portion of funding through the Medicaid UPL Program. The federal government matches these funds and then sends the total payment directly to Huntsville Community Hospital. The matching portion of this program (1115 Waiver) was set to expire in October 2022, but was extended until 2030.

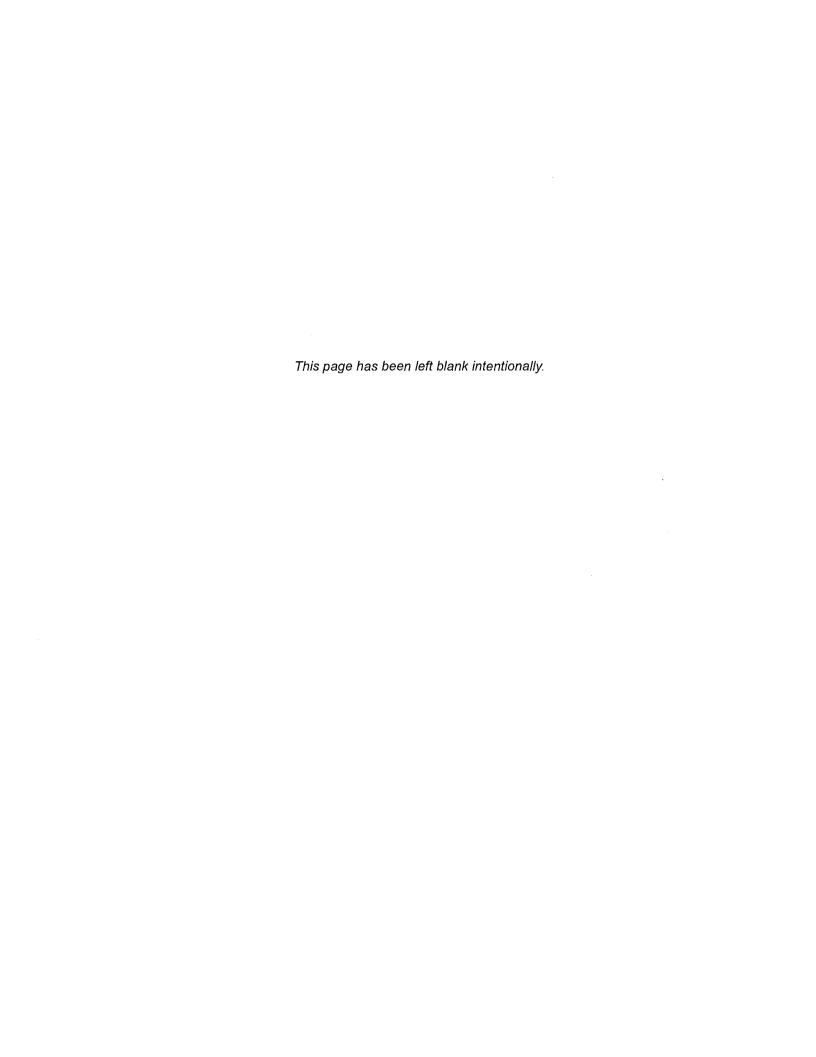
J. Subsequent Events

The District did not identify any reportable subsequent events through October 21, 2024, which is the date the financial statements are available to be issued for events requiring recording or disclosure in the financial statements for the year ended December 30, 2023.



Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.



GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts Original Final					Actual		/ariance with Final Budget Positive (Negative)
Revenue:			•				_	
Property Taxes	\$	6,211,400	\$	6,211,400	\$	6,319,013	\$	107,613
Lease Income		2,400,000		2,400,000		2,400,000		
Investment Income		48,000		48,000		642,141		594,141
Other	_	151,300	_	151,300		199,431	_	48,131
Total Revenues	-	8,810,700		8,810,700		9,560,585		749,885
Expenditures:								
Indigent Care		6,000,000		6,000,000		8,174,103		(2,174,103)
Health Services		40,000		40,000		40,000		
Administration Expense		2,770,700		2,770,700		690,543		2,080,157
Total Expenditures		8,810,700		8,810,700		8,904,646		(93,946)
Excess (Deficiency) of Revenues Over (Under) Expenditures						655,939		655,939
Other Financing Sources (Uses):								
Total Other Financing Sources (Uses)	_		_		_		-	
Net Change in Fund Balance		••				655,939		655,939
Fund Balance - Beginning Fund Balance - Ending	\$	10,703,673 10,703,673	\$_	10,703,673 10,703,673	\$	10,703,673 11,359,612	\$_	655,939

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2023

Budgetary Data

The Board of Managers shall prepare a proposed budget annually for the District. The proposed budget must include an estimate of all revenue sources and expenditures for the budget year. It must include any outstanding debt, available cash, prior year balances and the estimated tax rate required to fund the budget.

- a. Prior to the beginning of the fiscal year, the District prepares a budget for the succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. The Board of Managers shall hold a public hearing on the proposed budget. A notice must be published no later than the tenth day before the date of the hearing. At the conclusion of the hearing, the board shall adopt the proposed budget.
- c. The board may make changes to the proposed budget.

After adoption, the budget may be amended on the board's approval. Expenditures may not be made that are not included in the annual budget or an amendment to the budget.