



Marion County Hospital District

Independent Auditor's Reports and Financial Statements

September 30, 2024



Marion County Hospital District
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September 30, 2024

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Independent Auditor's Report

Board of Directors
Marion County Hospital District
Jefferson, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Marion County Hospital District (District), as of and for the year ended September 30, 2024, 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 respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of September 30, 2024, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 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 the District'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 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 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 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 as listed in the table of contents 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the budget to actual information for the special revenue fund, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2025, 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 Mazars, LLP

**Dallas, Texas
February 6, 2025**

**Marion County Hospital District
Management Discussion and Analysis (Unaudited)
September 30, 2024**

Introduction

As management of the Marion County Hospital District (District), we offer readers of the District this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2024.

Using This Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole and present a long-term view of the District's property, obligations and other financial matters. These statements reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or fund financial statements.

Reporting The District As Whole

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* present information showing how the organization's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods. All of the District's assets are reported whether they serve the current year or future years. Liabilities are recorded regardless of whether they must be paid in the current year or future years.

To fully assess the overall health of the District, one should also consider non-financial factors as well, such as changes in the District's property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District presents one type of activity:

- Governmental Activities - The District's basic services are reported in this activity including maintenance, community services, and general administration. Property taxes and locally generated revenue finance most of these activities.
- The District does not have the other type of activities - (1) Enterprise funds or (2) Component units.

Reporting The District's Most Significant Funds

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The District uses the following approach:

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balance of spendable resources available at the end of the fiscal year.

**Marion County Hospital District
Management Discussion and Analysis (Unaudited)
September 30, 2024**

All of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities and governmental funds in reconciliation schedules following each of the fund financial statements.

Government-Wide Financial Analysis

Our analysis focuses on the net position and changes in net position of the District's governmental activities.

Net position of the District's governmental activities total \$2,218,710. Unrestricted net position (assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) were \$2,031,538 on September 30, 2024.

Summary Statement of Net Position Governmental Activities			
	2024		2023
Assets			
Current and other assets	\$ 2,044,542	\$	1,841,112
Capital assets	187,172		177,774
Total assets	2,231,714		2,018,886
Liabilities			
Current liabilities	13,004		26,991
Total liabilities	13,004		26,991
Net Position			
Invested in Capital Assets	187,172		177,774
Unrestricted	2,031,538		1,814,121
Total net position	\$ 2,218,710	\$	1,991,895

Summary Statement of Changes in Net Position Governmental Activities			
	2024		2023
Revenues			
Property taxes	\$ 431,577	\$	423,157
Investment income	53,502		14,184
Rental income	16,800		16,800
Tobacco revenue	7,675		8,785
Other revenue	239		-
Total revenues	509,793		462,926
Expenses			
Indigent health care	123,252		158,895
General administration	159,726		118,436
Total expenses	282,978		277,331
Change in Net Position	\$ 226,815	\$	185,595

**Marion County Hospital District
Management Discussion and Analysis (Unaudited)
September 30, 2024**

The District's revenues totaled \$509,793, with property tax revenue of \$431,577 as the primary source of funds. The total cost of all programs and services was \$282,978. Some of the costs were paid by lease income earned from organizations that lease facilities from the District.

The District's Funds

As the District completed the year, governmental funds reported a combined fund balance of \$1,851,421, which is an increase of \$217,036 over last year's total of \$1,634,385. Net position and fund balance increased by \$226,815 and \$217,036, respectively, which is consistent with the prior year. There was a 10.12% increase in total revenue. The property tax revenue remained relatively consistent with prior year attributable to a decrease in the tax rate from 4.8% in 2023 to 4.3% in 2024 offset by an increase in valuation. The increase in investment income is predominantly attributable to earning higher interest rates in the current year. There was also an 2.04% increase in expenses, due to an increase in auditing expenses and building maintenance costs.

General Fund Budgetary Highlights

Actual General Fund revenues collected in the year ended September 30, 2024, exceeded management's budget by \$85,933 or 20.7%. This positive variance was due to an increase in property taxes due to valuation rates higher than management's budget. Interest income was approximately \$50,000 higher than expected, due to overall investment market improvements.

For the year ended September 30, 2024, expenditures were \$2,500 under final budget. Expenditures of elections showed a savings of \$84,000 as there were only a few Board members elected during the year and no competition. In addition, expenditures for indigent care had savings of \$67,254 due to qualifying submitted expenditures being less than management's budget.

Capital Assets and Debt

Capital Assets - At the end of 2024, the District had \$187,172, net of accumulated depreciation, invested in capital assets, including facilities and equipment.

Debt - At year-end, the District had no outstanding debt.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information may be addressed by contacting the District's business office at Marion County Hospital District, 1113B North Walcott Street, Jefferson, Texas 75687.

Basic Financial Statements

Marion County Hospital District
Statement of Net Position
September 30, 2024

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 388,426
Short-term investments	1,254,300
Taxes receivable	190,436
Long-term Investments	211,380
Capital Assets (net of accumulated depreciation)	
Land	126,211
Buildings and improvements	56,752
Furniture and equipment	4,209
Total Assets	<u>2,231,714</u>
LIABILITIES	
Current Liabilities	
Accounts payable	11,505
Payroll taxes liability	1,499
Total Liabilities	<u>13,004</u>
NET POSITION	
Net Position	
Invested in capital assets	187,172
Unrestricted	2,031,538
Total Net Position	<u><u>\$ 2,218,710</u></u>

Marion County Hospital District
Statement of Activities
Year Ended September 30, 2024

	<i>Program Revenues</i>				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Indigent health care	\$ 123,252	\$ -	\$ -	\$ -	\$ (123,252)
General administration	159,726	-	-	-	(159,726)
Total governmental activities	\$ 282,978	\$ -	\$ -	\$ -	\$ (282,978)

General Revenues:

Property taxes	\$ 431,577
Investment income	53,502
Rental income	16,800
Tobacco settlement revenue	7,675
Other revenue	239
Total general revenues	\$ 509,793
Change in Net Position	226,815
Net Position, Beginning of Year	1,991,895
Net Position, Ending of Year	\$ 2,218,710

**Marion County Hospital District
Balance Sheet – Governmental Funds
September 30, 2024**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 299,496	\$ 88,930	\$ 388,426
Short-term investments	1,254,300	-	1,254,300
Taxes receivable	190,436	-	190,436
Total Current Assets	1,744,232	88,930	1,833,162
Long-term Investments	211,380	-	211,380
Total Assets	<u>\$ 1,955,612</u>	<u>\$ 88,930</u>	<u>\$ 2,044,542</u>
LIABILITIES			
Accounts payable	\$ 11,505	\$ -	\$ 11,505
Payroll taxes liability	1,499	-	1,499
Total Liabilities	13,004	-	13,004
Deferred Inflows of Resources - Property Taxes	180,117	-	180,117
FUND BALANCE			
Unassigned	1,762,491	88,930	1,851,421
Total Liabilities and Fund Balance	<u>\$ 1,955,612</u>	<u>\$ 88,930</u>	<u>\$ 2,044,542</u>

**Marion County Hospital District
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
September 30, 2024**

Total fund balance - governmental funds	\$ 1,851,421
Capital assets used in governmental activities that are not financial resources and therefore are not reported in the funds.	187,172
Receivables reported in the statement of net position that are not available to provide current financial resources are reported as a deferred inflow in the funds.	<u>180,117</u>
Net position of governmental activities	<u><u>\$ 2,218,710</u></u>

Marion County Hospital District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2024

	General Fund	2024 Special Revenue Fund	Total Governmental Funds
Revenues			
Property tax income	\$ 431,196	\$ -	\$ 431,196
Interest income	52,923	579	53,502
Rental income	16,800	-	16,800
Tobacco income	-	7,675	7,675
Other revenue	239	-	239
	<u>501,158</u>	<u>8,254</u>	<u>509,412</u>
Total revenues			
Expenditures			
Appraisal district expense	19,530	-	19,530
Auditing	38,202	-	38,202
Capital outlay	15,700	-	15,700
Directors Bonds	50	-	50
Indigent healthcare solutions	11,359	-	11,359
Legal ads and notices	414	-	414
Indigent care	122,746	506	123,252
Insurance - property	5,335	-	5,335
Legal and professional	1,450	-	1,450
Maintenance - building & fixtures	13,118	-	13,118
Office supplies	1,797	-	1,797
Salaries & related expense	36,804	-	36,804
Tax collection expense	15,201	-	15,201
Travel	2,254	-	2,254
Utilities	5,687	-	5,687
Other expenditures	2,223	-	2,223
	<u>291,870</u>	<u>506</u>	<u>292,376</u>
Total expenditures			
Net Change in Fund Balance	209,288	7,748	217,036
Fund Balance, Beginning of Year	<u>1,553,203</u>	<u>81,182</u>	<u>1,634,385</u>
Fund Balance, End of Year	<u>\$ 1,762,491</u>	<u>\$ 88,930</u>	<u>\$ 1,851,421</u>

Marion County Hospital District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended September 30, 2024

Net change in fund balances – total governmental funds	\$	217,036
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation.		15,700
Depreciation expense is reported on the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(6,302)
Certain property taxes are deferred in the funds. This is the change in these amounts this year.		<u>381</u>
Change in net position of governmental activities	\$	<u><u>226,815</u></u>

Note 1. Nature of Operations and Summary of Significant Accounting Policies

The Reporting Entity

The Board of Directors, a seven-member group, has governance responsibilities over the health care activities related to public health within the jurisdiction of Marion County Hospital District (District). Members of the Board of Directors are elected by the public and have the authority to make decisions, appoint administrators and managers, significantly influence operations, and have primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*.

The accounting policies of the District substantially conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basic Financial Statements

The District's basic financial statements consist of government-wide financial statements, fund financial statements, and related notes. The government-wide financial statements include a statement of net position and a statement of activities, and the fund financial statements include financial information for the governmental funds. Reconciliations between the governmental funds and the governmental activities are also included.

Government-wide Financial Statements

The government-wide financial statements consist of the statement of net position and the statement of activities. These statements include the aggregated financial information of the District as a whole. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The financial accounts of the District are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for using a separate set of self-balancing accounts comprised of assets, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures.

The presentation emphasis in the fund financial statements is on major funds. All governmental funds considered major funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds in a separate column.

The District reports the following major governmental fund:

General Fund. This fund is the District's primary operating fund. All general tax revenues are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

The District reports the following non-major governmental fund:

Special Revenue Fund. This fund is used to account for specific revenues that are legally restricted to expenditure for particular purposes. The District currently uses the Special Revenue Fund to account for tobacco settlement proceeds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments that are both readily convertible to cash and have original maturity dates of three months or less.

Investments

The District's investments consist of certificates of deposits with an original maturity date of three months or more.

Property Taxes

Property taxes attach as an enforceable lien on property as of February 1. Taxes are levied on October 1 and are payable by January 31. The District's property tax revenues are recognized when levied to the extent that they result in current receivables. Deferred inflows of resources have been recorded to offset the estimated amounts determined not to be available, spendable resources.

Receivables and Payables

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.

Capital Assets

Capital assets, which includes land, buildings, furniture and equipment, are reported in the government- wide financial statements. Such assets are recorded at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the underlying assets are not capitalized. The District capitalizes all items that have an estimated useful life of more than one year and exceed a cost of \$1,000.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of the asset.

Use of Estimates

The preparation of these financial statements includes estimates and assumptions made by management that affect the reported amounts. Actual results could differ from those estimates.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future reporting period(s) and so will not be recognized as an inflow of resources until that time. The District has the following item that qualifies for reporting in this category:

- Unavailable revenue – This arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that these amounts become available.

Fund Balance and Net Position Classifications

In the government-wide statements, equity is classified as net position and displayed, as applicable, in three 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.
- *Restricted* expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the District.
- *Unrestricted* net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Governmental fund balances are classified as follows:

- *Nonspendable* includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories and prepaid items.
- *Restricted* is similar to restricted net position discussed above, includes constraints placed on the use of resources that are either externally imposed by grantors, contributors, or other governments; or are imposed by law (through constitutional provisions or enabling legislation).
- *Committed* includes amounts that can only be used for a specific purpose due to a formal resolution approved by the Board of Trustees, which is the District's highest level of decision-making authority. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.
- *Assigned* includes 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 District's board. 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 purpose of the District itself.

- *Unassigned* includes amounts which are unconstrained in that they may be spent for any purpose. Generally, only the general fund reports a positive unassigned 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.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned. Additionally, the District designates restricted net position to be spent first if both restricted and unrestricted balances are available.

Note 2. Stewardship and Accountability

Budgets and Budgetary Accounting

The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending September 30.

The District follows these procedures in establishing the General Fund and Special Revenue Fund budgetary data reflected in the required supplementary information of the financial statements:

- In August, a proposed operating budget for the fiscal year commencing the following October 1 is presented.
- Prior to October 1, the Board of Directors approves the budget document following a public hearing.
- The approved annual budget is used as a control device for the General Fund and Special Revenue Fund.
- The budgets for the General Fund and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles.
- According to section 286.127 of the Health and Safety Code, money may not be spent for an expense not included in the annual budget or an amendment to the budget. When expenditures are required for functions that have not been budgeted, the Board is required to approve line-item transfers or budget amendments.

Note 3. Cash and Cash Equivalents and Investments

Deposits and Investments

According to Chapter 286, Subchapter F. District Finances, section 286.130(a) of the Health Safety Code, the Board is required to name at least one bank to serve as depository for the District funds. Under section 286.130(c), before the district deposits funds in a bank in an amount that exceeds the maximum amount secured by the Federal Deposit Insurance Corporation, the bank must execute a bond or other security in an amount sufficient to secure from loss the District funds that exceed the amount secured by the Federal Deposit Insurance Corporation.

Deposits, including certificates of deposit, 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.

The District's policy regarding custodial credit risk is that no District funds are deposited in any financial institution that cannot provide adequate FDIC insurance or pledged collateral held by the District's agent bank in the District's name.

As of September 30, 2024, the District's bank deposits, including certificates of deposit, were fully insured or collateralized.

Note 4. Capital Assets

Changes in capital assets for the year ended September 30, 2024, were as follows:

	2024		
	Beginning Balance	Additions	Ending Balance
Land	\$ 126,211	\$ -	\$ 126,211
Buildings and improvements	473,504	15,700	489,204
Furniture and equipment	16,298	-	16,298
	<u>616,013</u>	<u>15,700</u>	<u>631,713</u>
Less accumulated depreciation	<u>438,239</u>	<u>6,302</u>	<u>444,541</u>
Capital assets, net	<u>\$ 177,774</u>	<u>\$ 9,398</u>	<u>\$ 187,172</u>

Fiscal year 2024 depreciation expense of \$6,302 was charged to general administration in the accompanying Statement of Activities.

Note 5. Risk Management

The District is exposed to various risks of loss related to torts: environmental claims; equal employment opportunity claims; wage and hour claims; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains real and personal property coverage insurance for District buildings, furnishings, and computer equipment. The coverage provides replacement cost coverage with an annual limit of \$681,353.

The District also maintains the following insurance coverage:

- General liability coverage of \$1,000,000 per occurrence
- Cyber liability and data breach response coverage of \$1,000,000 aggregate limit for Tower I, \$100,000 aggregate limit for Tower II, \$10,000 aggregate limit for Tower III, and \$50,000 aggregate limit for Tower IV
- Automobile liability coverage of \$300,000 per occurrence
- Errors and omissions coverage of \$1,000,000 per each wrongful act with a \$1,000 deductible and a \$2,000,000 annual aggregate limit
- Worker's compensation coverage of \$43,446
- Boiler and machinery liability coverage of \$100,000 per occurrence with a \$500 deductible
- Flood and earthquake liability coverage with an annual limit of \$681,353 and a \$25,000 deductible

No settlements during each of the last three years have exceeded commercial coverage purchased. Other than the above coverages provided by insurance, the District retains all risk of loss.

Other Information

Marion County Hospital District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual – General Fund (Unaudited)
Year Ended September 30, 2024

	<i><u>Budgeted Amounts</u></i>		<i><u>Actual</u></i>	<i><u>Variance with Final Budget</u></i>
	<i><u>Original</u></i>	<i><u>Final</u></i>		
Revenues				
Property tax income	\$ 395,000	\$ 395,000	\$ 431,196	\$ 36,196
Interest income	3,400	3,400	52,923	49,523
Rental income	16,800	16,800	16,800	-
Other revenue	25	25	239	214
Total revenues	415,225	415,225	501,158	85,933
Expenditures				
Appraisal district expense	18,000	18,000	19,530	(1,530)
Auditing	30,000	30,000	38,202	(8,202)
Capital outlay	1,000	1,000	15,700	(14,700)
Directors Bonds	250	250	50	200
Elections	84,000	84,000	-	84,000
Indigent healthcare solutions	12,000	12,000	11,359	641
Legal ads and notices	2,000	2,000	414	1,586
Indigent care	190,000	190,000	122,746	67,254
Insurance - property	4,500	4,500	5,335	(835)
Legal and professional	1,000	1,000	1,450	(450)
Maintenance - building & fixtures	16,000	16,000	13,118	2,882
Office supplies	6,000	6,000	1,797	4,203
Salaries & related expense	44,758	44,758	36,804	7,954
Tax collection expense	15,000	15,000	15,201	(201)
Travel	3,000	3,000	2,254	746
Utilities	6,000	6,000	5,687	313
Web technology	2,500	2,500	-	2,500
Other expenditures	425	425	2,223	(1,798)
Total expenditures	436,433	436,433	291,870	144,563
Net Change in Fund Balance	(21,208)	(21,208)	209,288	230,496
Fund Balance, Beginning of Year	1,553,203	1,553,203	1,553,203	-
Fund Balance, End of Year	<u>\$ 1,531,995</u>	<u>\$ 1,531,995</u>	<u>\$ 1,762,491</u>	<u>\$ 230,496</u>

Marion County Hospital District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual – Special Revenue Fund (Unaudited)
Year Ended September 30, 2024

	<i>Budgeted Amounts</i>			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Interest income	\$ -	\$ -	\$ 579	\$ 579
Tobacco income	7,100	7,100	7,675	575
Total revenues	7,100	7,100	8,254	1,154
Expenditures				
Indigent care	-	-	506	(506)
Total expenditures	-	-	506	(506)
Net Change in Fund Balance	7,100	7,100	7,748	1,660
Fund Balance, Beginning of Year	81,182	81,182	81,182	-
Fund Balance, End of Year	\$ 88,282	\$ 88,282	\$ 88,930	\$ 1,660

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
Marion County Hospital District
Jefferson, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Marion County Hospital District (the District), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 6, 2025.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

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 the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding 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 Mazars, LLP

Dallas, Texas
February 6, 2025

Marion County Hospital District
Schedule of Findings and Responses
September 30, 2024

Reference Number	Finding
2024-001	<p>Financial Reporting Process</p> <p>Criteria: Internal controls should reasonably assure that financial data is accurately and consistently recorded to support financial statements stated in accordance with generally accepted accounting principles. Journal entries and account reconciliations should be prepared and reviewed.</p> <p>Condition: The District's financial statements required adjusting entries to properly report financial statement line items on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Additionally, the District did not prepare account reconciliations or review journal entries posted.</p> <p>Effect: Financial information presented to governance was not properly reported throughout the year.</p> <p>Cause: The District is a small facility with limited personnel and records transactions on a cash basis throughout the year.</p> <p>Recommendation: The District should ensure the financial data is consistently recorded and reported in a supportable manner. Preparation of account reconciliations monthly and review of journal entries should be completed.</p> <p>Views of responsible officials and planned corrective actions: The District plans to developing procedures to consistently record and report financial information to ensure accuracy.</p>