

**NUECES COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS
Board Finance Committee - Regular Meeting
Tuesday, March 7, 2023 at 11:00 AM**

AGENDA

1. WELCOME

2. ROLL CALL OF COMMITTEE MEMBERS

___ Judge Mariana Garza, Chairman
___ Sylvia Tryon Oliver
___ Belinda Flores, R.N.

3. CALL TO ORDER, ESTABLISHMENT OF QUORUM, MEETING POSTING CONFIRMATION, AND CLOSED MEETING NOTICE

A. Call to order.

B. Establish quorum.

C. Confirm posting of Meeting's public notice in accordance with Texas Open Meetings Act, Texas Government Code, Chapter 551.

D. Public notice is hereby given that the Committee may elect to go into Closed Meeting session(s) at any time during the meeting to discuss any matter(s) listed on the agenda when so authorized by the provisions of the Open Meetings Act, Texas Government Code, Chapter 551.

4. ANNOUNCEMENT ON DISCLOSURE OF CONFLICTS OF INTEREST. Any Conflicts of Interest or Appearance of a Conflict of Interest with items on this agenda shall be declared at this time. Members with conflicts will refrain from voting and are asked to refrain from discussion on such items. Conflicts discovered later in the meeting shall be disclosed at that time.

5. PUBLIC COMMENT - Persons attending in-person and wishing to comment on any item(s) on the agenda or any subject within the Committee's responsibilities must sign-in on the "Agenda Item Request to Speak" form provided at the entrance of the Committee meeting room at least five (5) minutes prior to commencement of the meeting. Persons attending via audio or video conference and wishing to comment on any item(s) on the agenda or any subject within the Committee's responsibilities must verbally notify the presiding officer of their desire to comment when the officer calls for public comment from those attending via audio and video conference. Commenters shall limit their comments to three (3) minutes, except that Commenters addressing the Committee through a translator

shall limit their comments to six (6) minutes.

6. CONSENT AGENDA - The Consent Agenda consists of those agenda items which are routine, administrative in nature, not in need of separate attention, and which a member of the Committee has not requested be discussed separately. If requested to be discussed separately, that agenda item will be removed from the Consent Agenda by the presiding officer to the Regular Agenda and discussed as a part of the Regular Agenda at the appropriate time. All remaining items listed under the Consent Agenda will be voted upon in a single vote:

- A. Approve Finance Committee Regular Meeting minutes of January 24, 2023. 5

- B. Discuss and recommend receipt of summary payment information on Nueces County health care disbursements for fiscal year-to-date: 10
 - 1. Salaries, benefits, supplies, and intergovernmental transfers at/for City of Corpus Christi/Nueces County Public Health District;
 - 2. Emergency medical services provided in unincorporated areas of Nueces County;
 - 3. Supplemental and jail diversion program funding for Nueces Center for Mental Health and Intellectual Disabilities;
 - 4. Medical services provided at County correctional facilities:
 - a. Nueces County Jail; and
 - b. Nueces County Juvenile Detention Center;
 - 5. Funding for alcohol and drug abuse treatment programs:
 - a. Cenikor (Charlie's Place);
 - b. Council on Alcohol and Drug Abuse; and
 - c. Palmer Drug Abuse Program;
 - 6. Funding for diabetes prevention and supporting programs;
 - 7. Public health grants; and
 - 8. Legal and professional fees.

- C. Discuss and recommend receipt of summary imputed claims information on medical and hospital care provided to the Nueces Aid Program population consistent with the CHRISTUS Spohn Health System Corporation Amended and Restated Membership Agreement for fiscal year-to-date period-ended January 31, 2023. 11

D. Discuss and recommend receipt of fiscal year-to-date Specified Annual Percentage-related revenue reports; revenue receipts pursuant to CHRISTUS Spohn Health System Corporation Amended and Restated Membership Agreement, Section 5.03.	12
E. Discuss and recommend receipt of monthly statement of escrow amounts deposited and/or withdrawn by CHRISTUS Spohn Health System Corporation; deposits pursuant to and consistent with Schedule 1 to CHRISTUS Spohn Health System Corporation Amended and Restated Membership Agreement; receive statement for month-ended January 31, 2023.	13
F. Discuss and recommend receipt of statement of amounts deposited to and/or withdrawn from Local Provider Participation Fund for fiscal year-to-date; deposits and withdrawals pursuant to Board of Managers Order authorizing participation in a health care provider participation program pursuant to Texas Health and Safety Code, Chapter 298C, as amended.	17
G. Discuss and recommend receipt of summary report of cumulative estimated provider payments and actual intergovernmental transfers made in support of local and other healthcare providers participating in Medicaid supplemental and directed payment programs sponsored by the Texas Health and Human Services Commission (HHSC):	18
1. <u>Directed Payment Programs</u> - Medicaid managed care organization payments to healthcare providers that support overall Medicaid program goals and objectives:	
a. Comprehensive Hospital Increase Reimbursement Program (CHIRP);	
b. Network Access Improvement Program (NAIP);	
c. Texas Incentives for Physicians and Professional Services (TIPPS);	
d. Uniform Hospital Rate Increase Program (UHRIP);	
2. <u>Supplemental Payment Programs</u> - HHSC-directed payments made to hospitals for achieving certain goals or to support health care providers that see significant numbers of uninsured or persons without much money:	
a. Disproportionate Share Hospitals (DSH) program;	
b. Hospital Uncompensated Care (UC) pool;	
c. Graduate Medical Education (GME); and	
3. <u>Phase-Out Programs</u> :	
a. Delivery System Reform Incentive Payment (DSRIP) pool.	
H. <u>Nueces Aid Enrollment</u> :	
1. Discuss and recommend receipt of reports relating to Nueces Aid Program enrollment for month-ended January 31, 2023:	
a. Total Persons and Households Enrolled;	19
b. Enrollment Summary;	

c. Denials;	22
d. Application Processing Summary; and	23
e. Enrollment by Zip Code.	27

7. REGULAR AGENDA - The Regular Agenda consists of those agenda items which are non-routine, not administrative in nature, or are otherwise in need of separate attention. Each Regular Agenda item will be voted upon separately if action is required:

A. Discuss and consider recommending acceptance of Annual Financial Report from Collier, Johnson, & Woods, P.C., Certified Public Accountants on Nueces County Hospital District's governmental activities financial statements, major funds, and aggregate remaining funds for fiscal year ended September 30, 2022. <i>(ACTION)</i>	30
B. Discuss and consider recommending approval of unaudited financial statements for the month and fiscal year-to-date period ended January 31, 2023. <i>(ACTION)</i>	90
C. Discuss and consider recommending receipt of information from Specialized Public Finance Inc. relating to Hospital District's possible issuance and sale of certain indebtedness or debt obligations to finance expansion of the Dr. Hector P. Garcia Memorial Family Health Center. <i>(ACTION)</i>	97

8. ADMINISTRATOR'S BRIEFING:

A. Next scheduled regular Committee meeting (meeting's date, time, and location are subject to change):

1. Finance Committee: Tuesday, March 28, 2023 at 11:15 AM in NCHD Board of Managers Meeting Room at 555 North Carancahua Street, Room 950-A, Corpus Christi, Texas 78401.

9. ADJOURN

**MINUTES
BOARD OF MANAGERS
NUECES COUNTY HOSPITAL DISTRICT
FINANCE MEETING
JANUARY 24, 2023**

The Nueces County Hospital District Board of Managers met at 11:15 a.m., Tuesday, January 24, 2023 in the NCHD Board Room at 555 N. Carancahua, Suite 950 – A Corpus Christi, Texas.

HOSPITAL DISTRICT REPRESENTATIVES:

Jonny F. Hipp	Administrator/CEO
Belinda Espinoza	Assistant Administrator, Administrative Services
Donna Littlefield	Director, Accounting & Finance
Mary Esther Guerra	Assistant County Attorney
Melissa Quintanilla	Executive Assistant/Human Resources
Carmina Hernandez Moreno	Administrative Assistant

OTHERS PRESENT:

Bert Ramos	Christus Spohn
Craig Desmond	Christus Spohn
Hilda Dalfonso	CCMC – via Zoom

1. WELCOME

2. ROLL CALL OF COMMITTEE MEMBERS

 Y__ Judge Mariana Garza, Chairman
 Y__ Sylvia Tryon Oliver
 X__ Belinda Flores, R.N.

**3. CALL TO ORDER, ESTABLISHMENT OF QUORUM, MEETING POSTING
CONFIRMATION, AND CLOSED MEETNG NOTICE**

A. Call to order – Judge Mariana Garza, Chairman.
The meeting was called to order by Judge Garza at 11:19 a.m.

**MINUTES
BOARD OF MANAGER
FINANCE MEETING
JANUARY 24, 2023**

B. Establish quorum – Judge Garza

A quorum was present with two members in attendance.

Judge Mariana Garza, Chairman – PRESENT

Sylvia Tryon Oliver, Member – PRESENT

Belinda Flores, R.N., Member – ABSENT

C. Confirm posting of Meeting's public notice in accordance with Texas Open Meetings Act, Texas Government Code, Chapter 551.

D. Public notice is hereby given that the Committee may elect to go into Closed Meeting session(s) at any time during the meeting to discuss any matter(s) listed on the agenda when so authorized by the provisions of the Open Meetings Act, Texas Government Code, Chapter 551.

4. **PUBLIC COMMENT** - Persons attending in-person and wishing to comment on any item(s) on the agenda or any subject within the Committee's responsibilities must sign-in on the "Agenda Item Request to Speak" form provided at the entrance of the Committee meeting room at least five (5) minutes prior to commencement of the meeting. Persons attending via audio or video conference and wishing to comment on any item(s) on the agenda or any subject within the Committee's responsibilities must verbally notify the presiding officer of their desire to comment when the officer calls for public comment from those attending via audio and video conference. Commenters shall limit their comments to three (3) minutes, except that Commenters addressing the Committee through a translator shall limit their comments to six (6) minutes.

No one to speak in public comment.

5. **CONSENT AGENDA** - The Consent Agenda consists of those agenda items which are routine, administrative in nature, not in need of separate attention, and which a member of the Committee has not requested be discussed separately. If requested to be discussed separately, that agenda item will be removed from the Consent Agenda by the presiding officer to the Regular Agenda and discussed as a part of the Regular Agenda at the appropriate time. All remaining items listed under the Consent Agenda will be voted upon in a single vote:

A. Discuss and recommend receipt of summary payment information on Nueces County health care disbursements for fiscal year-to-date:

1. Salaries, benefits, supplies, and intergovernmental transfers at/for City of Corpus Christi/Nueces County Public Health District;

**MINUTES
BOARD OF MANAGER
FINANCE MEETING
JANUARY 24, 2023**

2. Emergency medical services provided in unincorporated areas of Nueces County;
3. Supplemental and jail diversion program funding for Nueces Center for Mental Health and Intellectual Disabilities;
4. Medical services provided at County correctional facilities:
 - a. Nueces County Jail; and
 - b. Nueces County Juvenile Detention Center;
5. Funding for alcohol and drug abuse treatment programs:
 - a. Cenikor (Charlie's Place);
 - b. Council on Alcohol and Drug Abuse; and
 - c. Palmer Drug Abuse Program;
6. Funding for diabetes prevention and supporting programs;
7. Public health grants; and
8. Legal and professional fees.

B. Discuss and recommend receipt of summary imputed claims information on medical and hospital care provided to the Nueces Aid Program population consistent with the CHRISTUS Spohn Health System Corporation Amended and Restated Membership Agreement for fiscal year-to-date periods-ended November 30, 2022 and December 31, 2022.

C. Discuss and recommend receipt of fiscal year-to-date Specified Annual Percentage-related revenue reports; revenue receipts pursuant to CHRISTUS Spohn Health System Corporation Amended and Restated Membership Agreement, Section 5.03.

D. Discuss and recommend receipt of monthly statement of escrow amounts deposited and/or withdrawn by CHRISTUS Spohn Health System Corporation; deposits pursuant to and consistent with Schedule 1 to CHRISTUS Spohn Health System Corporation Amended and Restated Membership Agreement; receive statement for months-ended November 30, 2022 and December 31, 2022.

E. Discuss and recommend receipt of statement of amounts deposited to and/or withdrawn from Local Provider Participation Fund for fiscal year-to-date; deposits and withdrawals pursuant to Board of Managers Order authorizing participation in a health care provider participation program pursuant to Texas Health and Safety Code, Chapter 298C, as amended.

MINUTES
BOARD OF MANAGER
FINANCE MEETING
JANUARY 24, 2023

F. Discuss and recommend receipt of summary report of cumulative estimated provider payments and actual intergovernmental transfers made in support of local and other healthcare providers participating in Medicaid supplemental and directed payment programs sponsored by the Texas Health and Human Services Commission (HHSC):

1. Directed Payment Programs - Medicaid managed care organization payments to healthcare providers that support overall Medicaid program goals and objectives:
 - a. Comprehensive Hospital Increase Reimbursement Program (CHIRP);
 - b. Network Access Improvement Program (NAIP);
 - c. Texas Incentives for Physicians and Professional Services (TIPPS);
 - d. Uniform Hospital Rate Increase Program (UHRIP);
2. Supplemental Payment Programs - HHSC-directed payments made to hospitals for achieving certain goals or to support health care providers that see significant numbers of uninsured or persons without much money:
 - a. Disproportionate Share Hospitals (DSH) program;
 - b. Hospital Uncompensated Care (UC) pool;
 - c. Graduate Medical Education (GME); and
3. Phase-Out Programs:
 - a. Delivery System Reform Incentive Payment (DSRIP) pool.

G. Discuss and recommend receipt of reports relating to Nueces Aid Program enrollment for months-ended November 30, 2022 and December 31, 2022:

1. Total Persons and Households Enrolled;
2. Enrollment Summary;
3. Denials;
4. Application Processing Summary; and
5. Enrollment by Zip Code.

Consent Agenda approved. Motion by Ms. Oliver and seconded by Judge Garza. MOTION CARRIED.

6. **REGULAR AGENDA** - The Regular Agenda consists of those agenda items which are non-routine, not administrative in nature, or are otherwise in need of separate attention. Each Regular Agenda item will be voted upon separately if action is required:

**MINUTES
BOARD OF MANAGER
FINANCE MEETING
JANUARY 24, 2023**

A. Financial Statements:

1. Discuss and recommend approval of unaudited financial statements for the months and fiscal year-to-date periods ended October 31, 2022, November 30, 2022, and December 31, 2022. (***ACTION***)

**Motion by Ms. Oliver and seconded by Judge Garza.
MOTION CARRIED.**

B. Investment Report:

1. Discuss and recommend receipt of Quarterly Investment Report for fiscal quarter-ended December 31, 2022. (***ACTION***)

**Motion by Ms. Oliver and seconded by Judge Garza.
MOTION CARRIED.**

- C. Receive notice of Commissioners Court's approval of Hospital District budget amendment relating to additional funding of \$67,000 for Nueces County Juvenile Department detainee health care costs during Fiscal Year 2023. (***INFORMATION***)

7. ADMINISTRATOR'S BRIEFING:

- A. Next regular Committee meeting (meeting's date, time, and location are subject to change):

1. Finance Committee: February 28, 2023, 11:15 AM in NCHD Board of Managers Meeting Room at 555 North Carancahua Street, Room 950-A, Corpus Christi, Texas 78401.

8. ADJOURN:

**Motion to adjourn by Judge Garza and seconded by Ms. Oliver
Meeting adjourned at 11:36 a.m.**

Nueces County Hospital District
 County Health Care Department Expenditures
 Cash Disbursements Relating to
 Fiscal Year 2023

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Fiscal 2023 YTD	Budget 2023	Balance
County Healthcare Services															
Health Dept - County	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,000,000.00	2,000,000.00
Emergency Medical Services	0.00	0.00	0.00	116,100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	116,100.00	650,000.00	533,900.00
NC MHID - Fund Matching	0.00	0.00	0.00	242,280.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	242,280.00	969,129.00	726,849.00
NC MHID - Jail Programs	0.00	176,813.03	237,980.34	276,362.77	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	691,156.14	3,018,000.00	2,326,843.86
Mental Healthcare Services Dept	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	273,000.00	273,000.00
NC Juvenile Center	19,477.57	20,679.73	58,982.51	39,737.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	138,876.86	474,000.00	335,123.14
Nueces County Jail Services	353,224.55	353,224.55	353,224.55	422,223.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,481,897.18	4,478,695.00	2,996,797.82
Cenikor	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	60,000.00	60,000.00
Council on Alcohol & Drug Abuse	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50,000.00	50,000.00
Diabetes Program - County	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50,000.00	50,000.00
HALO-Flight Funding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,000.00	15,000.00
County Public Health Grants	0.00	0.00	85,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	85,000.00	170,000.00	85,000.00
Totals	372,702.12	550,717.31	735,187.40	1,096,703.35	0.00	2,755,310.18	12,207,824.00	9,452,513.82							

**Nueces County Hospital District
Imputed Claims Experience for Calendar Year 2023
As if Adjudicated January 1, 2023 through January 31, 2023**

Service	Claims	Billed	Contract Amt.	Co Insurance	Net
ER	375	1,902,798	260,854	10,664	250,190
ASU	57	885,205	46,560	1,408	45,152
Clinic	1,251	1,311,287	361,124	15,057	346,067
Obs	1	84,721	21,261	0	21,261
OP	967	3,816,965	920,439	55,347	865,092
Subtotal	2,651	8,000,976	1,610,238	82,476	1,527,762
IP	65	6,898,020	326,861	9,060	317,801
SNF					-
RX	10,330	4,133,430	1,578,354	44,371	1,533,983
Physician	2,497	1,181,531	307,854	10,652	297,202
Total	15,543	20,213,957	3,823,307	146,559	3,676,748

NOTE:

The Revised and Restated Indigent Care Agreement was terminated effective September 30, 2012. After that date, the District no longer makes payment to CHRISTUS Spohn for providing health care services to the Nueces Aid Indigent population. Under the terms of the Membership Agreement amended and restated effective November 18, 2015, CHRISTUS Spohn has committed to continue to provide health care services to the Nueces Aid Indigent population and, and at the request of the District, continues to submit informational claims to the District to permit the District to monitor the volume of health care services furnished to the Nueces Aid Indigent population.

Nueces County Hospital District
 Spohn Corporate Member Revenue Analysis
 Fiscal Year 2023

Member Revenue % 7.0%

	October	November	December	January	February	March	April	May	June	July	August	September	Totals
<u>Membership Revenue Deposits</u>													
Week 1	432,839.19	611,792.22	634,393.97	392,942.03	511,190.69								2,583,158.10
Week 2	554,299.98	565,185.73	550,363.71	538,528.20	585,771.56								2,794,149.18
Week 3	601,467.77	627,556.90	513,594.51	589,275.06	461,070.05								2,792,964.29
Week 4	528,903.71	439,440.47	642,640.85	525,129.11	514,988.48								2,651,102.62
Week 5				574,994.53									574,994.53
Subtotal	2,117,510.65	2,243,975.32	2,340,993.04	2,620,868.93	2,073,020.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,396,368.72

Bank of America, N.A.
135 S. LaSalle Street, Suite 1840 Chicago, IL 60603

received
02/13/23

TEMP-RETURN SERVICE REQUESTED

MB 01 000859 13432 H 3 A



NUECES COUNTY HOSPITAL DISTRICT
ATTN: JONNY HIPPI
555 NORTH CARANCAHUA ST. SUITE 950
CORPUS CHRISTI TX 78401-0835

Account Number

Statement Period 01/01/2023 through 01/31/2023

Account Title CHRISTUS SPOHN HEALTH SYSTEM CORP /
NUECES COUNTY HOSPITAL DISTRICT
CHRISTUS SPOHN / NUECES CNTY ESCROW

ADMINISTRATIVE OFFICER
13129923272

GCAS CLIENT SERVICE.
GCAS_AMRS_ESCROW_CLIENT_SERVIC
E@BOFA.COM

ALTERNATE CONTACT
13129923272

CLIENT SERVICE.
GCAS_AMRS_ESCROW_CLIENT_SERVIC
E@BOFA.COM

This is intended solely for the user of the intended recipient(s) and may contain information that is privileged, confidential or proprietary. If you are not an intended recipient, then please delete and destroy all copies and attachments, and be advised that any review or dissemination of, or undertaking of any action in reliance on, the information contained in or attached to this message is prohibited. In case of any discrepancy, please contact your client account manager immediately.

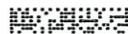
For further information about the compensation provided by the FSCS, refer to the FSCS website at www.FSCS.org.uk

PARTICIPATING PORTFOLIOS

PORTFOLIO NUMBER	PORTFOLIO NAME
	CHRISTUS SPOHN / NUECES CNTY ESCROW

PARTICIPATING PORTFOLIOS

PORTFOLIO NUMBER	PORTFOLIO NAME
------------------	----------------



CASH AND EQUIVALENTS

10,047,761.13	BLACKROCK TREASURY TRUST - CASH MANAGEMENT 0012	10,047,761.13	10,047,761.13	368,433.97
TOTAL CASH AND EQUIVALENTS		10,047,761.13	10,047,761.13	368,433.97

TRANSACTION SUMMARY

DESCRIPTION	INCOME CASH	PRINCIPAL CASH	COST
BEGINNING BALANCE	0.00	0.00	8,675,419.10
DIVIDENDS	0.00	0.00	0.00
INTEREST	0.00	24,092.03	0.00
OTHER INCOME	0.00	0.00	0.00
RECEIPTS & DEPOSITS	0.00	1,350,000.00	0.00
SALES & DISPOSITIONS	0.00	1,750.00	-1,750.00
INTRA ACCOUNT TRANSFERS	0.00	0.00	0.00
DISTRIBUTIONS & WITHDRAWALS	0.00	-1,750.00	0.00
PURCHASES & ACQUISITIONS	0.00	-1,374,092.03	1,374,092.03
FEES & EXPENSES	0.00	0.00	0.00
MISCELLANEOUS	0.00	0.00	0.00
ENDING BALANCE	0.00	0.00	10,047,761.13

Please visit the web address <https://business.bofa.com/en-us/content/gcas-client-disclaimer.html> for important legal information and regulatory disclosures regarding this statement or report.



TRANSACTION DETAIL

DATE	DESCRIPTION	INCOME CASH	PRINCIPAL CASH	COST
	BEGINNING BALANCE	0.00	0.00	8,675,419.10
01/03/23	WIRE RECEIVED FROM CHRISTUS HEALTH CONCENTRATI ABA# 026009593 ACCT REF# 001390024038 111000025/TEXAS-GLOBAL/CHRISTUS HEALTH CONCENTRATION/1819 LABRANCH/H O USTON/77002 US TX/LB-NIB UNPTD CRS-DDA140/DO NOT MAIL/LOC T-03 ROOM 31 1/CHICAGO, IL 00000/ ACC 92-9800/FOR FURTHER/CR A C NO: 434372.1 FORFU RTHER CR A/ C NAME: CHRISTUS SPOHN NUECES CNTY/ESCROW ATTN: T. POPOVIC S, PH: 312-9/		1,350,000.00	
01/03/23	INTEREST PAYMENT PAYABLE 01/01/23 BLACKROCK TREASURY TRUST - CASH MANAGEMENT 0012		24,092.03	
01/03/23	SWEEP PURCHASE 1,374,092.03 SHARES TRADE 01/03/23 BLACKROCK TREASURY TRUST - CASH MANAGEMENT 0012		-1,374,092.03	1,374,092.03
01/30/23	FEE PAYMENT TO BANK OF AMERICA N.A. ABA# 026009593 ACCT REF# 187016-8898910 INVOICE 27610331		-1,750.00	
01/31/23	SWEEP REDEMPTION 1,750 SHARES TRADE 01/31/23 BLACKROCK TREASURY TRUST - CASH MANAGEMENT 0012		1,750.00	-1,750.00
	ENDING BALANCE	0.00	0.00	10,047,761.13

Please visit the web address <https://business.bofa.com/en-us/content/gcas-client-disclaimer.html> for important legal information and regulatory disclosures regarding this statement or report.



You are solely responsible for making, and the content of, any required filings with any state or government agency, any self-regulatory organization or exchange and for the accuracy of the information contained therein. Bank of America does not act as a tax agent. Bank of America does not render any opinion or provide advice regarding legal, compliance, accounting, regulatory or tax matters and it is your responsibility to seek such legal, compliance, accounting, regulatory or tax advice as you deem necessary. The information is not intended or written to be used, and cannot be used or relied upon for the purpose of avoiding tax penalties.

Please note the important regulatory disclosures which are accessible at the following website:

<https://business.bofa.com/en-us/content/gcas-client-disclaimer.html>

This website address appears at the foot of your reports and statements for your convenience.

Cash Sweep Clients

With respect to any "cash sweep vehicle", if applicable, Money Market Funds and Mutual Funds are not deposits within the meaning of the Federal Deposit Insurance Act (12 U.S.C. 1813 (f)), are not insured or guaranteed by the U.S. Government, the FDIC or any other government agency, are not insured, endorsed or guaranteed by Bank of America, are not obligations of Bank of America, and involve investment risk, including possible loss of principal. If a receiver were appointed for Bank of America, the client would have an ownership interest in the shares of the Money Market Fund or the Mutual Fund that Bank of America purchased on behalf of the client.

Please visit the web address <https://business.bofa.com/en-us/content/gcas-client-disclaimer.html> for important legal information and regulatory disclosures regarding this statement or report.

Nueces County Hospital District
 Nueces LPPF Activity
 Fiscal Year 2023

	October	November	December	January	February	March	April	May	June	July	August	September	Totals
Beginning Balan	21,552,873.57	42,028,688.29	28,342,155.37	28,679,061.23	28,584,342.66	27,893,368.68	27,893,368.68	27,893,368.68	27,893,368.68	27,893,368.68	27,893,368.68	27,893,368.68	21,552,873.57
<u>Deposits</u>													
Christus Spohn	8,593,003.25	8,593,003.25			8,593,003.25								25,779,009.75
CCMC	5,715,374.00	5,715,374.00			5,715,374.00								17,146,122.00
CC Rehab	261,256.50		261,256.50		261,256.50								783,769.50
Driscoll	4,689,720.50	4,689,720.50			4,689,720.50								14,069,161.50
PAM Specialty	341,892.50	341,892.50			341,892.50								1,025,677.50
PAM Rehab	340,715.25	340,715.25			340,715.25								1,022,145.75
S. TX Surgical	604,730.50	604,730.50			604,730.50								1,814,191.50
Subtotal	20,546,692.50	20,285,436.00	261,256.50	0.00	20,546,692.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	61,640,077.50
Interest	79,122.22	65,114.16	75,649.36	78,102.36	28,869.96								326,858.06
Transfers In													0.00
Total Deposits	20,625,814.72	20,350,550.16	336,905.86	78,102.36	20,575,562.46	0.00	61,966,935.56						
<u>Inter-Governmental Transfers</u>													
UC					(21,266,536.44)								(21,266,536.44)
DSRIP				(172,820.93)									(172,820.93)
CHIRP		(33,564,840.35)											(33,564,840.35)
TIPPS		(472,242.73)											(472,242.73)
DSH													0.00
UHRIP													0.00
Total IGT's	0.00	(34,037,083.08)	0.00	(172,820.93)	(21,266,536.44)	0.00	(55,476,440.45)						
Transfers Out	(150,000.00)												(150,000.00)
Bank Fees													0.00
Ending Balance	42,028,688.29	28,342,155.37	28,679,061.23	28,584,342.66	27,893,368.68	27,893,368.68	27,893,368.68	27,893,368.68	27,893,368.68	27,893,368.68	27,893,368.68	27,893,368.68	27,893,368.68

Nueces County Hospital District
 Medicaid Payment Programs/Directed Payment Programs
 Estimated Provider Payments & IGT History
 FY2012 to Present

Provider	DSRIP	UC	DSH	UHRIP	NAIP	CHIRP	TIPPS	TOTALS	
Christus Spohn - Corpus Christi	393,130,704	512,759,014	232,873,341	55,407,073	120,935,092	54,737,093	3,695,883	1,373,538,199	50%
Christus Spohn Rural (Alice/Beeville/Kleberg)	48,398,858	190,540,599	0	14,881,126	0	13,316,178	0	267,136,761	10%
Corpus Christi Medical Center	121,850,134	150,371,700	0	47,953,129	0	81,469,339	0	401,644,302	15%
Driscoll Childrens Hospital	314,822,705	21,639,719	0	0	0	257,473,610	479,717	594,415,751	22%
Detar Hospital	24,949,804	47,723,156	0	15,297,365	0	0	0	87,970,325	3%
North Bay General Hospital	0	0	0	503,238	0	0	0	503,238	0%
South Texas Surgical Hospital	0	0	0	902,639	0	0	0	902,639	0%
Corpus Chrisit Rehab Hospital	0	0	0	296,670	0	0	0	296,670	0%
PAM Specialty Hospital	0	0	0	1,330	0	0	0	1,330	0%
PAM Rehab Hospital	0	0	0	147,501	0	0	0	147,501	0%
Nueces County Health Dept	21,809,410	0	0	0	0	0	0	21,809,410	1%
TOTALS	924,961,614	923,034,188	232,873,341	135,390,071	120,935,092	406,996,220	4,175,601	2,748,366,126	100%

* Estimated Receipts for Entities (IGT + FMAP), Subject to HHSC Review and Administrative Fees

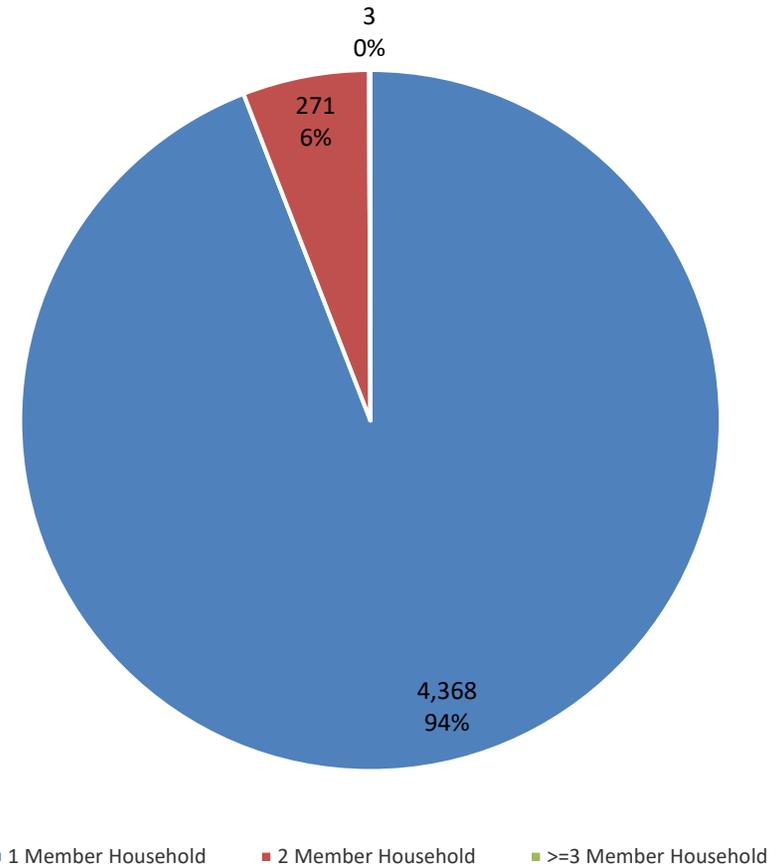
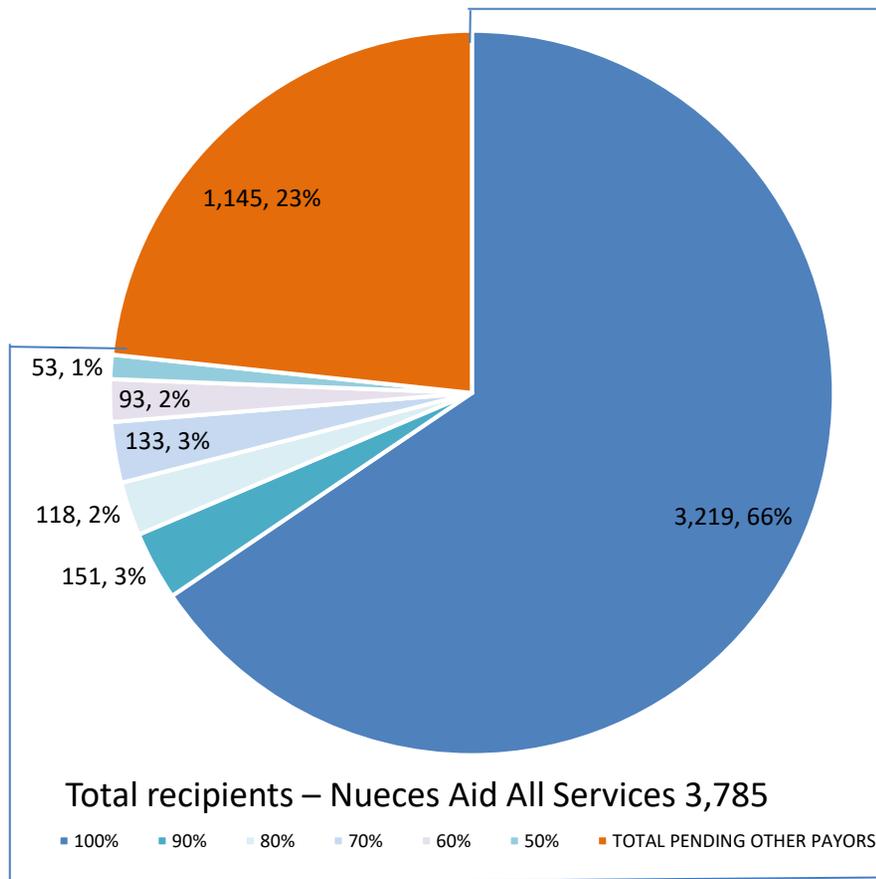
IGT Source	DSRIP	UC	DSH	UHRIP	NAIP	CHIRP	TIPPS	TOTALS
Nueces County Hospital District	338,108,299	302,738,784	82,604,961	59,112,085	47,512,495	0	0	830,076,623
Nueces LPPF	27,902,997	57,532,441	7,478,253	0	0	149,458,340	1,777,123	244,149,154
TOTALS	366,011,295	360,271,224	90,083,214	59,112,085	47,512,495	149,458,340	1,777,123	1,074,225,777

January 2023

Nueces Aid Program Enrollment

Total Enrolled
4,912

Total Households
4,642



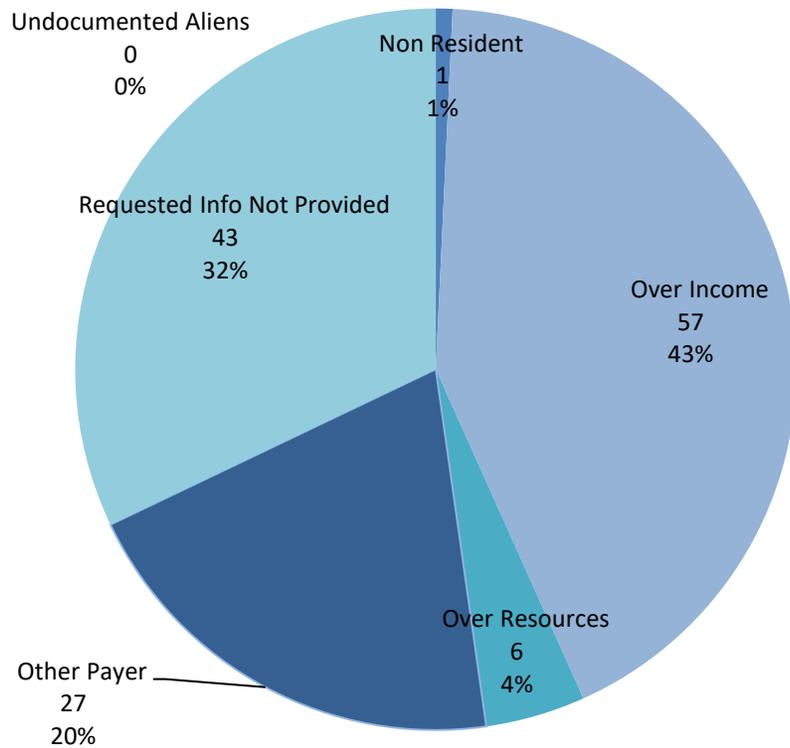
Nueces Aid Program Enrollment Summary Calendar Year 2023

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2023 Average	Comments
TOTAL RECIPIENTS	4,912												4,912	
NUECES AID - All Services														The percentage for each plan option is calculated by dividing the number for each option by the number of total recipients.
100%	3,219												3,219	
%	65.5%												65.5%	
90%	151												151	
%	3.1%												3.1%	
80%	118												118	
%	2.4%												2.4%	
70%	133												133	
%	2.7%												2.7%	
60%	93												93	
%	1.9%												1.9%	
50%	53												53	
%	1.1%												1.1%	
TOTAL NUECES AID	3,767												3,767	
	76.7%												76.7%	
PENDING OTHER PAYORS														
TANF	49												49	
%	4.3%												4.3%	
SSI-SSID	685												685	
%	59.8%												59.8%	These individuals are eligible for NCHD assistance if denied assistance by other payer.
Other Payor	411												411	
%	35.9%												35.9%	
TOTAL PENDING OTHER PAYORS	1,145												1,145	
	23.3%												23.3%	

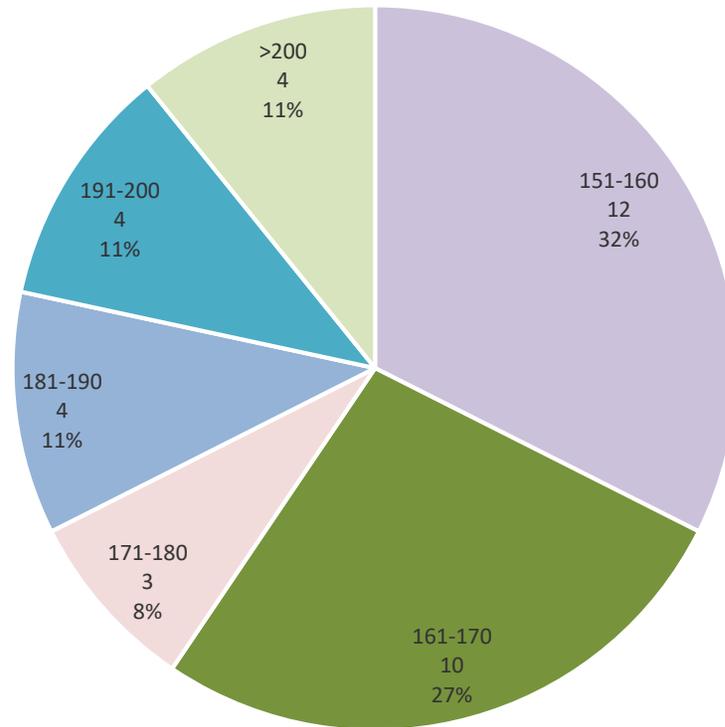
NUECES AID DENIALS

Calendar Year 2023
January

Denial Reasons



Comparison of Over Income Case to 2022 HHS Poverty Guidelines



**Nueces Aid Program
Application Processing Summary Calendar Year 2023**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2023	Comments
TOTAL APPLICATIONS	923												923	
- Approved	789												789	
%	85.5%												85.5%	Since FY 1999, the denial rate is based on all denied individuals in the household.
- Denied	134												134	
%	14.5%												14.5%	
APPROVALS BY PLAN TYPE														
NUECES AID - All Services														
100%	551												551	
%	69.8%												69.8%	
90%	27												27	
%	3.4%												3.4%	
80%	20												20	
%	2.5%												2.5%	
70%	17												17	The percentage of approvals by plan option is calculated by dividing the number for each plan option by the total number of approved applications.
%	2.2%												2.2%	
60%	11												11	
%	1.4%												1.4%	
50%	19												19	
%	2.4%												2.4%	
TOTAL	645												645	
%	81.7%												81.7%	
HOUSEHOLDS BY SIZE - APPROVED														
1 Member Household	690												690	The percentage for each size household is calculated by dividing the number of households in the category by the total number of approved households.
%	93.2%												93.2%	
2 Member Household	50												50	
%	6.8%												6.8%	
3 or > Member Household	0												0	Households pending other payors are not included.
%	0.0%												0.0%	
TOTAL HOUSEHOLDS APPROVED	740												740	

**Nueces Aid Program
Application Processing Summary Calendar Year 2023**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD 2023	Comments
NCHD DENIALS - Reasons for Denials														
Non Resident	1												1	The percentage for each denial reason is calculated by dividing the number of individuals for each reason by the total number of individuals denied.
%	0.7%												0.7%	
Over Income	57												57	
%	42.5%												42.5%	
Over Resources	6												6	
%	4.5%												4.5%	
Other Payer	27												27	
%	20.1%												20.1%	
Requested Info Not Provided	43												43	
%	32.1%												32.1%	
Undocumented Aliens	0												0	Note: UA code eff 08/01/01
%	0.0%												0.0%	
TOTAL DENIALS	134												134	
HOUSEHOLDS BY SIZE - DENIED														
1 Member Household	99												99	The denial percentage for each size household is calculated by dividing the number for each household size by the total number of denied households.
%	83.2%												83.2%	
2 Member Household	16												16	
%	13.4%												13.4%	
3 or > Member Household	4												4	Households pending other payors are not included.
%	3.4%												3.4%	
TOTAL HOUSEHOLDS DENIED	119												119	
PENDING APPLICATIONS														
Pending documentation	91												91	The YTD number for incomplete applications is the average of the monthly incomplete applications.
TANF	8												8	
SSI-SSID	63												63	
Other Payor	73												73	

**NCHD
Eligibility History**

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	CY Total	Avg
2018														
NCHD	5,630	5,708	5,674	5,613	5,471	5,481	5,492	5,438	5,396	5,467	5,673	5,235	66,278	5,523
Pend	1,488	1,483	1,398	1,386	1,349	1,336	1,324	1,317	1,337	1,327	1,313	1,270	16,328	1,361
Total	7,118	7,191	7,072	6,999	6,820	6,817	6,816	6,755	6,733	6,794	6,986	6,505	82,606	6,884
% of PY	97%	99%	97%	96%	93%	93%	93%	94%	94%	94%	98%	93%	95%	95%
2019														
NCHD	5,277	5,181	5,075	5,024	4,957	4,961	4,996	4,943	4,970	5,064	4,944	4,821	60,213	5,018
Pend	1,294	1,260	1,289	1,305	1,274	1,281	1,330	1,356	1,339	1,357	1,330	1,277	15,692	1,308
Total	6,571	6,441	6,364	6,329	6,231	6,242	6,326	6,299	6,309	6,421	6,274	6,098	75,905	6,325
% of PY	92%	90%	90%	90%	91%	92%	93%	93%	94%	95%	90%	94%	92%	92%
2020														
NCHD	4,963	4,955	4,903	4,731	5,132	4,698	4,198	3,660	3,260	3,604	3,752	3,868	51,724	4,310
Pend	1,268	1,243	1,218	1,141	1,187	1,106	1,043	968	861	899	923	945	12,802	1,067
Total	6,231	6,198	6,121	5,872	6,319	5,804	5,241	4,628	4,121	4,503	4,675	4,813	64,526	5,377
% of PY	95%	96%	96%	93%	101%	93%	83%	73%	65%	70%	75%	79%	85%	85%
2021														
NCHD	3,806	3,678	3,567	3,521	3,667	3,852	3,953	4,080	4,142	4,091	3,948	3,863	46,168	3,847
Pend	932	921	922	964	981	1,014	1,052	1,028	1,039	1,060	1,070	1,076	12,059	1,005
Total	4,738	4,599	4,489	4,485	4,648	4,866	5,005	5,108	5,181	5,151	5,018	4,939	58,227	4,852
% of PY	76%	74%	73%	76%	74%	84%	95%	110%	126%	114%	107%	103%	90%	90%
2022														
NCHD	3,781	3,711	3,738	3,755	3,805	3,869	3,910	3,945	4,042	3,987	3,884	3,785	46,212	3,851
Pend	1,093	1,061	1,110	1,113	1,144	1,150	1,147	1,183	1,191	1,191	1,181	1,171	13,735	1,145
Total	4,874	4,772	4,848	4,868	4,949	5,019	5,057	5,128	5,233	5,178	5,065	4,956	59,947	4,996
% of PY	103%	104%	108%	109%	106%	103%	101%	100%	101%	101%	101%	100%	103%	103%
2023														
NCHD	3,767												3,767	3,767
Pend	1,145												1,145	1,145
Total	4,912												4,912	4,912
% of PY	101%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	8%	98%



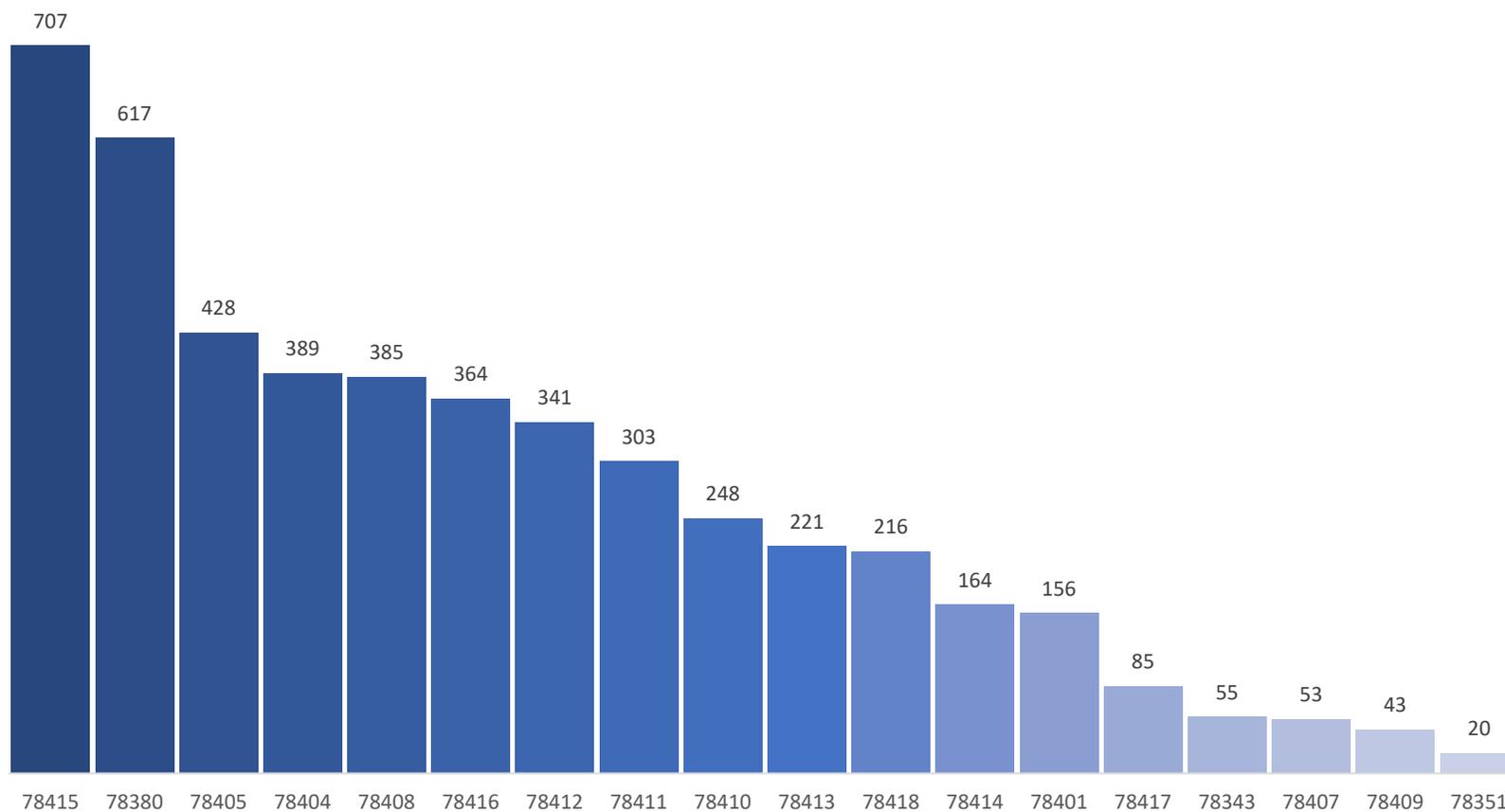
**Annual Comparative Enrollment Report
Calendar Year 2023**

Month	Enrollment		Increase/(Decrease)	
	2023	2022	%	Enrollees
Jan	4,912	4,874	0.78%	38
Feb				
Mar				
Apr				
May				
Jun				
Jul				
Aug				
Sep				
Oct				
Nov				
Dec				



Nueces County Hospital District

Enrollment by Zipcode as of January 2023

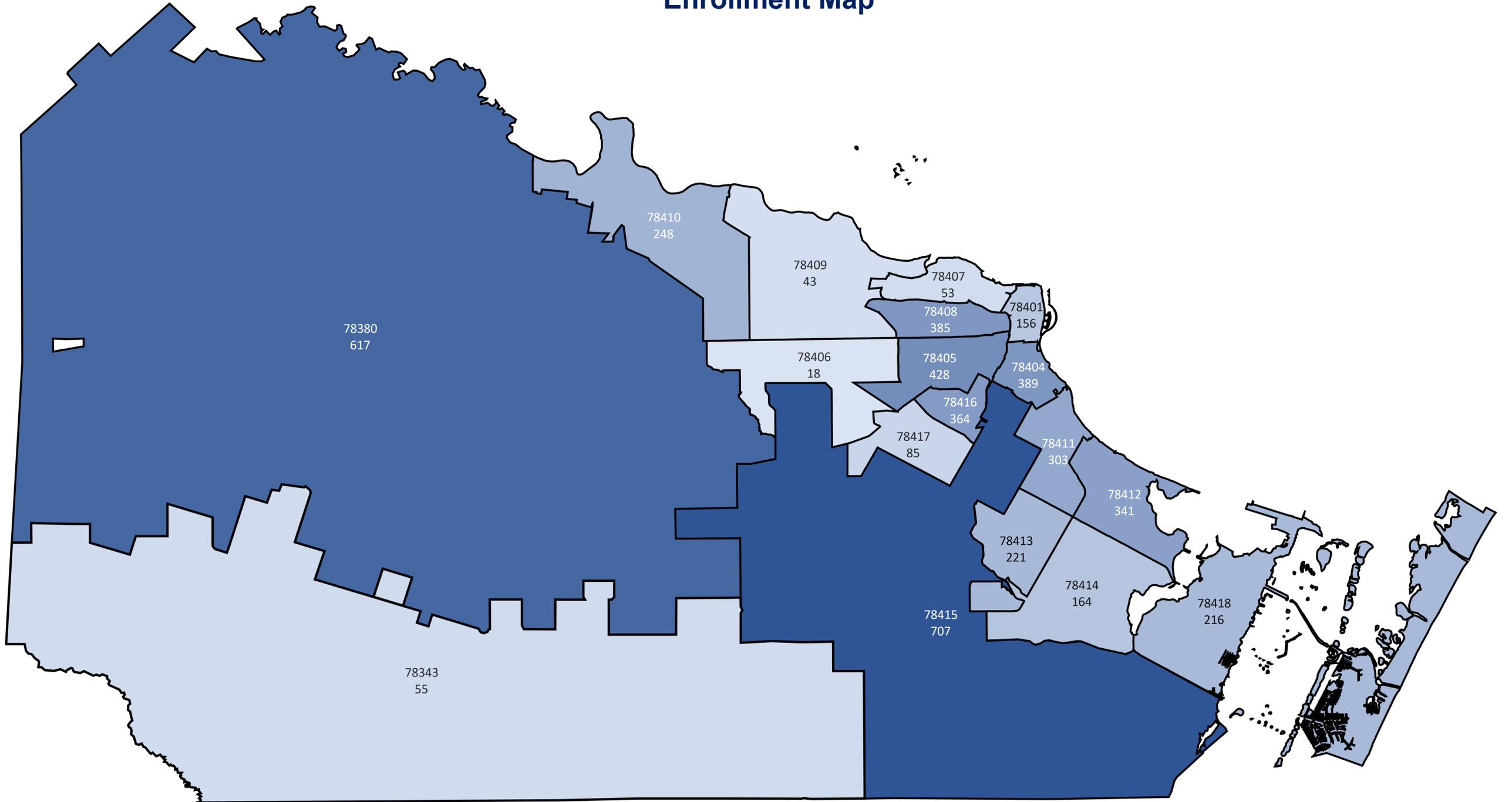


**Nueces County Hospital District
Enrollment by Zip Code
As of 1/31/2023**

Zip Code	Description	Members	% to Total
78415	CC:FM 665 to CR 61 to County Line to Weber & Crosstown	707	14%
78380	Robstown	617	13%
78405	CC:19th to Port Ave to Agnes, includes HPG	428	9%
78404	CC:Six Points	389	8%
78408	CC:Hwy 358 to Lipan Between I-37 & Agnes	385	8%
78416	CC:Hwy 358 to Old Brownsville to Tarlton to Weber, includes Molina	364	7%
78412	CC:Airline to Hwy 358 to Ennis Joslin to Ocean Drive	341	7%
78411	CC:Ocean Drive to So Staples to Hwy 358 to Weber to Kostoryz	303	6%
78410	CC:Annville and Calallen	248	5%
78413	CC:Weber to Holly rd to So Staples to Oso Pkwy	221	4%
78418	CC:Flour Bluff	216	4%
78414	CC:So Staples to Holly Rd to Cayo Del Oso to Oso Creek	164	3%
78401	CC:Downtown and Cargo Docks	156	3%
78417	CC:Old Brownsville to Ayers to Saratoga	85	2%
78343	Bishop + FM 665 to CR 107 W to CR 57E	55	1%
78407	CC: I-37 Up River Rd to South Port Ave to Joe Fulton Corridor	53	1%
78409	CC:Hwy 44 to Up River Rd to Rand Morgan E to Hwy 358	43	1%
78351	Driscoll	20	0%
	Subtotal	4,795	98%
	Total	4,912	



Nueces County Hospital District Enrollment Map



NUECES COUNTY HOSPITAL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2022

NUECES COUNTY HOSPITAL DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis.....	4-16
Basic Financial Statements:	
Governmental Funds Balance Sheet / Statement of Net Position – Exhibit 1	18-21
Explanations for Adjustments to Reconcile Governmental Funds – Balance Sheet To the Statement of Net Position – Exhibit 2.....	23
Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balances / Statement of Activities – Exhibit 3	24-25
Explanations for Adjustments to Reconcile Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities – Exhibit 4	27
General Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (GAAP Basis) and Actual for the General Fund – Exhibit 5	28
Special Revenue Funds:	
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (GAAP Basis) and Actual for the Indigent Care Fund – Exhibit 6	29
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (GAAP Basis) and Actual for the Tobacco Settlement Fund – Exhibit 7	30
Fiduciary Funds – Statement of Net Position – Exhibit 8-A.....	31
Fiduciary Funds – Statement of Changes in Net Position – Exhibit 8-B	32
Notes to Financial Statements	33-50
Governmental Audit Reports:	
Independent Auditor’s Report on Internal Controls over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	51-52

This page left intentionally blank.

INDEPENDENT AUDITOR'S REPORT

February 23, 2023

The Board of Managers of the
Nueces County Hospital District
Corpus Christi, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nueces County Hospital District, a component unit of Nueces County, Texas, as of and for the year ended September 30, 2022, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Nueces County Hospital District as of September 30, 2022, and the respective changes in financial position and budgetary comparisons for the general fund, indigent care fund and tobacco settlement fund thereof 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Nueces 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nueces 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nueces County Hospital District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nueces County Hospital District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated February 23, 2023 on our consideration of the Nueces County Hospital District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is 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 Nueces County Hospital District's internal control over financial reporting and compliance.

Collier, Johnson & Woods

**Nueces County Hospital District
Management's Discussion and Analysis
For Fiscal Year Ended September 30, 2022**

This Management's Discussion and Analysis (“MD&A”) of the Nueces County Hospital District (“District”), a political subdivision of the State of Texas and component unit of Nueces County, Texas (“County”), is intended to provide an overview of the District's financial position and results of operation for year ended September 30, 2022 (“Fiscal Year 2022”). Since the focus of the MD&A is on the above fiscal period’s operations, activities, and currently known facts, it should be read in conjunction with the District's related financial statements and accompanying notes to best understand the District's financial position.

The MD&A is one of the elements of the reporting model required by the Government Accounting Standards Board (“GASB”). As part of the MD&A, presentation of certain comparative information between the current fiscal year and the prior fiscal year is required to assist in financial analysis.

Financial Highlights

The District’s net position decreased \$3.9 million or 3.6% compared to the prior year net position. The net position of the District on September 30, 2022 and 2021 was \$106.4 million and \$110.3 million, respectively. Cash and cash equivalents, restricted cash, and investments amounted to \$121.8 million and \$121.7 million which represent 92.4% of total assets for September 30, 2022 and 92.8% for 2021, respectively.

In Fiscal Year 2022, the District’s General Fund Balance decreased \$2.7 million or 6.1% compared to the prior year balance. At fiscal year ended September 30, 2022, the District’s General Fund balance was \$41.9 million compared to \$44.6 million in 2021.

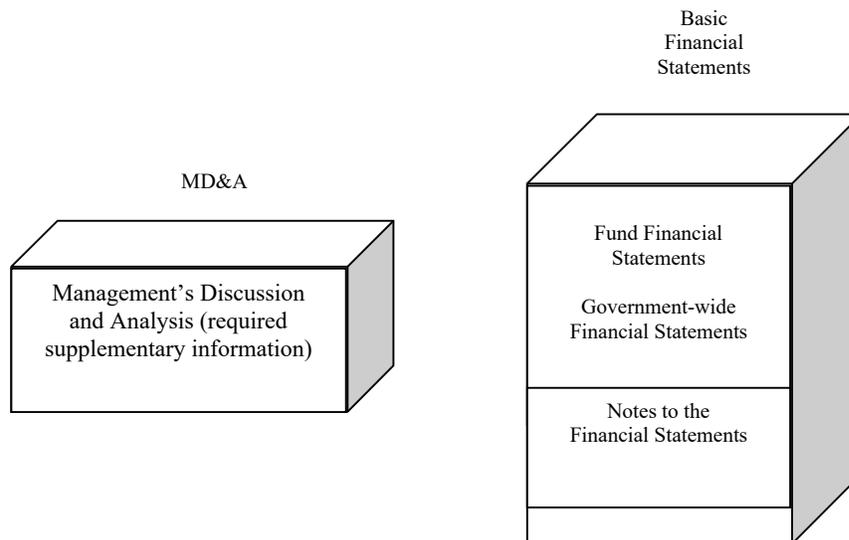
In Fiscal Year 2022, the District’s total revenues increased \$3.0 million or 6.3% compared to the prior year. 23.4% of the District’s total revenues were from non-tax sources. The District’s total expenses decreased \$11.5 million or 17.5% compared to the prior year.

In Fiscal Year 2022, the District continued to make voluntary intergovernmental transfers for several Medicaid-related supplemental payment, waiver, and Medicaid managed care provider payment initiative programs sponsored by the State (“Medicaid Payment Programs”). These transferred funds enabled both local and regional healthcare providers, who provide indigent healthcare consistent with the District’s primary mission, to draw additional Medicaid funds. In addition, the District continued its state- authorized Local Provider Participation Fund Program (“LPPF”) to sustain these payments to the State. The intergovernmental transfers provided funding to maximize the total available resources to providers’ waiver program projects in Nueces County and in the region.

In Fiscal Year 2022, the District’s Board of Managers committed \$8.5 million of the District’s fiscal year-end General Fund balance cash to funding the Medicaid Payment Programs-related intergovernmental transfers that are expected to be requested sometime during the District’s subsequent fiscal year. Please refer to Note 11 on intergovernmental transfers and Note 12 on committed fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic is provided to facilitate the reader's understanding of the format of the Basic Financial Statements and their individual components:



The District's Annual Financial Report consists of the MD&A, the basic financial statements and accompanying notes, with the primary focus being on the District as a whole. As a special purpose entity with only one governmental program, GASB allows the District to combine its government-wide and fund financial statements and that is done so here. The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The fund financial statements report the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the fund financial statements focus on major funds that, for the District, include the General Fund and the Indigent Care Fund, rather than fund types. The Fiduciary Fund statements provide financial information for those activities in which the District acts solely as the trustee or agent for the benefit of others. The accompanying notes provide essential information that is not disclosed on the face of the financial statements. Consequently, the notes form an integral part of the District's basic financial statements.

The District has two kinds of funds:

- 1.) **Government Funds** - The accounting for most of the District's services is included in the governmental funds. The General Fund and Special Revenue Fund are governmental funds that use the modified accrual accounting method which focuses on how cash and other financial assets that can readily be converted to cash and the balance at year-end that are available for future spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near-term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources.
- 2.) **Fiduciary Funds** - These funds are used to report activity and other resources held purely in a custodial capacity. The resources accounted for in these funds are excludable from the government-wide financial statements or columns because these funds are not available to finance the District's operations. Consequently, the District is responsible for ensuring that these resources are used only for their intended purpose. The District has an irrevocable trust originally used for self-insured health claims of the then employees of the District's former hospital, Memorial Medical Center. The fund may be used to subsidize the District's current employees with their health insurance premiums and other Board-approved allowable Trust benefits.

Notes to the Financial Statements

The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

GOVERNMENT WIDE-FINANCIAL ANALYSIS

Statement of Net Position (Government-Wide)

The District's total Net Position was \$106.4 million and \$110.3 million as of September 30, 2022 and 2021, respectively, a decrease of \$3.9 million or 3.6%. Total assets increased \$516 thousand or 0.4% compared to September 30, 2021. The District's total liabilities increased \$4.4 million or 21.3% compared to September 30, 2021.

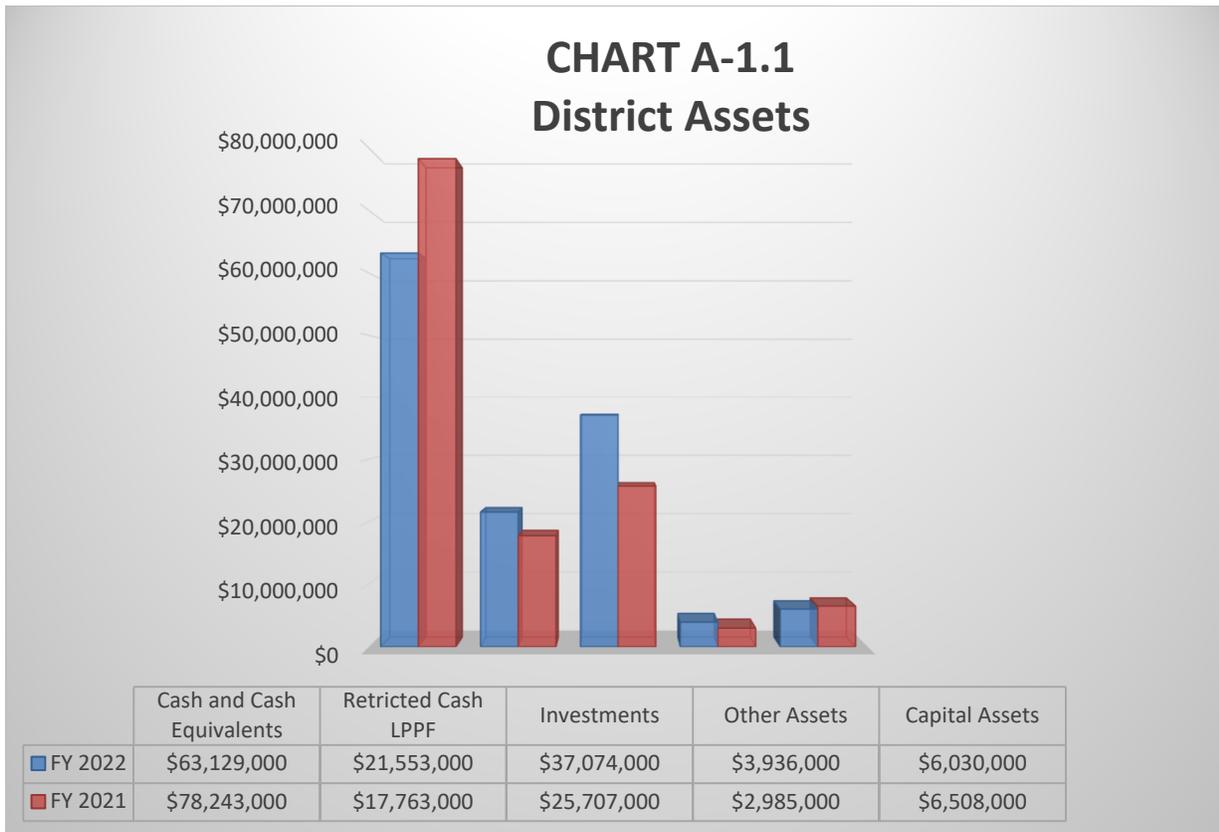
TABLE A-1
Nueces County Hospital District Net Position
September 30, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>	<u>2022-2021</u> <u>Variance</u>
Assets:			
Cash and Cash Equivalents	\$ 63,129	\$ 78,243	\$ (15,114)
Cash Restricted for Local Provider Participation Fund	21,553	17,763	3,790
Investments	37,074	25,707	11,367
Other Assets	3,936	2,985	951
Capital Assets (Net of Accumulated Depreciation)	<u>6,030</u>	<u>6,508</u>	<u>(478)</u>
Total Assets	<u>131,722</u>	<u>131,206</u>	<u>516</u>
Liabilities:			
Accounts Payable	3,434	2,808	626
Accrued Payroll and Related Liabilities	256	246	10
Long-Term Liabilities:			
Accrued Paid Time Off	66	53	13
Due to Local Provider Participation Fund	<u>21,553</u>	<u>17,763</u>	<u>3,790</u>
Total Liabilities	<u>25,309</u>	<u>20,870</u>	<u>4,439</u>
Net Position:			
Net Investment in Capital Assets	6,030	6,508	(478)
Unrestricted	<u>100,383</u>	<u>103,828</u>	<u>(3,445)</u>
Total Net Position	<u>\$ 106,413</u>	<u>\$ 110,336</u>	<u>\$ (3,923)</u>

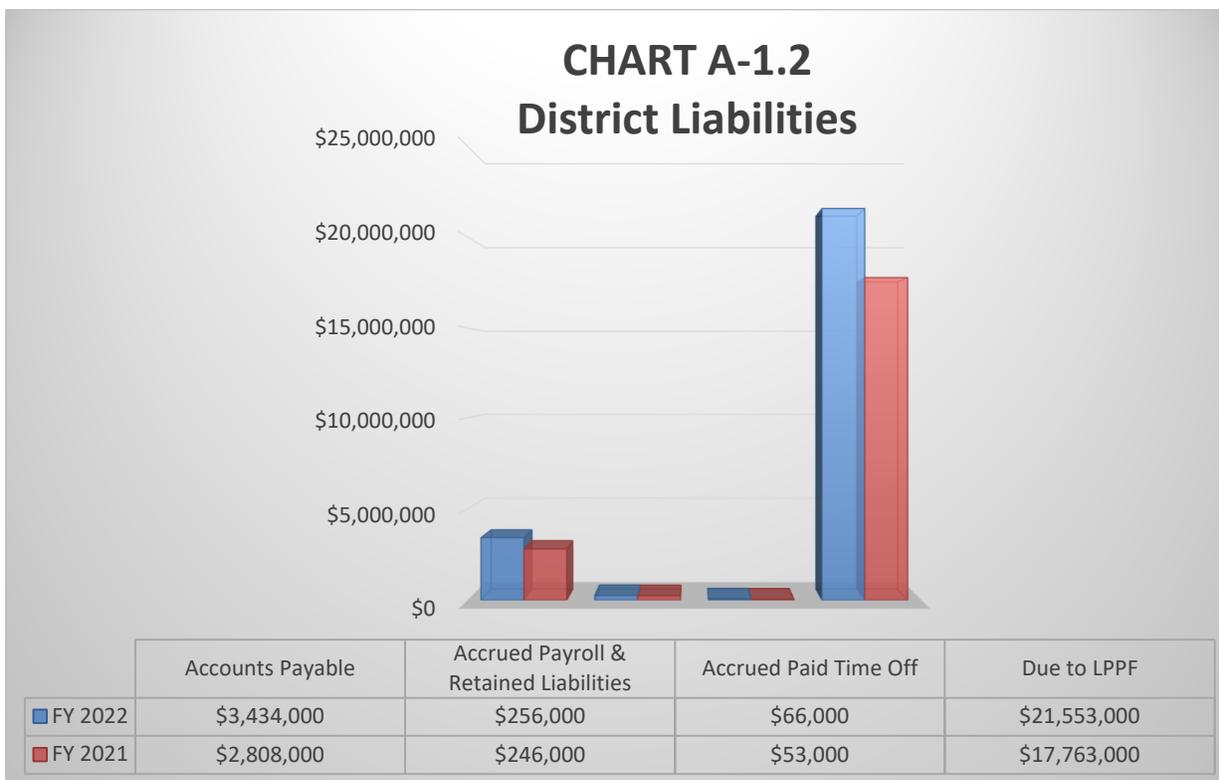
Financial Analysis

In Fiscal Year 2022, cash and cash equivalents and investments combined remained relatively the same compared to the prior year. Other Assets increased \$951 thousand or 31.9% primarily from an increase in property taxes receivable. The \$478 thousand or 7.4% decrease in Capital Assets (Net of Accumulated Depreciation) mainly relates to the write-off of the Memorial Medical Center building and related assets, due to the start of the building's demolition prior to the end of the fiscal year. Accounts Payable and Related Liabilities increased \$4.4 million or 21.3% due to annual fluctuations in payments of accrued liabilities.

Please refer to Table A-1 above for details of Chart A-1.1 below relating to the District's Assets.



Please refer to Table A-1 above for details of Chart A-1.2 below relating to the District's Liabilities.

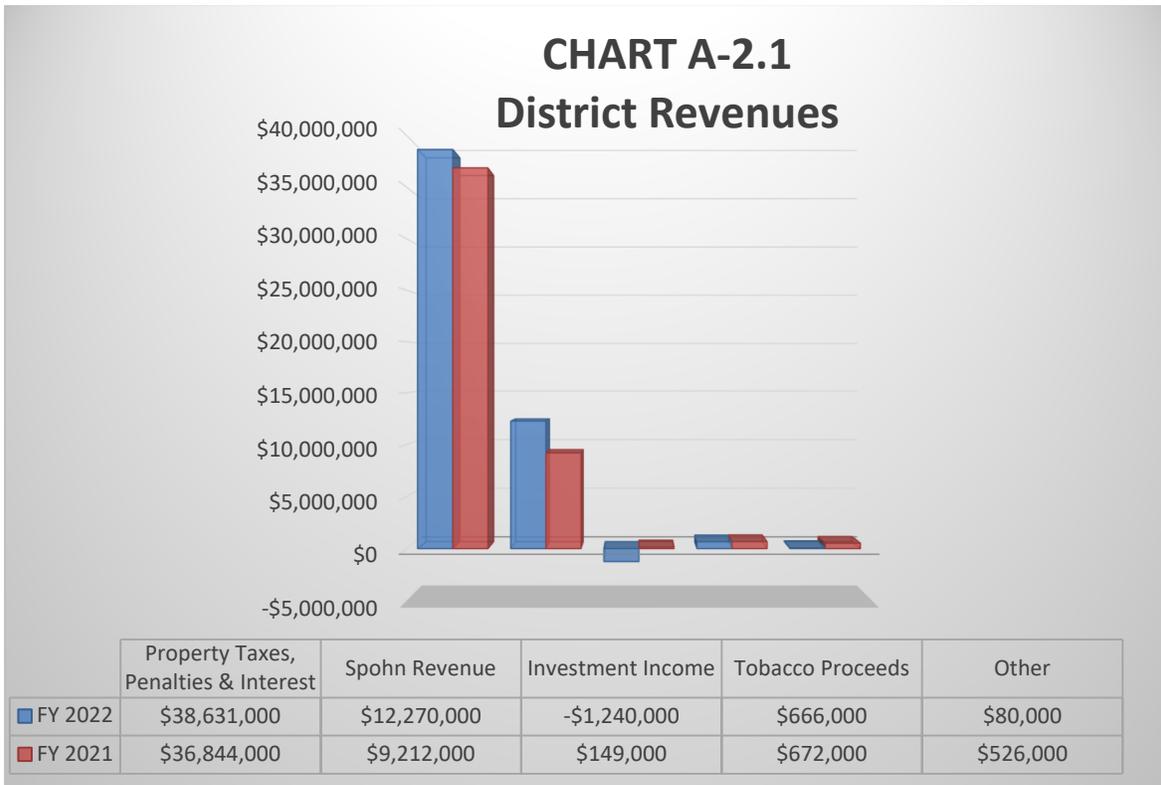


Statement of Activities (Government-Wide)

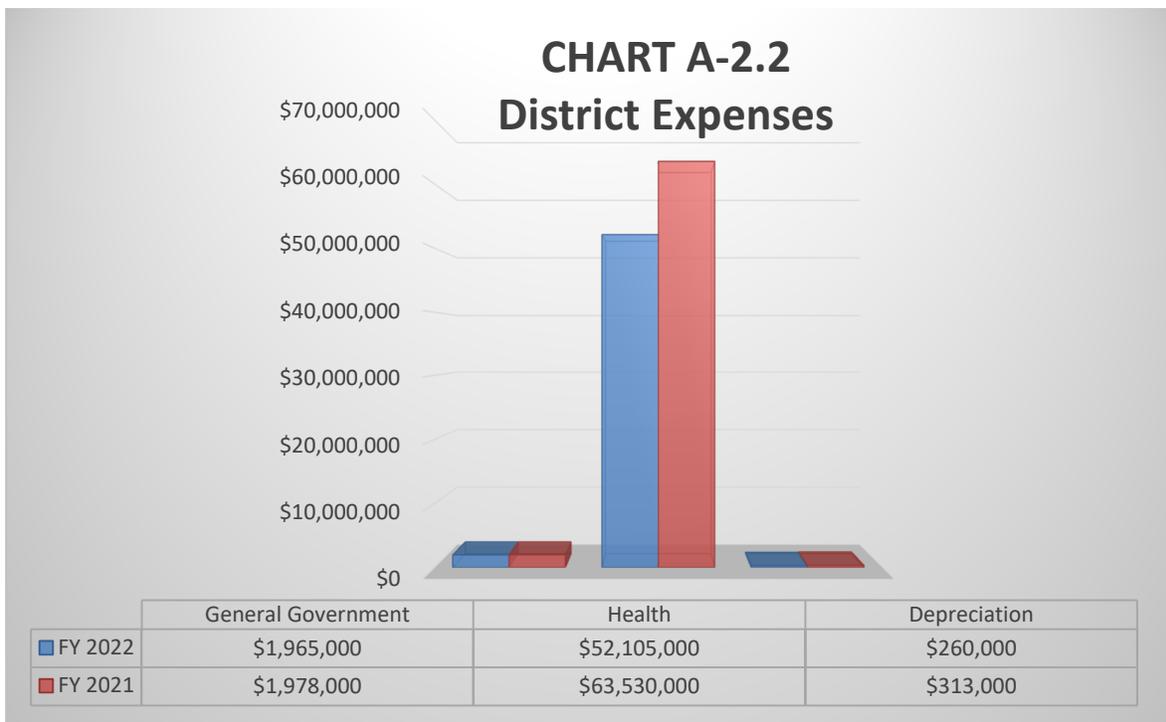
TABLE A-2
Changes in Nueces County Hospital District Net Position
September 30, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>	<u>2022-2021</u> <u>Variance</u>
Revenues			
Property Taxes and Penalties and Interest	\$ 38,631	\$ 36,844	\$ 1,787
Spohn Corporate Membership Revenue	12,270	9,212	3,058
Investment Loss	(1,240)	149	(1,389)
Tobacco Proceeds	666	672	(6)
Other	80	526	(446)
Total Revenues	<u>50,407</u>	<u>47,403</u>	<u>3,004</u>
Expenses:			
General Government	1,965	1,978	(13)
Health	52,105	63,530	(11,425)
Depreciation	260	313	(53)
Total Expenses	<u>54,330</u>	<u>65,821</u>	<u>(11,491)</u>
Net Change in Net Position	(3,923)	(18,418)	14,495
Net Position, Beginning of Year	<u>110,336</u>	<u>128,754</u>	<u>(18,418)</u>
NET POSITION, END OF YEAR	<u>\$ 106,413</u>	<u>\$ 110,336</u>	<u>\$ (3,923)</u>

Please refer to Table A-2 above for details of Chart A-2.1 below relating to the District’s Revenues.



Please refer to Table A-2 above for details of Chart A-2.2 below relating to the District’s Expenses.



FINANCIAL ANALYSIS

Revenues

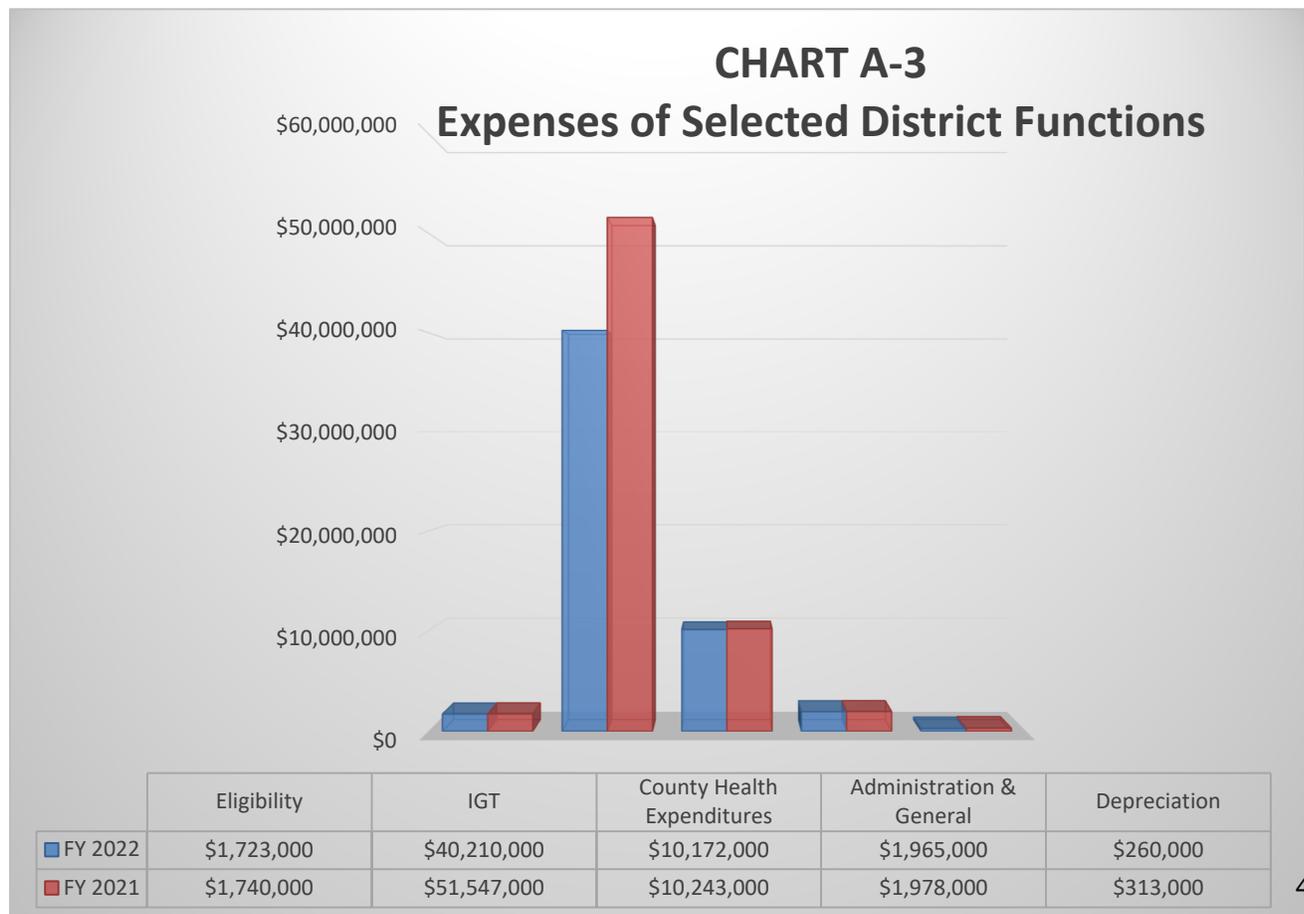
In Fiscal Year 2022, the District's total revenues increased \$3 million or 6.3% compared to the prior fiscal year. There were four principal sources of revenue for the District. The initial source of revenue is from ad valorem taxes levied on Nueces County property owners based on assessed valuations. These tax revenues increased by \$1.8 million or 4.9% and accounted for 76.6% of total revenues compared to 77.7% in the prior fiscal year. The District's tax rate during Fiscal Year 2022 decreased to \$0.111502 per \$100 valuation, which was 5% above the no-new-revenue tax rate. Property valuations increased by \$1.7 billion or 4.9%. The second source is from the Membership Agreement with Spohn which accounted for \$12.3 million and 24.3% of total revenue. This revenue increased \$3.1 million, or 33.2%, resulting from an increased net patient revenue sharing allocation percentage utilized during the fiscal year. See Note 3 for an outline of the Membership Agreement. The third source is investment income which decreased \$1.4 million or 932% due mainly to unrealized net losses in certain funds due to numerous and rapid interest rate hikes during the year. The final source is a Tobacco Settlement distribution from the State of Texas' tobacco litigation which decreased by \$6 thousand or 0.9% compared to prior fiscal year. Additional revenue proceeds decreased \$446 thousand from prior fiscal year or 84.8%. These funds largely include a reimbursement from the State for the District's assistance in operating one of the Medicaid Payment Programs in the region and the receipt of an administrative fee from the LPPF program.

TABLE A-3
Net Cost of Selected District Functions
September 30, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>	<u>2022-2021</u> <u>Variance</u>
Eligibility	\$ 1,723	\$ 1,740	\$ (17)
Intergovernmental Transfers (IGT)	40,210	51,547	(11,337)
County Healthcare Expenditures	10,172	10,243	(71)
Administration and General	1,965	1,978	(13)
Depreciation	260	313	(53)
TOTAL	<u>\$ 54,330</u>	<u>\$ 65,821</u>	<u>\$ (11,491)</u>

Expenses

The expenses of the District’s functions in Fiscal Year 2022 decreased \$11.5 million or 17.5% compared to the prior fiscal year. The District’s health functions include intergovernmental transfers and county healthcare expenditures. The District’s largest amount of costs is voluntary intergovernmental transfers to the State for the Medicaid Payment Programs for the benefit of various regional health care providers who provide indigent healthcare. The intergovernmental transfers draw down additional Medicaid funds for regional providers under the Medicaid Payment Programs. This cost totaled \$40.2 million in Fiscal Year 2022 and represented 74% of all functional expenditures. The second largest amount of cost is \$10.2 million for county healthcare expenditures which relates to the District’s support of other healthcare services in Nueces County. The District directly or indirectly pays for non-indigent healthcare-related service costs that were paid by Nueces County in earlier years. These costs include expenses such as emergency medical services, county jail and juvenile detention center healthcare services, reimbursement of operating expenditures at the City/County Public Health Department, match, and other subsidies for the Nueces Center for Mental Health and Intellectual Disabilities and costs associated with operation of the County Jail’s infirmary. This cost decreased \$71 thousand or 0.7% in Fiscal Year 2022 compared to the prior fiscal year. County healthcare expenditure costs represented 18.7% of all the District’s net costs in Fiscal Year 2022 compared to 15.6% in the prior fiscal year. The two other costs of the District were Administrative and General and Eligibility determination costs. Collectively, these costs decreased \$30 thousand or 0.8% during Fiscal Year 2022 compared to the prior fiscal year. Major costs in this category were legal fees, consulting fees, rents, supplies, purchased services, and salaries and benefits. Administrative and General costs represented 3.6% of all net costs in Fiscal Year 2022 compared to 3.0% in the prior fiscal year. Eligibility costs represented 3.2% of all net costs in Fiscal Year 2022 compared to 2.6% in the prior fiscal year. Please refer to Table A-3 for details of Chart A-3 below relating to the District’s net cost of selected functions.



General Fund Budgetary Highlights

The District's general fund budget shows a \$209 thousand deficit during Fiscal Year 2022.

Revenues

Revenues exceeded budget by \$3.4 million. The excess is partially attributed to revenue resulting from the Membership Agreement, which surpassed budget by \$2.4 million. The surplus is due to the use of an estimate of the Membership Agreement's initial revenue sharing allocation percentage between the District and Spohn when the Fiscal Year 2022 budget was developed; due to the difficulty in projecting Spohn's net patient revenues, the District is only able to estimate the Membership Agreement-related sharing allocation. Ad valorem tax revenue combined with penalties and interest, exceeded budget by \$613 thousand. Investment income also exceeded budget by \$337 thousand. Finally, other income, including a reimbursement from the State for the District's assistance in operating one of the State's Medicaid Payment Programs in the region, recovery of certain prior fiscal year's expenses, and jail health care reimbursements from another governmental entity, surpassed budget by approximately \$54 thousand.

Expenditures

Expenditures were over budget by \$6.6 million. Of the expenditures more than budget, \$10.1 million was associated with Medicaid Payment Programs-related intergovernmental transfers by the District for the benefit of local and regional healthcare providers. This is the result of the State delaying its request for the prior year's budgeted intergovernmental transfer amount which was transferred during Fiscal Year 2022. Due to the complex nature of the calculations of intergovernmental transfers, the District is only able to approximate the timing and amounts when its budget is adopted. County Services were under budget by \$1.5 million primarily due to overestimated jail diversion program costs. Personal services were less than budget by \$386 thousand due to the increased utilization of the District's paid-time-off accrued liability and less than maximum participation of certain benefit programs. Contractual Services were under budget this year by \$1.4 million mainly due to less utilization of legal fees and consultant fees for one of the Medicaid Payment Programs. The Materials and Supplies category was under budget by \$34 thousand; and finally, the Other category which includes office lease and administrative expenditures ended under budget by approximately \$42 thousand.

CAPITAL ASSETS

The District had \$6 million in net capital assets at the end of September 30, 2022. The breakdown of the capital assets is as follows:

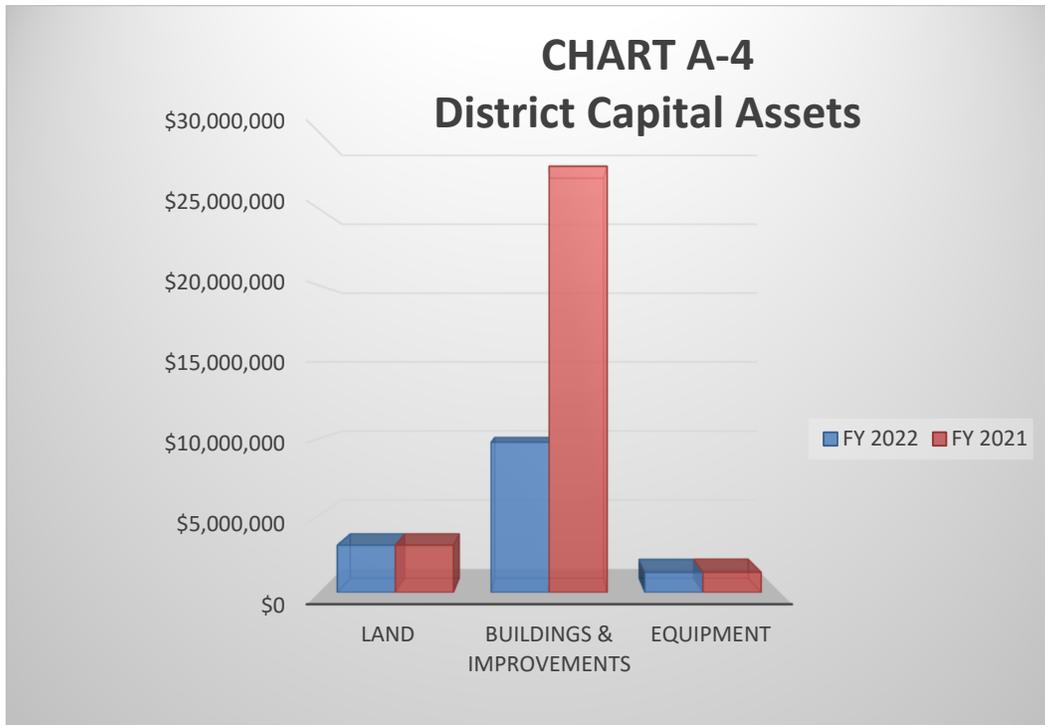
TABLE A-4
Nueces County Hospital District's Capital Assets
September 30, 2022 and 2021
(In Thousands)

	<u>2022</u>	<u>2021</u>	<u>2022-2021</u> <u>Variance</u>
Land	\$ 3,077	\$ 3,077	\$ --
Buildings and Improvements	9,769	27,760	(17,991)
Equipment	1,308	1,319	(11)
Total	<u>14,154</u>	<u>32,156</u>	<u>(18,002)</u>
Less: Accumulated Depreciation	<u>8,124</u>	<u>25,648</u>	<u>(17,524)</u>
NET CAPITAL ASSETS	<u>\$ 6,030</u>	<u>\$ 6,508</u>	<u>\$ (478)</u>

Under terms of the Membership Agreement, the District contributed the use of its former hospital Memorial Medical Center (“MMC”) buildings and equipment to Spohn; and Spohn is responsible for maintaining the buildings and equipment, and the purchase of any medical and other equipment needed during the Agreement’s term. The Membership Agreement requires that Spohn spend \$600 thousand on upkeep of the buildings and equipment in each calendar year starting in 2017 and thereafter. Please refer to Note 8 - Capital Assets of the Financial Statements for more details on capital assets.

During Fiscal Year 2022, Spohn relocated its inpatient psychiatric services and related ancillary support departments to its Shoreline facility and began its demolition of MMC, pursuant to terms of the Membership Agreement. As a result, the hospital building-related assets have been written off, totaling approximately \$18 million. Net Capital Assets shows a decrease of \$478 thousand since those assets were mostly depreciated.

Please refer to Table A-4 for details of Chart A-4 relating to the District’s Capital Assets.



Economic Factors, Next Year’s Budget, Tax Rates and Property Valuations, and Financial Planning

Economic Factors

For the forthcoming fiscal year and subsequent fiscal years, expiration of the COVID-19 public health emergency, expiration of the Medicaid waiver program, State budget pressures, and shifting policy priorities may alter funding, services, programs, or eligibility for its Medicaid program which could affect enrollments in the District’s indigent health care program. Texas has the highest healthcare uninsured rate in the nation and the County’s rate is among the highest in the State. The benefits of the Patient Protection and Affordable Care Act (P.L. 111-148) and the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152) legislation that were intended to reduce the number of healthcare uninsured persons and expand Medicaid enrollment has not yet been realized in Texas; during the forthcoming District fiscal year, these unrealized benefits may affect the number of persons enrolled in the District’s indigent health care program. Additionally, the P.L. 111-148 individual mandate to carry health insurance was repealed effective 2020; during the forthcoming District fiscal year, this action may affect the number of persons enrolled in the District’s indigent health care program. In addition, federal regulations could limit the methods States can use to finance the non-federal share of Medicaid Program Payments, jeopardizing the availability and/or continuation of indigent healthcare services in the community. Finally, expansive changes could occur to the Patient Protection and Affordable Care Act, Health Care and Education Reconciliation Act, and the Medicaid program due to changes to national health policy.

Next Year’s Budget, Tax Rates, and Property Valuations

Budget

For the District’s forthcoming fiscal year ending September 30, 2023 (“Fiscal Year 2023”), the District’s Board of Managers and County Commissioners Court approved a District operating budget wherein

Budget – Continued

revenues exceed expenditures by \$2.6 million. Revenues are budgeted at \$65.9 million, a 39.4% increase compared to the prior fiscal year. Expenditures are budgeted at \$63.4 million, a 33.4% increase compared to the prior fiscal year.

Tax Rates and Property Valuations

The property valuations for the District's Fiscal Year 2023 are \$40.4 billion, an increase of 14.3% from the prior year. To offset this increase, County Commissioners Court has decreased the District's tax rate for the Fiscal Year 2023 budget to \$0.098846 per \$100 valuation, which is 1.5% above the no-new-revenue tax rate. The Fiscal Year 2023 budget estimates include tax revenues of \$37.3 million, an increase of \$150 thousand or 0.4% over Fiscal Year 2022. Certain prior year local refinery related property value lawsuits are still pending and potential refunds have been prospectively applied to the tax revenue budget. The District expects tax base expansion and increases in property values to approximate recent years.

Financial Planning

The District does not receive State or federal funding for the provision of indigent health care. However, the District expects to continue receiving de minimis reimbursement annually for administering the LPPF program. The District expects that the Membership Agreement's revenue sharing allocation percentage between the District and Spohn will be inadequate to support some of the District's objectives in the forthcoming fiscal year and the District will rely on its reserves to fund operations to a greater degree than the prior year. In addition, during Fiscal Year 2023, either party has the option to terminate the Membership Agreement and the revenue resulting to the District from the Agreement could end and impact Fiscal Year 2024. Federal regulations governing certain provisions of the Membership Agreement and past State actions relating to certain Medicaid Payment Programs disallowances may potentially affect the future performance of the Agreement; it is possible that the current permitted use of a combination of tax, LPPF, and Membership Agreement-related revenues by the District to make voluntary intergovernmental transfers to the State in support of the Medicaid Payment Programs could change in the future.

CONTACTING DISTRICT MANAGEMENT

These District financial statements are designed to provide our citizens, taxpayers, elected officials, investors, creditors, and others with a general overview of the District's financial position and results of operations, to demonstrate the District's accountability for the tax and other funds it receives, and show how the District's funds are used. Questions concerning any of the information contained in these statements or requests for additional statement information can be directed to the District at:

Nueces County Hospital District
Administrative Offices
555 N. Carancahua St., Suite 950
Corpus Christi, TX 78401-0835
Telephone: (361) 808-3300
Facsimile: (361) 808-3274
https://www.nchdcc.org/about_us/contact_us.php

HISTORICAL AUDITED FINANCIAL STATEMENTS

Recent historical audited financial statements of the District are available via the Internet and can be viewed or downloaded in Portable Document Format from https://www.nchdcc.org/public_notices/finance.php

Basic Financial Statements

NUECES COUNTY HOSPITAL DISTRICT

(A COMPONENT UNIT OF NUECES COUNTY, TEXAS)

GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

ASSETS	<u>GENERAL</u>	<u>INDIGENT CARE FUND</u>	<u>TOBACCO SETTLEMENT FUND</u>
Cash and Cash Equivalents (Note 4)	45,403,361	17,724,727	747
Cash Restricted for Local Provider Participation Fund (Note 4 and 15)	21,552,874	--	--
Investments (Note 4 and Note 5)	--	37,073,947	--
Accrued Interest	2,037	81,950	--
Taxes Receivable Net of Allowance for Uncollectible (Note 7 and 9):	3,651,320	--	--
Other Receivables	21,031	--	--
Prepaid Expenditures	179,690	--	--
Land (Note 8)	--	--	--
Other Capital Assets, net of Accumulated Depreciation (Note 8)	--	--	--
TOTAL ASSETS	<u>70,810,313</u>	<u>54,880,624</u>	<u>747</u>

Exhibit 1

GOVERNMENTAL FUNDS TOTAL	ADJUSTMENTS EXHIBIT 2	STATEMENT OF NET POSITION
63,128,835	--	63,128,835
21,552,874	--	21,552,874
37,073,947	--	37,073,947
83,987	--	83,987
3,651,320	--	3,651,320
21,031	--	21,031
179,690	--	179,690
--	3,076,926	3,076,926
--	2,953,019	2,953,019
125,691,684	6,029,945	131,721,629

(Continued)

NUECES COUNTY HOSPITAL DISTRICT

(A COMPONENT UNIT OF NUECES COUNTY, TEXAS)

GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

LIABILITIES	<u>GENERAL</u>	<u>INDIGENT CARE FUND</u>	<u>TOBACCO SETTLEMENT FUND</u>
Accounts Payable	3,434,340	--	--
Accrued Payroll and Related Liabilities	256,070	--	--
Unearned Revenue (Note 9)	3,651,320	--	--
Long-term Liabilities-			
Accrued Paid Time Off (Note 10)	--	--	--
Due to Local Provider Participation Fund			
Fund (Note 15)	21,552,874	--	--
TOTAL LIABILITIES	28,894,604	--	--
 FUND EQUITY/NET POSITION			
Fund Balances:			
Nonspendable	179,690	--	--
Committed to: (Note 12)			
Intergovernmental Transfers	8,537,101	--	--
Indigent Care	--	54,880,624	--
Assigned to County Health Care	--	--	747
Unassigned	33,198,918	--	--
Total Fund Equity	41,915,709	54,880,624	747
 TOTAL LIABILITIES AND FUND EQUITY			
	70,810,313	54,880,624	747

Net Position:

 Net Investment in Capital Assets
 Unrestricted

TOTAL NET POSITION

The notes to the financial statements are an integral part of this statement.

Exhibit 1
Continued

GOVERNMENTAL FUNDS TOTAL	ADJUSTMENTS EXHIBIT 2	STATEMENT OF NET POSITION
3,434,340	--	3,434,340
256,070	--	256,070
3,651,320	(3,651,320)	--
--	65,503	65,503
21,552,874	--	21,552,874
<u>28,894,604</u>	<u>(3,585,817)</u>	<u>25,308,787</u>
179,690	(179,690)	--
8,537,101	(8,537,101)	--
54,880,624	(54,880,624)	--
747	(747)	--
33,198,918	(33,198,918)	--
<u>96,797,080</u>	<u>(96,797,080)</u>	--
<u>125,691,684</u>		
	6,029,945	6,029,945
	<u>100,382,897</u>	<u>100,382,897</u>
	<u>106,412,842</u>	<u>106,412,842</u>

This page left intentionally blank.

NUECES COUNTY HOSPITAL DISTRICT
(A COMPONENT UNIT OF NUECES COUNTY, TEXAS)
EXPLANATIONS FOR ADJUSTMENTS TO RECONCILE
GOVERNMENTAL FUNDS - BALANCE SHEET TO THE STATEMENT OF NET POSITION

Total Fund Balance - Total Governmental Funds	96,797,080
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$14,153,705 and the accumulated depreciation is \$8,123,760 (Note 8)	6,029,945
Taxes receivable, net of allowance is not available to pay for current period expenditures and is, therefore, deferred in the governmental funds. (Note 7)	3,651,320
Long-Term liabilities, include accrued paid time off, are not due and payable in the current period and, therefore, are not reported in the funds. (Note 10)	<u>(65,503)</u>
NET POSITION	<u><u>106,412,842</u></u>

The notes to the financial statements are an integral part of this statement.

NUECES COUNTY HOSPITAL DISTRICT

(A COMPONENT UNIT OF NUECES COUNTY, TEXAS)

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES**

YEAR ENDED SEPTEMBER 30, 2022

	<u>GENERAL</u>	<u>INDIGENT CARE FUND</u>	<u>TOBACCO SETTLEMENT FUND</u>
Revenues:			
Taxes	37,418,113	--	--
Penalties and Interest - Taxes	343,600	--	--
Spohn Corporate Membership Revenue	12,270,012	--	--
Investment Income	341,147	(1,581,170)	419
Tobacco Settlement	--	--	666,491
Other (Note 8 and 15)	304,064	--	--
Total Revenue	<u>50,676,936</u>	<u>(1,581,170)</u>	<u>666,910</u>
Expenditures/Expenses:			
General Government	1,952,934	--	--
Health	52,104,790	--	--
Depreciation	--	--	--
Capital Outlay	6,701	--	--
Total Expenditures/Expenses	<u>54,064,425</u>	<u>--</u>	<u>--</u>
Excess of Revenues Over Expenditures/Expenses	(3,387,489)	(1,581,170)	666,910
Other Financing Sources (Uses):			
Transfers In (Note 13)	667,000	--	--
Transfers Out (Note 13)	--	--	(667,000)
Total Other Financing Sources (Uses)	<u>667,000</u>	<u>--</u>	<u>(667,000)</u>
Net Change in Fund Balance/Net Position	(2,720,489)	(1,581,170)	(90)
Fund Balance/Net Position, Beginning of Year	<u>44,636,198</u>	<u>56,461,794</u>	<u>837</u>
FUND BALANCE/NET POSITION, END OF YEAR	<u><u>41,915,709</u></u>	<u><u>54,880,624</u></u>	<u><u>747</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit 3

GOVERNMENTAL FUNDS TOTAL	ADJUSTMENTS EXHIBIT 4	STATEMENT OF ACTIVITIES
37,418,113	868,697	38,286,810
343,600	--	343,600
12,270,012	--	12,270,012
(1,239,604)	--	(1,239,604)
666,491	--	666,491
304,064	(224,513)	79,551
<u>49,762,676</u>	<u>644,184</u>	<u>50,406,860</u>
1,952,934	12,018	1,964,952
52,104,790	--	52,104,790
--	260,084	260,084
6,701	(6,701)	--
<u>54,064,425</u>	<u>265,401</u>	<u>54,329,826</u>
(4,301,749)	378,783	(3,922,966)
667,000	(667,000)	--
(667,000)	667,000	--
<u>--</u>	<u>--</u>	<u>--</u>
(4,301,749)	378,783	(3,922,966)
<u>101,098,829</u>	<u>9,236,979</u>	<u>110,335,808</u>
<u>96,797,080</u>	<u>9,615,762</u>	<u>106,412,842</u>

This page left intentionally blank.

NUECES COUNTY HOSPITAL DISTRICT**(A COMPONENT UNIT OF NUECES COUNTY, TEXAS)****EXPLANATIONS FOR ADJUSTMENTS TO RECONCILE
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

Net Change in Fund Balances - Total Governmental Funds	(4,301,749)
--	-------------

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$260,084 was more than capital outlays of \$6,701 and loss on disposal of Memorial Hospital buildings of \$224,513 in the current period. (Note 8)	(477,896)
---	-----------

Revenues from uncollected taxes that do not provide current financial resources are included in the statement of activities and not reported as revenues in the governmental funds.	868,697
---	---------

Expenses accrued for employees paid time off in the statement of activities that do not use current financial resources are not reported as expenses in the governmental funds.	<u>(12,018)</u>
---	-----------------

CHANGE IN NET POSITION	<u><u>(3,922,966)</u></u>
------------------------	---------------------------

The notes to the financial statements are an integral part of this statement.

NUECES COUNTY HOSPITAL DISTRICT
(A COMPONENT UNIT OF NUECES COUNTY, TEXAS)

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2022

	ORIGINAL AND FINAL BUDGET	ACTUAL GAAP BASIS	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Taxes	36,780,945	37,418,113	637,168
Penalties and Interest - Taxes	367,809	343,600	(24,209)
Spohn Corporate Membership Revenue	9,883,929	12,270,012	2,386,083
Investment Income	3,868	341,147	337,279
Other	250,000	304,064	54,064
Total Revenues	47,286,551	50,676,936	3,390,385
Expenditures:			
Current:			
General Government			
Administration:			
Personal Services	742,211	635,320	106,891
Materials and Supplies	67,700	43,697	24,003
Contractual Services	2,015,960	1,091,714	924,246
Other	218,510	181,605	36,905
Total Administration	3,044,381	1,952,336	1,092,045
Facilities Management -			
Materials and Supplies	1,300	598	702
Total General Government	3,045,681	1,952,934	1,092,747
Health:			
Personal Services	1,483,380	1,204,131	279,249
Materials and Supplies	43,100	33,551	9,549
Contractual Services	942,950	480,533	462,417
Intergovernmental Transfers (Note 11)	30,120,513	40,210,253	(10,089,740)
County Services	11,687,925	10,172,067	1,515,858
Other	9,500	4,255	5,245
Total Health	44,287,368	52,104,790	(7,817,422)
Capital Outlay	163,000	6,701	156,299
Total Current Expenditures	47,496,049	54,064,425	(6,568,376)
Excess Expenditures over Revenues	(209,498)	(3,387,489)	(3,177,991)
Other Financing Sources-			
Transfers In	550,000	667,000	117,000
Total Other Financing Sources	550,000	667,000	117,000
Net Change in Fund Balance	340,502	(2,720,489)	(3,060,991)
Fund Balance, Beginning of Year		44,636,198	
FUND BALANCE, END OF YEAR		41,915,709	

The notes to the financial statements are an integral part of this statement.

NUECES COUNTY HOSPITAL DISTRICT
(A COMPONENT UNIT OF NUECES COUNTY, TEXAS)
INDIGENT CARE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2022

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL GAAP BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues -			
Investment Income	56,456	(1,581,170)	(1,637,626)
Net Change in Fund Balance	<u>56,456</u>	<u>(1,581,170)</u>	<u>(1,637,626)</u>
Fund Balance, Beginning of Year		<u>56,461,794</u>	
FUND BALANCE, END OF YEAR		<u>54,880,624</u>	

The notes to the financial statements are an integral part of this statement.

NUECES COUNTY HOSPITAL DISTRICT

(A COMPONENT UNIT OF NUECES COUNTY, TEXAS)

TOBACCO SETTLEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2022

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL GAAP BASIS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues:			
Tobacco Settlement	550,000	666,491	116,491
Investment Income	--	419	419
Total Revenues	<u>550,000</u>	<u>666,910</u>	<u>116,910</u>
Other Financing Uses -			
Transfers Out	<u>(550,000)</u>	<u>(667,000)</u>	<u>(117,000)</u>
Total Other Financing Uses	<u>(550,000)</u>	<u>(667,000)</u>	<u>(117,000)</u>
Net Change in Fund Balance	<u> --</u>	<u> (90)</u>	<u> (90)</u>
Fund Balance, Beginning of Year		<u> 837</u>	
FUND BALANCE, END OF YEAR		<u> 747</u>	

The notes to the financial statements are an integral part of this statement.

NUECES COUNTY HOSPITAL DISTRICT
(A COMPONENT UNIT OF NUECES COUNTY, TEXAS)
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	HEALTH BENEFIT PLAN AND TRUST FUND
ASSETS	
Cash and Cash Equivalents (Note 4)	68,172
Accrued Interest	159
Total Assets	68,331
 LIABILITIES	
Due to General Fund	4,025
 NET POSITION	
Held in Trust for Employee Health Benefits	64,306

The notes to the financial statements are an integral part of this statement.

NUECES COUNTY HOSPITAL DISTRICT
(A COMPONENT UNIT OF NUECES COUNTY, TEXAS)
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2022

	<u>HEALTH BENEFIT PLAN AND TRUST FUND</u>
ADDITIONS	
Interest	595
DEDUCTIONS	
Administration and General	1,455
Employee Benefits	22,103
Total Deductions	<u>23,558</u>
Net Decrease	(22,963)
Net Position, Beginning of Year	<u>87,269</u>
NET POSITION, END OF YEAR	<u><u>64,306</u></u>

The notes to the financial statements are an integral part of this statement.

NUECES COUNTY HOSPITAL DISTRICT
(A COMPONENT UNIT OF NUECES COUNTY, TEXAS)
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

Note 1 – REPORTING ENTITY

Nueces County Hospital District (the District), a discretely presented component unit of Nueces County, Texas (the County), was made available by an Act of the Legislature of the State of Texas and subsequently approved by the voters of Nueces County, Texas. The District is legally separate from the County; however, members of the District’s governing board (the Board) are appointed by the County Commissioners’ Court.

The District has no component units as defined by Governmental Accounting Standards Board. Although the District appoints three of the members of the Board of Trustees of CHRISTUS Spohn Health System (“Spohn”) as part of the Spohn Membership Agreement between the two parties, Spohn does not qualify as a component unit. The District does not approve the budget of Spohn, nor have any rights to surpluses of Spohn. However, Spohn shares certain revenues with the District pursuant to the terms of the Agreement.

Additionally, the District serves as the Region 4 Anchor and funds voluntary intergovernmental transfers (IGTs) for certain healthcare providers under provisions of the Texas Health and Human Services Commission’s (HHSC) Medicaid Payment Programs. This allows Spohn and certain other Region 4 healthcare providers to participate in supplemental Medicaid Payment Programs.

Formation and Background

The District is a tax-supported governmental entity authorized by the Constitution of the State of Texas, the creation of which was approved by the voters of Nueces County in 1967. Pursuant to Chapter 281 of the Texas Health and Safety Code, the District assumed full responsibility for furnishing medical and hospital care for indigent and needy persons residing in the District beginning on the date on which taxes were collected for the District. The Commissioner’s Court is authorized to levy hospital district taxes on property located within the District whose boundaries are coterminous with the County. Chapter 281 allows the District to use funds from any source to fund indigent health care and intergovernmental transfers from the District to the state for use as the nonfederal share of Medicaid supplemental payment programs or waiver program payments.

The District is governed by a Board of Managers, whose members are appointed by the Commissioners Court. The Commissioners Court has final approval of the District’s operating budget and tax rate. The Commissioners Court has the authority to levy on all property subject to District taxation a tax not to exceed seventy-five cents (\$.75) on each \$100 valuation of all taxable property within the District.

Note 1 – REPORTING ENTITY – (Continuation)

1996 Transaction

Historically, the Nueces County Hospital District (the “District”) owned and operated Memorial Medical Center (“Memorial”). Memorial served as the safety-net hospital in Nueces County providing indigent care services to the needy, consistent with the District’s role as a Chapter 281 hospital district. In 1996, through a series of agreements (the “1996 Transaction”) which include a Master Agreement, Lease Agreement, and Indigent Care Agreement, (collectively, the “1996 Transaction Agreements”), the District leased Memorial to Spohn and Spohn assumed the responsibility to operate Memorial in Nueces County, with obligations for Spohn to provide indigent care and for the District to utilize its ad valorem tax revenues to fund the provision of indigent care by Spohn in Nueces County.

Renegotiation of 1996 Transaction

During the 2011 – 2012 timeframe, Spohn started facing significant capital costs due to the deteriorating condition of its hospital facilities in Corpus Christi, particularly the Memorial hospital facility. Spohn’s options to address these capital needs were somewhat limited by the 1996 Transaction Agreements, through which Spohn assumed a 30-year responsibility for the maintenance and operations of the Memorial facility. In addition to the lease rate for the Memorial facility and the District’s other assets and Spohn’s obligation to maintain the facilities in a commercially reasonable manner, Spohn had also agreed to invest at least \$6 million per year in capital improvements and equipment at the Memorial campus, the neighborhood clinics, and the physician office buildings. In 2011, Spohn began the process of evaluating a transformative capital project in the Nueces County market, with the goal to shift the delivery of care towards a focus on more appropriate outpatient care venues and better coordination across the care continuum, rather than simply retrofitting the existing hospital inpatient infrastructure. In order for the parties to make significant changes to the infrastructure, Spohn desired more flexibility than what was available under the 1996 Transaction documents; in particular, it desired to align the interests of the District and Spohn more closely and to relax or remove its contractual commitment to maintain the existing facilities, including the Memorial facility owned by the District. CHRISTUS Health, Spohn’s parent organization, ultimately approved a \$325 million capital investment in 2013 in the Corpus Christi market, after Spohn’s transition to the co-membership/ownership role with the District discussed below.

Recognizing the constraints placed on their strategic planning efforts due to the historical structure, the parties invoked the process outlined in the 1996 Transaction that allowed for the District and Spohn to renegotiate the agreements between the parties in the event there was an adverse material change in government reimbursement. The parties therefore included in the 1996 Transaction documents a right to renegotiate changes in their relationship in the event there was a substantial reduction in government program funding for Spohn. On invoking this process to assess the risk of adverse material change in government reimbursement to Spohn, the parties also identified opportunities to improve the delivery of care in the Coastal Bend communities.

2012 Spohn Membership Agreement

The parties structured the Spohn Membership Agreement (“2012 Membership Agreement”) in 2012 to further support their efforts to more closely and comprehensively collaborate and align the operations of the District and Spohn as a governmental and public provider. Effective September 30, 2012, the parties entered into a Memorandum of Understanding (“MOU”) to effectuate termination of the 1996 Transaction Agreements. Pursuant to the terms of the MOU, the parties agreed to terminate the 1996 Transaction Agreements. The parties also agreed in the MOU to the reinstatement of the 1996 Transaction Agreements to be effective upon the termination of the 2012 Membership Agreement, subject to certain amendments to the 1996 Transaction Agreements (including to the Lease Agreement) which are attached to the MOU. At the same time, the parties entered into the 2012 Membership Agreement, effective October 1, 2012, pursuant to which the District became a co-member in Spohn along with CHRISTUS Health, with the rights, privileges, obligations, and duties attendant to such role. The parties intended that Spohn would continue to serve as the public safety-net hospital in Corpus Christi. In order to reflect the District as a co-member in Spohn, the parties revised Spohn’s corporate documents, and submitted the appropriate enrollment change documents to the Medicare fiscal intermediary and the State related to its Medicare and Medicaid provider agreements.

The District also provided Spohn the right to continue to use and operate the Memorial facilities and granted Spohn the right to make material alterations to the Memorial facilities upon reasonable review of the District. Spohn continues to have the right to use Memorial, the Memorial campus, and other facilities without a rental obligation. The Agreement carries over most of the other duties and responsibilities from the Lease. The District also agreed to reduce Spohn’s obligation to make \$6 million in capital expenditures per year for Memorial and the District’s other facilities in the event such material alterations were made.

The parties agreed that each co-member of Spohn was entitled to an allocated portion of the funds as part of their co-membership/ownership role, commensurate with their liability for Spohn’s operating losses. Specifically, under the 2012 Membership Agreement, the co-members agreed to remit to Spohn their pro rata share of any operating loss deficits within a specified timeframe. Upon implementation of the 2012 Membership Agreement, CHRISTUS Health and the District were co-members in the Spohn corporate entity. CHRISTUS Health continued to receive its management fees and other revenue from Spohn’s operations in return for the support services it furnished to Spohn. In exchange for the District’s support of Spohn and its assumption of economic risk and the various tangible and intangible economic and other benefits the District granted to Spohn, the District was entitled to an allocated portion of the funds Spohn had available for distribution to its co-members—i.e., a share of the Spohn nonfederal net patient revenue negotiated annually based on Spohn’s operating budget and projected operating margin for the upcoming year.

2015 Transaction

In September 2012, Spohn issued a Notice of Material Alteration to the District in accordance with the Membership Agreement requesting to, among other things, demolish the MMC hospital building, construct a 40,000 square foot outpatient clinic on the MMC campus to be known as the Dr. Hector P. Garcia—Memorial Family Health Center (“Family Health Center”), and relocation of Memorial’s inpatient beds and trauma services to Spohn’s Shoreline hospital following the redesign of Shoreline. The parties then entered into a binding Letter of Intent. Under the Letter of Intent, the District approved Spohn’s material alteration plans as described in the Notice. The parties also agreed to amend the Membership Agreement and MOU to make the following changes:

Note 1 – REPORTING ENTITY – (Continuation)

- Authorize Spohn to construct the Family Health Center on the MMC campus, transition MMC inpatient beds, emergency room, and trauma services to Spohn’s Shoreline hospital, and subsequently demolish the MMC hospital facility.
- Require Spohn to continue to (1) provide inpatient and outpatient indigent care services to Nueces Aid enrollees at the same levels as during prior periods through 2036; (2) make certain outpatient services available to Nueces Aid enrollees at the Family Health Center; (3) ensure appropriate availability of inpatient and outpatient psychiatric and behavioral health services to indigents at a location in Corpus Christi, Texas and analyze the most appropriate facility for such services in conjunction with House Bill 3793, 83rd Legislature, Regular Session, 2013 Plan for the Appropriate and Timely Provision of Mental Health Services, (4) ensure the community has constant access to an emergency department equipped to provide Level II trauma services at Shoreline prior to the demolition of the MMC hospital facility; (5) maintain at least two graduate medical education programs with comprehensive resident training available in both programs; and (6) make adequate and appropriately furnished and equipped space available at the Family Health Center for the District’s enrollment officers and receptionist.
- Require Spohn to renovate Spohn’s Shoreline hospital to enable it to have a sufficient number of inpatient beds, achieve Level II Trauma Center designation, and address emergency department capacity issues prior to the demolition of the MMC hospital facility.
- Following the termination of the Membership Agreement, (1) obligate Spohn to continue to provide lease payments to the District as previously required prior to the termination of the Lease and to pay \$1 million per year in lease payments from 2026 through 2036 and (2) reduce the District’s payments to Spohn for providing indigent care services to Nueces Aid enrollees with no inflator.
- Gradually reset Spohn’s obligations to make capital expenditures related to the MMC campus but requires Spohn to place in escrow the difference between the amounts it would have been obligated to make for capital expenditures and the reduced capital expenditure obligations until Spohn completes various of its obligations under the Letter of Intent.

Following the parties’ entry into the Letter of Intent, the District’s Board of Managers issued a resolution formally authorizing the closure and demolition of the MMC hospital facility.

Effective November 2015, the Parties entered into an Amended and Restated Membership Agreement and Amended and Restated MOU (which include amendments to the suspended Master Agreement, Lease, and Revised and Restated Indigent Care Agreement) to memorialize the parties’ various agreements under the Letter of Intent. The parties also entered into an Escrow Agreement with Bank of America serving as the escrow agent to maintain the funds that Spohn will deposit into escrow to secure its commitments under the Amended and Restated Membership Agreement and Amended and Restated MOU. By 2023, either party has the option to terminate the amended and restated Membership Agreement.

Note 1 – REPORTING ENTITY – (Continuation)

Memorial Campus

Governmental Accounting Standards Board No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets* requires that assets no longer used by the government be reported at lower of carrying value or fair value. The Memorial Hospital building was still being utilized to provide psychiatric services and office spaces for Spohn until it was vacated on September 15, 2022. Spohn began demolition of the building in late 2022. Because the building is no longer in use, management determined that the building was impaired and wrote off the remaining net book value of \$224,513 as of the year ended September 30, 2022, in the statement of activities. See Note 8 and 15 for additional information.

The District is considering various health care related options for future use of the Memorial campus following demolition; Spohn is not obligated to complete its demolition of Memorial Hospital until September 30, 2023. Although the Memorial Hospital building was deemed impaired and written off, portions of the property are still in use. Management is considering alternative expansion plans for the Family Health Center on the property in the near future.

Note 2 – SIGNIFICANT ACCOUNTING POLICIES

The District is a special purpose government engaged in a single governmental program, GASB allows the District to combine the required fund financial statements and government-wide statements.

A. Basic Financial Statements

The Basic financial statements include combined government-wide (based on the District as a whole) and fund financial statements.

The Government-wide statements are included in the combined statements of Exhibit 1 and 3 as the Statement of Net Position and Statement of Activities Column. The government-wide statements focus more on the substantiality of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements emphasis is on the major funds which for the District are the general fund and the indigent care fund. There is one non-major fund: The Tobacco Settlement Fund.

The governmental funds statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (1) demonstrate legal and covenant compliance, (2) demonstrate the source and use of liquid resources, and (3) demonstrate how the District's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements a reconciliation is presented in Exhibit 2 and 4 which briefly explains the adjustment necessary to transform the fund based financial statements columns into the government-wide presentation called the statement of net position and statement of activities column.

The District's fiduciary fund is presented in the basic financial statement as separate statements. Since by definition these assets are being held for the benefit of a third party (employees and former employees) and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Note 2 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

B. Basis of Presentation

The financial transactions of the District are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The criteria used to determine if a governmental fund should be reported as a major fund are as follows: the total assets, liabilities, revenues or expenditures of that governmental fund are at least 10% of the corresponding element total for all governmental funds. The special revenue Tobacco Settlement Fund is reported as a major fund because it is the only other fund. The District reports the following major funds:

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

Indigent Care Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally or contractually committed to expenditures for specific purposes. They also are used to account for funds that are committed by the Board to be spent for specific purposes.

Tobacco Settlement Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or contractually committed to expenditures for specific purposes.

Additionally, the District reports the following fund type:

Fiduciary Funds – Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for individuals, private organizations, other governments or funds. These assets are held under the terms of a formal trust agreement. The District has the following fiduciary fund type:

Expendable Trust Fund – An expendable trust fund is used to account for the Health Benefit Plan and Trust. Funds are used to offset employee health insurance premiums, employee reimbursements for out-of-pocket health care costs. The District is not under an obligation to maintain the trust principal.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of measurements made, regardless of the measurement focus applied. The government-wide financial statements and the fiduciary fund statements are presented on an accrual basis of accounting. The governmental funds in the funds financial statements are presented on a modified accrual basis.

Accrual

Revenues are recognized when earned and expenses are recognized when incurred.

Note 2 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

Modified Accrual

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The District considers property tax revenues available if they are collected within sixty days after year-end. Penalties, interest, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Spohn corporate membership revenue and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period to be both measurable and available.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures, except interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to accumulated unpaid paid time off benefits which are recognized when paid.

D. Budgets and Budgetary Accounting

The Board adopts an annual budget for all funds. The annual budget and revisions must be approved by the Board of Managers and then the County Commissioners Court.

E. Cash and Cash Equivalents

Cash and Cash Equivalents include currency on hand, demand deposits with banks and amounts included in pooled cash or liquid investments with a maturity of three months or less when purchased.

F. Investments

Statutes give the District the authority to invest its funds in obligations of the United States; direct obligations of the state of Texas; other obligations guaranteed or insured by the state of Texas or the United States; obligations of states, agencies, counties, or cities of any state that have been rated not less than one or its equivalent by a nationally recognized investment firm; certificates of deposit guaranteed insured or secured by approved obligations; certain commercial paper; fully collateralized repurchase agreements, and Securities & Exchange Commission-registered, no-load money market mutual funds whose assets consist exclusively of approved obligations. Investments are recorded at fair value, except for investments pools which are reported at amortized costs and included in cash and cash equivalents. See Note 5 for discussion on fair value measurement.

G. Receivables and Payables

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide statement of net assets column of the combined financial statements. Tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 3% of the annual tax levy. IGTs are not accrued because they cannot be reasonably estimated and are not legal obligations of the District.

Note 2 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

H. Capital Assets

All fixed assets are valued at historical cost if purchased or constructed. Donated fixed assets are valued at their estimated fair value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

ASSETS	LIFE IN YEARS
Building and Improvements	20-40
Furniture and Equipment	10
Computer Equipment	5

I. Compensated Absences

District employees earn paid time off and sick leave. Paid time off accumulates from year to year up to a maximum of two years accrual. Semi-annually, employees can elect to be paid in lieu of utilizing paid time off and sick leave at a rate of 80% of time earned. Sick leave accumulates up to a maximum of 1,440 hours. Upon termination of employment, employees may receive pay for their unused paid time off. The cost of paid time off and sick leave is recognized when earned by employees.

J. Employee Benefit Plans

The District has a 403(b) tax sheltered annuity retirement plan and a deferred compensation plan as described in Note 14. The assets, liabilities, fund equity and operations of this plan are not presented on the District’s financial statements as both plans are independently administrated.

K. Fund Balance Classifications

The *nonspendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. For the District, resources not in spendable form include prepaid items.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by a formal vote of the Board of Managers no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the District’s intent to use funds for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the Board of Managers to assign amounts to be used. Constraints imposed on the use of assigned amounts can be removed with no formal Board action. The residual fund balance that is not committed in governmental funds; except the General Fund, is assigned.

The *unassigned* fund balance represents the spendable net resources that have not been restricted, committed, or assigned to specific purposes.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Note 2 – SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

L. Codification of Accounting and Financial Reporting Guidance

The District complies with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into GASB's authoritative literature certain accounting and financial reporting guidance issued by the Financial Accounting Standards Board and the American Institute of Certified Public Accountants on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

Note 3 - SPOHN MEMBERSHIP AGREEMENT

The District and Spohn entered into a Spohn Membership Agreement to establish a structure for the joint membership of Spohn with the District effective October 1, 2012, as stated in Note 1. The Agreement includes (1) provisions stipulating the parameters for the healthcare services that Spohn will continue to provide to the Nueces County indigent residents during the term of the Agreement, without payment by the District to Spohn for such services, (2) operative provisions and parameters for Spohn's continued use of the District's Memorial Medical Center (MMC) facilities and satellite clinics during the term of the Agreement in a manner consistent with the substantive and maintenance provisions in the former Lease Agreement, without payment of rent by Spohn to the District for such use, and (3) a Spohn net patient revenue allocation and sharing arrangement between Spohn and the District, the amount of which is determined each year prior to October 1.

The Spohn Membership Agreement serves multiple purposes including to facilitate (1) continued provision of indigent health care services in Nueces County, (2) Spohn's and other Region 4 healthcare providers' ability to participate in Medicaid supplemental funding under the Waiver based on the providers' achievement of Waiver-related project metrics and milestones and their provision of uncompensated care, to the benefit of the Nueces County indigent residents served by the District and (3) the District's ability to serve as the Region 4 Anchor under the Waiver.

The Spohn Membership Agreement was amended and restated effective November 18, 2015 permitting Spohn to renovate and transform the MMC campus and improve facilities at its Christus Spohn Hospital Shoreline campus. Spohn has constructed a new Family Health Center on an unoccupied portion of the MMC campus, expanded its Shoreline campus Emergency Department, relocated the MMC trauma center to the Shoreline campus, and added in-patient bed capacity to that campus. With the addition, relocation, and expansions completed, the community has access to the health care services previously available at MMC and Spohn will be allowed to cease operation of and demolish MMC. By 2023, either party has the option to terminate the amended and restated Membership Agreement.

Annual Member Revenue Allocation

Each year under the Spohn Membership Agreement, Spohn and the District confer regarding the support necessary for the operations of Spohn over the ensuing fiscal year starting October 1. Spohn prepares a budget that contemplates any modifications or additions in cost to provide healthcare services at MMC and the Satellite Clinics. Upon review of the Spohn budget, economic resources of Spohn and the Members and other factors, Spohn and the District agree on a "Specified Annual Percentage", (as defined in the agreement), of Spohn's net patient revenue that the District will receive. Based on this year's estimate the District budgeted \$9,883,929 and received \$12,270,012 in member revenues for the year ended September 30, 2022.

Note 3 - SPOHN MEMBERSHIP AGREEMENT – (Continuation)

According to management, estimating the Specified Annual Percentage for membership revenue sharing is difficult due to the number of changing factors in the health care system that affect costs, as well as, revenues. Management intends to adjust the membership revenue sharing "Specified Annual Percentage" annually according to the Spohn Membership Agreement.

Note 4 – CASH AND INVESTMENTS

The District’s investment policies and types of investments are governed by the Texas Public Funds Investment Act (“PFIA”). The District’s management believes that it has complied with the requirements of the PFIA and the District’s investment policies. At September 30, 2022, the District segmented time distribution analysis of the portfolio by market sector is as follows, including the Health Benefit Trust:

	TOTAL	INVESTMENT MATURITIES IN YEARS	
		LESS THAN ONE YEAR	ONE TO THREE YEARS
Cash and Equivalents:			
Collateralized Bank Accounts	644,672	644,672	--
Money Market Mutual Funds -			
Fiduciary Funds	68,172	68,172	--
Petty Cash	150	150	--
AAA-Rate Local Government			
Investment Pools:			
Texpool	47,060,511	47,060,511	--
Logic	10,602,100	10,602,100	--
TexStar	4,821,402	4,821,402	--
Total Cash and Equivalents	63,197,007	63,197,007	--
Investments At Fair Value:			
Federal Home Loan			
Bank	18,713,935	--	18,713,935
Federal Home Loan Mortgage			
Corporation	2,971,317	--	2,971,317
Federal Farm Credit Banks	3,811,664	--	3,811,664
Federal National Mortgage			
Association	7,722,668	7,722,668	--
Municipal Bond	3,854,363	1,620,875	2,233,488
Total Investments	37,073,947	9,343,543	27,730,404
TOTAL VALUE	100,270,954	72,540,550	27,730,404
% of Total Portfolio	100%	72.34%	27.66%

The District’s policy is to report money market investments and investment pools at amortized cost. U.S. Government Agency Securities are reported at fair value based on quoted market values. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value.

Note 4 – CASH AND INVESTMENTS – (Continuation)

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 (PFIA), chapter 2256.016 of the Texas Government Code.

In addition to others provision of the PFIA designed to promote liquidity and safety of principal, the PFIA 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 AAAM 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.

All investments pools funds held by the District are rated AAAM by Standard & Poor's and comply with the PFIA. Investment pools are included in Cash and Cash Equivalents. A more detailed description of investment pools held by the District at September 30, 2022 is as follows:

TexPool Investment Fund

Texas Local government Investment Pool ("TexPool") operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure.

LOGIC Investment Pool

Local Government Investment Cooperative (LOGIC) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 79, of the Texas Government Code and the PFIA. The pool was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for the joint investments of participant's public funds and funds under their control. J.P. Morgan Investment Management Inc. (JPMIM) has served as the investment adviser. JPMIM is an SEC registered investment adviser and an affiliate of J.P. Morgan Asset Management (JPMAM). Hilltop Securities Inc. (Hilltop) and JPMIN serve as co-administrators to LOGIC, and Hilltop provides administrative, participant support and marketing services. Hilltop Securities is a registered broker dealer, member of FINRA/SIPC, which provides financial advisory and investment banking services to governmental entities. JPMorgan Chase Bank N.A. provides custodial services. LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. S&P Global monitors pertinent pool information on a weekly basis to ensure the pool's compliance with its rating requirements.

TexSTAR Investment Pool

Texas Short Term Assets Reserve Program (“TexSTAR”) is administered by First Southwest Company and JP Morgan Chase. TexSTAR is overseen by a five member governing board made up by three participants and one of each of the program’s professional administrators. The responsibility of the board includes the ability to influence operations, designation of management and accountability for fiscal matters.

In addition, TexSTAR has a Participant Advisory Board which provides input and feedback on the operations and direction of the program and Standard and Poor’s reviews the pool on a weekly basis to ensure the pool’s compliance with its rating requirements. TexSTAR’s investment policy stipulates that it must invest in accordance with the Texas PFIA.

Credit Risk

The primary stated objectives of the District’s adopted Investment Policy are the safety of principal, liquidity, diversification and yield. Credit risk within the District's portfolio among the authorized investments approved by the District's adopted Investment Policy is present only in time and demand deposits, U.S. government agency bonds, repurchase agreements, commercial paper, municipal obligations and money market mutual funds. All investments are rated AA, AA+ or equivalent, by at least one nationally recognized rating agency. Investments are made primarily in obligations of the U.S. Government, its agencies or instrumentalities.

State law and the District's adopted Investment Policy require inclusion of a procedure to monitor and act as necessary to changes in credit rating on any investment which requires a rating. State law and the District’s adopted Investment Policy also require a procedure to verify continued FDIC insurance weekly. State law and the District's adopted Investment Policy restrict both time and demand deposits, including certificates of deposit (CD), to those banks doing business in the State of Texas and further requires full insurance and/or collateralization from these depositories (banks and savings banks). Depository certificates of deposit are limited to a stated maturity of three years. Collateral, with a 102% margin, is required and collateral is limited to obligations of the U.S. Government, its agencies or instrumentalities. Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are priced at market on a daily basis as a contractual responsibility of the bank.

The District's adopted Investment Policy restricts investment in money market mutual funds to those rated AAA and registered with the SEC. Each fund must strive to maintain a \$1 net asset value. Local government investment pools in Texas are required to be rated AAA, or equivalent, by at least one nationally recognized rating agency. The Policy further restricts investments to AAA-rated local government investment pools which strive to maintain a \$1 net asset value.

As of September 30, 2022, the cash and investments contained:

- FDIC insured or fully collateralized bank deposits representing .64% of the total portfolio;
- Investment in three local government investment pools representing 62.32% of the total portfolio;
- AAA-rated money market funds striving to maintain a \$1 net asset value represented 0.07% of the total portfolio;
- US Government agency securities representing 33.13% of the total portfolio; and.
- Municipal Bonds representing 3.84% of the total portfolio.

Note 4 – CASH AND INVESTMENTS – (Continuation)

Credit Risk – (Continuation)

Concentration of Credit Risk

The District recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The District's adopted Investment Policy establishes diversification as a major objective of the investment program and at least 33% of the District's investments are designed to be in obligations of the US Government. As of September 30, 2022 the portfolio met its diversification requirements.

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the District's adopted Investment Policy sets a maximum stated maturity date of three years and at least 33% of the District's investments shall be obligations of the U.S. Government. To ensure liquidity a minimum of 10% shall be liquid. The maximum weighted average maturity (WAM) is one year. At the time any investment is placed, the overall compliance with the Investment Policy is verified. A segmented time distribution analysis of the portfolio is shown on page 42. As of September 30, 2022, holdings in the portfolio with stated maturity dates beyond one year representing 27.66% of the total portfolio all of which were US agencies and a municipal bond.

Custodial Credit Risk

To control custody and safekeeping risk State law and the District's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements. All pledged securities are to be transferred delivery versus payment and held by an independent party approved by the District and held in the District's name by an independent custodian. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% of market value and collateral terms to be detailed in executed written agreements. Depository agreements are executed under the terms of U.S. Financial Institutions Resource and Recovery Enforcement Act (FIRREA). The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

As of September 30, 2022, the portfolio contained no certificates of deposit and no repurchase agreements. The portfolio contained .64% in fully insured and collateralized demand deposit accounts. All pledged bank collateral for demand deposits was held by an independent institution outside the bank's holding company.

Restricted Cash

At September 30, 2022, the District held \$21,552,874 in cash, for the benefit of the Local Provider Participation Fund (LPPF). See Note 15 for a description of the program.

Note 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

GASB 72, *Fair Value Measurement and Application*, for financial reporting purposes categorizes financial instruments within three different levels of risk dependent upon the measure of their fair value and pricing as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Because the investments are restricted by Policy and state law to active secondary market, the market approach is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The fair market prices used for these fair market valuations of the Districts portfolio are all Level 2 and represent other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The investments held by the District as of September 30, 2022 are U.S. Government Agency Bonds and Municipal Bonds.

Note 6 – PROPERTY TAXES

The Commissioners' Court of Nueces County levies for the District, an ad valorem tax as provided under state law on properties within the District. These taxes are collected by the Nueces County Tax Assessor-Collector and are remitted to the District when received. The Nueces County Appraisal District establishes appraised values.

Property taxes are considered available when collected within the current year. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid before February 1 of the year following the October 1 levy date. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges as well as attorney costs. The assessed value of the roll-on January 1, 2021 upon which the levy for the 2022 fiscal year was based was \$35,352,713,874.

The tax rate assessed for the year ended September 30, 2022 to finance general fund operations and the limited tax refunding bonds was \$0.111502 per \$100 valuation. Current tax collections for the year ended September 30, 2022 were 95% of the year-end adjusted tax.

Note 7 – DELINQUENT TAXES RECEIVABLE

The following table shows a schedule of delinquent taxes receivable and the allowance for uncollectible taxes for the District.

	BALANCE OCTOBER 1, 2021	CURRENT YEAR LEVY	TOTAL COLLECTIONS	ADJUSTMENTS	BALANCE SEPTEMBER 30, 2022
Delinquent Taxes					
Receivable	3,914,521	39,463,164	37,933,597	(608,871)	4,835,217
Allowance for Uncollectible Taxes	(1,131,898)	--	--	(51,999)	(1,183,897)
NET DELINQUENT TAXES RECEIVABLE	2,782,623	39,463,164	37,933,597	(660,870)	3,651,320

Note 8 – CAPITAL ASSETS

A summary of changes in the capital assets follows:

	BALANCE OCTOBER 1, 2021	ADDITIONS	REDUCTIONS	BALANCE SEPTEMBER 30, 2022
Capital Assets, Not Being Depreciated-				
Land	3,076,926	--	--	3,076,926
Capital Assets, Being Depreciated-				
Equipment	1,319,110	6,701	17,484	1,308,327
Buildings	27,759,534	--	17,991,082	9,768,452
Total Capital Assets, Being Depreciated	29,078,644	6,701	18,008,566	11,076,779
Less Accumulated Depreciation for				
Equipment	1,188,487	35,473	17,484	1,206,476
Buildings	24,459,242	224,611	17,766,569	6,917,284
Total Accumulated Depreciation	25,647,729	260,084	17,784,053	8,123,760
Total Capital Assets, Being Depreciated Net	3,430,915	(253,383)	224,513	2,953,019
TOTAL CAPITAL ASSETS, NET	6,507,841	(253,383)	224,513	6,029,945

As more fully described in Note 1 on page 35, at September 30, 2022, management determined that the unoccupied building and related equipment constituting the Memorial Hospital were an impaired asset. The assets carrying value comprised of cost less accumulated depreciation of \$224,513 was written off and included as a loss on the statement of activities.

Note 9 – UNEARNED REVENUES

Unearned Revenue balances at September 30, 2022 consist of property taxes of \$3,651,320.

Note 10 – LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the District for the year ended September 30, 2022:

	BALANCE OCTOBER 1, 2021	ADDITIONS	REDUCTIONS	BALANCE SEPTEMBER 30, 2022
Other Liabilities-				
Accrued Paid Time Off	53,485	134,366	122,348	65,503
TOTAL	53,485	134,366	122,348	65,503

Note 11- INTERGOVERNMENTAL TRANSFERS (IGTs)

The District participates in the State sponsored Medicaid payment program serving as the Region 4 Anchor. The District provides IGT's for certain healthcare providers in Region 4 so they can participate in Medicaid payment programs. The District budgets IGTs based on provider's cost estimates. HHSC determines the amount of available State funds available to providers under the various Medicaid payment programs. After these complicated calculations are made by HHSC for all providers in the entire State, then HHSC calculates the amount of IGT needed by each provider and determines timing of the payments to providers. Therefore, of the District's budgeted \$30,120,513 for IGT's, the District paid \$40,210,253 in IGT's in the current fiscal year.

Additionally, IGTs are not accrued as liabilities by the District on the government-wide financial statements because of the following factors:

- There is no legal obligation for the District to remit IGTs to HHSC;
- The amount to pay cannot be reasonably estimated

Note 12- COMMITTED FUND BALANCE

As shown in the fund financial statements the Board of Managers committed an amount not to exceed \$8,537,101 in the District's general fund balance to anticipated additional expenditures for IGTs arising from the District's participation in the Waiver during the year ended September 30, 2022.

Funds included in the Indigent Care Fund of \$54,880,624 are committed to be used for indigent health care.

Note 13 – INTERFUND TRANSACTIONS AND BALANCES

Interfund transfers during the year ended September 30, 2022 were as follows:

	TRANSFERS OUT		TOTAL
	GENERAL FUND	TOBACCO SETTLEMENT FUND	
<u>TRANSFERS IN</u>			
General Fund	667,000	(667,000)	--
TOTAL	667,000	(667,000)	--

Note 14 – EMPLOYEE BENEFIT PLANS

Retirement Plan

The District maintains a single-employer, defined contribution retirement plan available to all employees. The Plan is a tax-qualified plan pursuant to section 403(b) of the Internal Revenue Code. All full-time employees are eligible for participation in the plan. As of September 30, 2022, nineteen employees were enrolled in the plan.

The Plan is administrated by an outside party. Employees can contribute a percentage of their compensation as permitted by the Internal Revenue Code Section 403(b). The District can make a discretionary matching contribution ranging from 5% to 7% of the employee’s earnings, based on tenure. The vesting schedule provides for employees to be 100% vested in their contributions. The District’s contributions are vested at a rate of 20% per year of employment. The plan permits employees to borrow from the plan and the related administration cost thereof shall be borne by the employee participant. The normal retirement age has been designated as 65 years of age. During the year ended September 30, 2022, the District had retirement plan expense of \$68,490.

Deferred Compensation Plan

The District has a deferred compensation agreement with a key employee which allows the employee to defer a percentage of his annual compensation to future periods as permitted by the Internal Revenue Code. The Plan is administrated by an outside party.

Note 15 – LOCAL PROVIDER PARTICIPATION FUND

During 2020, a Local Provider Participation Fund (“LPPF”) in Nueces County was created by the Texas Legislature. Nueces County Hospital District acts as the administrator of the LPPF by assessment and collection of mandatory payments by hospitals in Nueces County. These payments are to be used to fund the local share of supplemental Medicaid funding programs.

Note 15 – LOCAL PROVIDER PARTICIPATION FUND – (Continuation)

During the year ended September 30, 2022, Nueces County Hospital District collected \$137,613,358 in mandatory payments from participating hospitals and made intergovernmental transfers of \$133,688,459. As of September 30, 2022, the District held \$21,552,874 in mandatory payments that will be used for future funding of eligible supplemental payment programs.

The District serves as the administrator of the LPPF. Accordingly, the District is authorized a fee for their administrative services. During the year ended September 30, 2022 the district received \$150,000 fees for serving as administrator.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

February 23, 2023

The Board of Managers
Nueces County Hospital District
Corpus Christi, Texas

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the governmental activities and each major fund of the Nueces County Hospital District, a component unit of Nueces County, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents and have issued our report thereon dated February 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nueces County Hospital District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nueces County Hospital District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Collier, Johnson & Woods

February 23, 2023

To the Board of Managers of the
Nueces County Hospital District
Corpus Christi, Texas

We have audited the financial statements of the Nueces County Hospital District (the District) for the year ended September 30, 2022 and have issued our report thereon dated February 23, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 28, 2022. Professional standards require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies has not changed during the year ended September 30, 2022. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was accrual of expenses.

Management's estimate of the expenses to be accrued is based on management's evaluation of the expected billings from the County and other recipients for services rendered through September 30, 2022, and discussions with key personnel from the recipient's organization. We evaluated the key factors and assumptions used to develop the accruals in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule Exhibit 1, summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. All of the uncorrected or waived journal entries related to the new lease standard. As shown in Exhibit 1, the net effect of waiving the proposed entries to the financial is that both Assets and Liabilities would be understated by \$75,840 and Net Assets and Expenditures would decrease by \$239.

The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. It is anticipated that with the expiration and renewal of current leases in fiscal 2023, the lease standard will need to be review and may result in the need for material adjustments in the future.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 23, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Plan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We discussed with management the application of *GASB 87* and determined it need to be addressed in fiscal year 2023 if the building and copier leases are renewed.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit RSI and do not express an opinion or provide any assurance on the RSI. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financials statements or to the financial statements themselves.

Restrictions on Use

This information is intended solely for the use of the Board of Managers and management of the District Nueces County Hospital District and is not intended to be, and should not be, used by anyone other than these specified parties.

Collier, Johnson & Woods

WAIVED ADJUSTING JOURNAL ENTRIES
SEPTEMBER 30, 2022

EXHIBIT 1

Client: 57000 - Nueces County Hospital District
Engagement: 2022 - Nueces County Hospital District
Period Ending: 9/30/2022
Trial Balance: 2101 - Trial Balance Database
Workpaper: 2503 - PJE Report

EFFECT ON FINANCIAL STATEMENTS

Account	Description	W/P Ref	Debit	Credit	Assets	Liabilities	Net Assets	Net Income
Passed Adjusting Entries								
Passed Adjusting Entries JE # 3		3820						
Implementation of GASB 87-Copier								
99996	Right of Use Asset		26,150.56		26,150.56			
99997	Lease Liability			26,150.56		26,150.56		
Total			26,150.56	26,150.56				
Passed Adjusting Entries JE # 4								
Passed Adjusting Entries JE # 4		3820						
Record activity on leases-Copier								
99995	Interest-Lease		778.96				778.96	(778.96)
99997	Lease Liability		12,313.04			(12,313.04)		
99994	Rent Expense-Leases			13,092.00			13,092.00	13,092.00
Total			13,092.00	13,092.00				
Passed Adjusting Entries JE # 5								
Passed Adjusting Entries JE # 5		3820						
Amortization Expense on Activity-Copier								
99998	Amortization Expense		12,552.27				(12,552.27)	(12,552.27)
99993	Accumulated Amortization			12,552.27		(12,552.27)		
Total			12,552.27	12,552.27				
Passed Adjusting Entries JE # 6								
Passed Adjusting Entries JE # 6		3821						
Implementation of GASB 87-Operating Lease								
99996	Right of Use Asset		178,443.98		178,443.98			
99997	Lease Liability			178,443.98		178,443.98		
Total			178,443.98	178,443.98				
Passed Adjusting Entries JE # 7								
Passed Adjusting Entries JE # 7		3821						
Record activity on leases-Operating Lease								
99997	Lease Liability		116,441.80			(116,441.80)		
99996	Right of Use Asset			116,441.80		(116,441.80)		
Total			116,441.80	116,441.80				
Total Passed Adjusting Entries			346,680.61	346,680.61	75,600.47	75,839.70	239.23	(239.23)

**Nueces County Hospital District
Combined Balance Sheet - All Fund Types & Account Groups
As of 01/31/2023
(In Whole Numbers)**

	General Fund	Special Revenue Fund	Trust Fund	General Fixed Assets	General Long Term Debt	TOTAL
Assets						
Cash & Cash Equivalents	72,873,035 *	18,054,318	68,826	0	0	90,996,179
Investments	0	37,044,348	0	0	0	37,044,348
Accrued Interest	0	138,439	249	0	0	138,688
Taxes Receivable, Net of Allowance	15,764,920	0	0	0	0	15,764,920
Other Receivables	591,171	0	0	0	0	591,171
Due from Other Funds	10,546	0	0	0	0	10,546
Prepaid Expenditures	113,315	0	0	0	0	113,315
Restricted Cash & Cash Equivalents - LPPF	28,584,343	0	0	0	0	28,584,343
Fixed Assets	0	0	0	14,156,549	0	14,156,549
Amt to be Provided for Retirement of LT Debt	0	0	0	0	65,503	65,503
Total Assets	117,937,330	55,237,104	69,075	14,156,549	65,503	187,465,561
Liabilities						
Accounts Payable	2,802,172	0	0	0	0	2,802,172
Accrued Payroll & Related Liabilities	285,930	0	0	0	0	285,930
Intergovernmental Transfer Obligations	28,584,343	0	0	0	0	28,584,343
Due to Other Funds	0	0	10,546	0	0	10,546
Deferred Revenue	15,764,920	0	0	0	0	15,764,920
Long Term Paid Time Off	0	0	0	0	65,503	65,503
Total Liabilities	47,437,364	0	10,546	0	65,503	47,513,413
Fund Equity						
Fund Balance	55,771,740	0	58,529	14,156,549	0	69,986,819
Committed to:						
Intergovernmental Transfers	14,728,225	0	0	0	0	14,728,225
Indigent Care	0	55,236,347	0	0	0	55,236,347
Assigned to County Health Care	0	757	0	0	0	757
Total Fund Equity	70,499,966	55,237,104	58,529	14,156,549	0	139,952,148
Total Liabilities & Fund Equity	117,937,330	55,237,104	69,075	14,156,549	65,503	187,465,561

* General Fund Cash & Equivalents balance includes \$14,728,225 in committed funds.

Nueces County Hospital District
Statement of Revenues and Expenditures - All Governmental and Trust Funds
General Fund
From 1/1/2023 Through 1/31/2023
(In Whole Numbers)

	<u>Current Period Actual</u>	<u>Current Year Actual</u>
Revenues		
Taxes	12,022,956	27,120,535
Penalties & Interest - Taxes	17,488	64,879
Spohn Corporate Member Revenue	2,620,869	9,323,348
Investment Income	231,381	710,307
Other Income	510	151,270
Total Revenues	<u>14,893,205</u>	<u>37,370,339</u>
Current Expenditures		
Intergovernmental Transfers	245,416	3,310,855
County Healthcare Funding	1,415,600	3,967,710
Salaries	118,256	459,903
Benefits	52,616	239,972
Legal & Professional Fees	29,327	198,625
Purchased Services	123,506	508,683
Supplies & Materials	1,202	6,315
Rent & Leases	14,909	51,150
Repairs & Maintenance	0	112
Utilities	2,768	11,097
Insurance	1,985	7,941
Administrative & General	3,683	20,874
Capital Outlay	0	2,845
Total Current Expenditures	<u>2,009,268</u>	<u>8,786,082</u>
Excess of Revenues Over Expenditures Before Sources/Uses	<u>12,883,937</u>	<u>28,584,257</u>
Excess of Revenues Over Expenditures After Sources & Uses	<u>12,883,937</u>	<u>28,584,257</u>
Fund Balance, Beginning of Year		41,915,709
FUND BALANCE, END OF YEAR		<u><u>70,499,966</u></u>

UNAUDITED

Nueces County Hospital District
Statement of Revenues and Expenditures - All Governmental and Trust Funds
Special Revenue Fund
From 1/1/2023 Through 1/31/2023
(In Whole Numbers)

	<u>Current Period Actual</u>	<u>Current Year Actual</u>
Revenues		
Investment Income	98,464	355,733
Total Revenues	<u>98,464</u>	<u>355,733</u>
Excess of Revenues Over Expenditures Before Sources/Uses	<u>98,464</u>	<u>355,733</u>
Excess of Revenues Over Expenditures After Sources & Uses	<u>98,464</u>	<u>355,733</u>
Fund Balance, Beginning of Year		54,881,371
FUND BALANCE, END OF YEAR		<u><u>55,237,104</u></u>

UNAUDITED

Nueces County Hospital District
Statement of Revenues and Expenditures - All Governmental and Trust Funds
Trust Fund
From 1/1/2023 Through 1/31/2023
(In Whole Numbers)

	<u>Current Period Actual</u>	<u>Current Year Actual</u>
Revenues		
Investment Income	249	863
Total Revenues	<u>249</u>	<u>863</u>
Current Expenditures		
Benefits	3,115	6,521
Administrative & General	29	119
Total Current Expenditures	<u>3,144</u>	<u>6,640</u>
Excess of Revenues Over Expenditures Before Sources/Uses	<u>(2,894)</u>	<u>(5,777)</u>
Excess of Revenues Over Expenditures After Sources & Uses	<u>(2,894)</u>	<u>(5,777)</u>
Fund Balance, Beginning of Year		64,306
FUND BALANCE, END OF YEAR		<u><u>58,529</u></u>

Nueces County Hospital District
Statement of Revenues and Expenditures - Actual v. Budget
General Fund
From 1/1/2023 Through 1/31/2023
(In Whole Numbers)

UNAUDITED

	Current Period Actual	Current Period Budget	Current Period Budget Variance	Current Year Actual	YTD Budget	YTD Budget Variance
Revenues						
Taxes	12,022,956	11,929,834	93,122	27,120,535	26,465,984	654,551
Penalties & Interest - Taxes	17,488	50,085	(32,597)	64,879	130,882	(66,003)
Spohn Corporate Member Revenue	2,620,869	2,333,333	287,536	9,323,348	9,333,332	(9,984)
Investment Income	231,381	28,893	202,488	710,307	101,964	608,343
Other Income	510	0	510	151,270	150,000	1,270
Total Revenues	<u>14,893,205</u>	<u>14,342,145</u>	<u>551,060</u>	<u>37,370,339</u>	<u>36,182,162</u>	<u>1,188,177</u>
Current Expenditures						
Intergovernmental Transfers	245,416	1,723,786	1,478,370	3,310,855	7,149,502	3,838,647
County Healthcare Funding	1,415,600	1,001,904	(413,696)	3,967,710	4,192,616	224,906
Salaries	118,256	134,872	16,616	459,903	544,863	84,960
Benefits	52,616	58,898	6,282	239,972	256,647	16,675
Legal & Professional Fees	29,327	129,667	100,340	198,625	518,672	320,047
Purchased Services	123,506	141,910	18,404	508,683	582,020	73,337
Supplies & Materials	1,202	1,791	589	6,315	7,172	857
Rent & Leases	14,909	13,875	(1,034)	51,150	55,504	4,354
Repairs & Maintenance	0	834	834	112	3,336	3,224
Utilities	2,768	4,000	1,232	11,097	16,000	4,903
Insurance	1,985	2,566	581	7,941	10,272	2,331
Administrative & General	3,683	36,534	32,851	20,874	146,152	125,278
Capital Outlay	0	44,000	44,000	2,845	215,400	212,555
Extraordinary	0	417	417	0	1,668	1,668
Total Current Expenditures	<u>2,009,268</u>	<u>3,295,054</u>	<u>1,285,786</u>	<u>8,786,082</u>	<u>13,699,824</u>	<u>4,913,742</u>
Excess of Revenues Over Expenditures Before Sources/Uses	<u>12,883,937</u>	<u>11,047,091</u>	<u>1,836,846</u>	<u>28,584,257</u>	<u>22,482,338</u>	<u>6,101,919</u>
Excess of Revenues Over Expenditures After Sources & Uses	<u>12,883,937</u>	<u>11,047,091</u>	<u>1,836,846</u>	<u>28,584,257</u>	<u>22,482,338</u>	<u>6,101,919</u>
Fund Balance, Beginning of Year				41,915,709	0	41,915,709
FUND BALANCE, END OF YEAR				<u>70,499,966</u>	<u>22,482,338</u>	<u>48,017,628</u>

Nueces County Hospital District
Statement of Revenues and Expenditures - Actual v. Budget
Tobacco Settlement Fund
From 1/1/2023 Through 1/31/2023
(In Whole Numbers)

UNAUDITED

	Current Period Actual	Current Period Budget	Current Period Budget Variance	Current Year Actual	YTD Budget	YTD Budget Variance
Revenues						
Investment Income	3	0	3	10	0	10
Total Revenues	3	0	3	10	0	10
Excess of Revenues Over Expenditures Before Sources/Uses	3	0	3	10	0	10
Excess of Revenues Over Expenditures After Sources & Uses	3	0	3	10	0	10
Fund Balance, Beginning of Year				747	0	747
FUND BALANCE, END OF YEAR				757	0	757

Nueces County Hospital District
Statement of Revenues and Expenditures - Actual v. Budget
Indigent Care Fund
From 1/1/2023 Through 1/31/2023
(In Whole Numbers)

UNAUDITED

	Current Period Actual	Current Period Budget	Current Period Budget Variance	Current Year Actual	YTD Budget	YTD Budget Variance
Revenues						
Investment Income	98,461	30,787	67,674	355,724	123,047	232,677
Total Revenues	98,461	30,787	67,674	355,724	123,047	232,677
Excess of Revenues Over Expenditures Before Sources/Uses	98,461	30,787	67,674	355,724	123,047	232,677
Excess of Revenues Over Expenditures After Sources & Uses	98,461	30,787	67,674	355,724	123,047	232,677
Fund Balance, Beginning of Year				54,880,624	0	54,880,624
FUND BALANCE, END OF YEAR				55,236,347	123,047	55,113,300

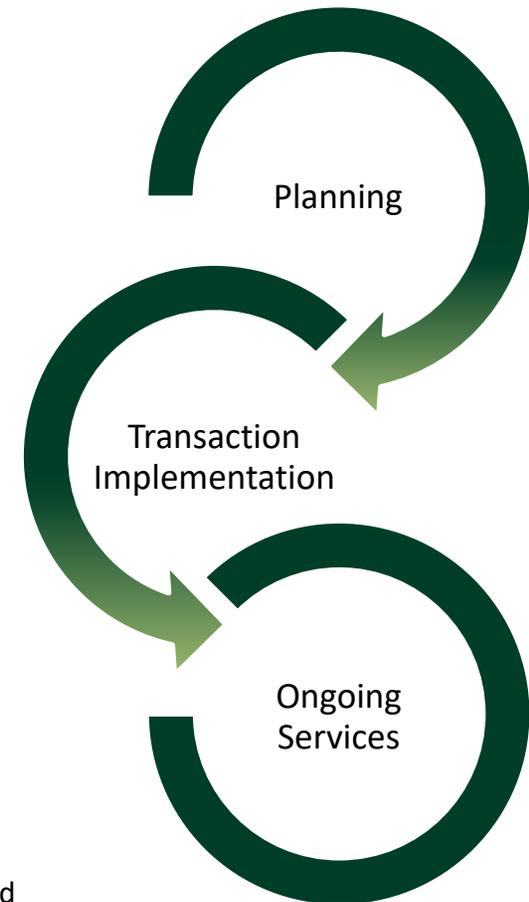
Introduction to Specialized Public Finance, Inc. - Financial Advisory Services

Nueces County Hospital District



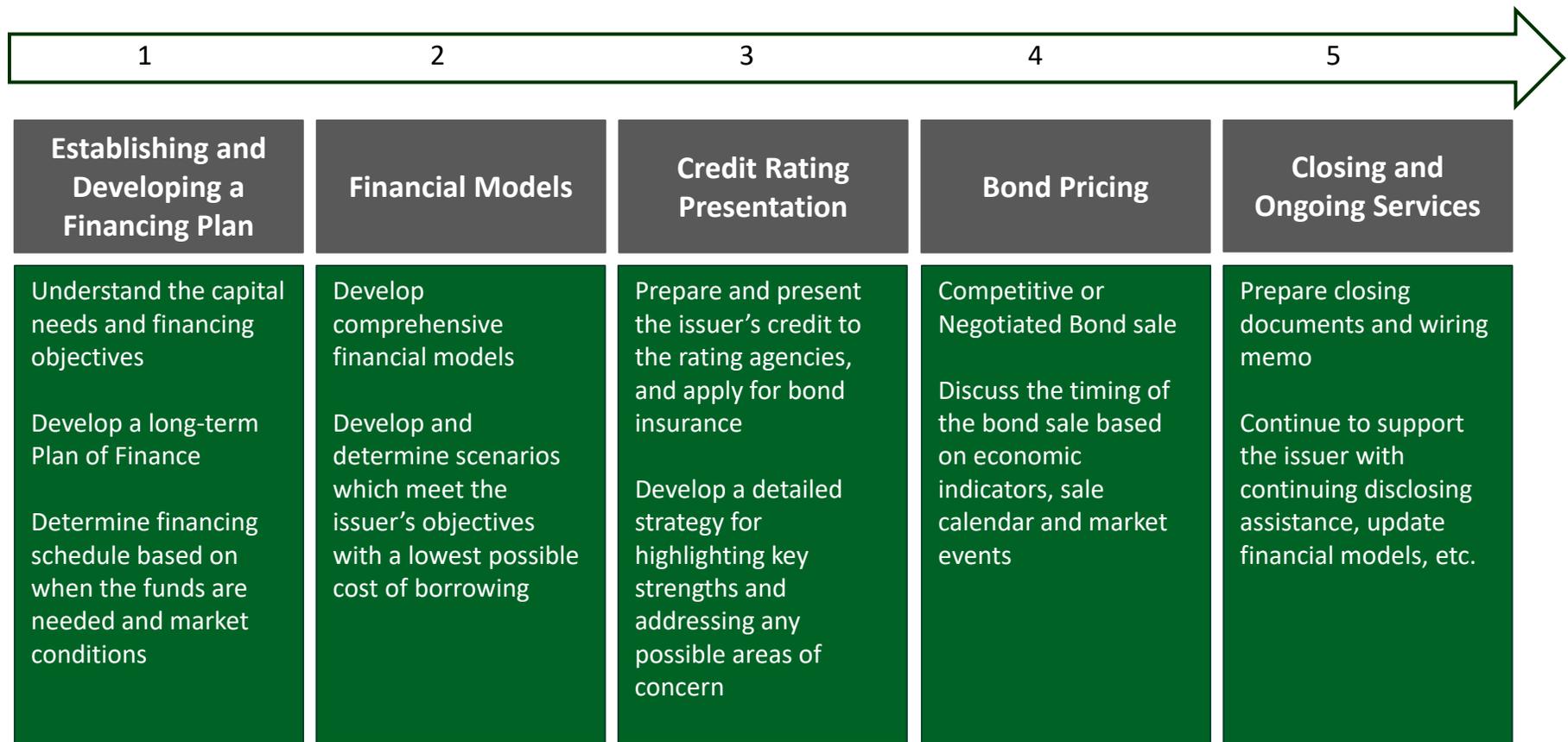
What does a Financial Advisor Do?

- The Financial Advisor has a legal fiduciary responsibility to its client (the issuer).
- Financial Planning and Debt Management:
 - Understanding the issuer's short and long-term objectives
 - Development/Review of the financial policies
 - Debt Capacity and Affordability Study
 - Debt Modeling
 - Evaluation of Financing Alternatives
 - Update the issuer on market conditions
- Transaction Implementation:
 - Develop timeline and assist with procurement of additional financing team members
 - Coordinate meetings with the issuer
 - Preparation of the bond offering document
 - Document review and comment
 - Coordinate meetings/calls with rating agencies
 - Negotiate interest rates with the underwriter
- Ongoing Services:
 - Update capital improvement program models
 - Prepare continuing disclosure reports
 - Provide clients SPFI's weekly Municipal Market Review highlighting current bond market conditions, trends and transactions
 - Rating surveillance
 - Monitor refunding opportunities
 - Keep the issuer informed of new regulations and economic matters
 - Evaluate underwriter ideas



Financial Advisory Process

- Long-term capital planning is a key first step to any debt issuance process.
- Developing a capital planning model helps everyone (staff, elected officials, rating agencies) understand if/how the projects can be funded and the resulting financial impact while also ensuring continued compliance with the City’s financial policies.



About *Specialized Public Finance Inc.*

Independent firm dedicated exclusively to providing Financial Advisory Services

NOT controlled by any municipal underwriting or trading firm, assuring the objectivity of our FA practice

Formed on November 6, 2008, in response to unprecedented global credit market events



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES

Represents 530 government entities and completed over 2,200 transactions in excess of \$32.7 billion since 2008

Texas based with offices in Austin, San Antonio, Dallas and Amarillo

With 17 employees, we are a small firm with a big footprint in Texas and consistently top ranked FA in the State and the Nation

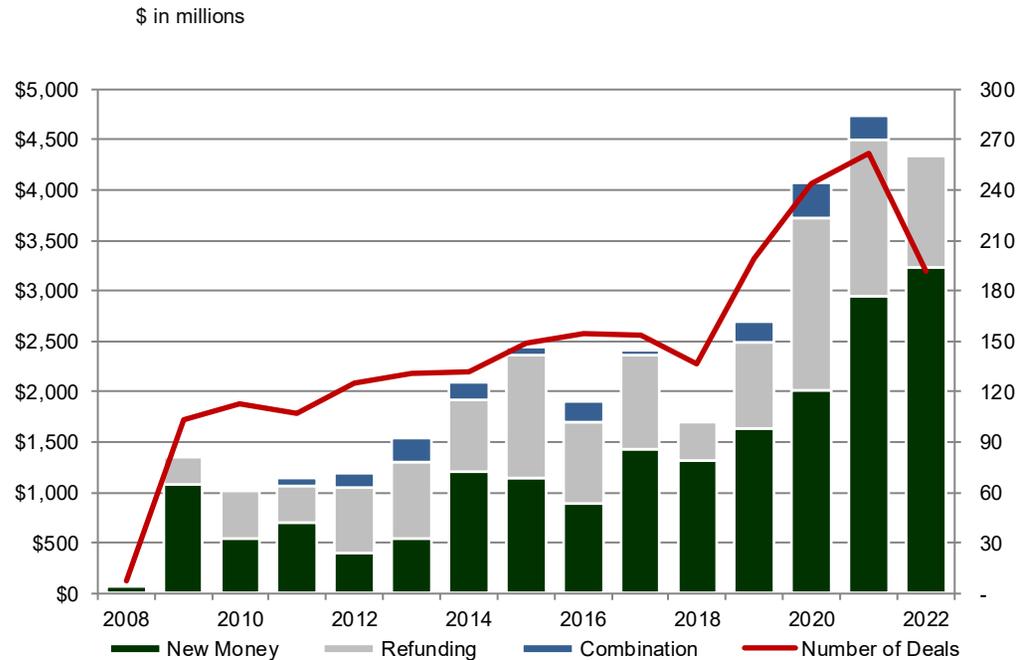
One of the Most Active and Experienced Financial Advisors

- With 17 employees, we are a small firm with a big footprint in Texas
- Our Financial Advisors average over 25-years of Public Finance Experience
- Represent over 530 governmental entities
- Completed over 2,200 transactions in excess of \$32.7 billion (as of 12/31/22)

SPFI Transaction History By Year and November 6, 2008 to December 31, 2022		
Year	# of Issues *	Par Amount *
2008	8	\$ 72,954,990
2009	103	1,346,044,897
2010	113	1,026,030,808
2011	107	1,151,202,443
2012	125	1,189,255,423
2013	131	1,535,618,811
2014	132	2,092,913,144
2015	149	2,448,557,940
2016	155	1,911,253,995
2017	154	2,408,204,850
2018	137	1,703,914,750
2019	199	2,687,067,000
2020	244	4,069,284,370
2021	262	4,737,785,265
2022	192	4,336,933,977
2,211	\$ 32,717,022,662	

* Includes Private Placements and TWDB issues.

SPFI Use of Proceeds History November 6, 2008 to December 31, 2022



Top Ranked Financial Advisor

- Ranked by the number of transactions since 2016, SPFI is the #2 overall financial advisor and #1 independent financial advisor in Texas

Firm	Rank	Deals
Hilltop Securities Inc	1	2,296
Specialized Public Finance Inc	2	864
Masterson Advisors LLC	3	764
Robert W Baird & Co	4	714
SAMCO Capital Markets Inc	5	670
RBC Capital Markets	6	447
Estrada Hinojosa & Co Inc	7	446
Rathmann & Associates LP	8	340
USCA Municipal Advisors LLC	9	294
GMS Group LLC	10	286

Notable SPFI Financial Advisory Experience

 <p>\$1,138,564,057 17 Transactions Since 2008</p> <p>Corpus Christi ISD **</p>	 <p>\$42,290,000 3 Transactions Since 2013</p> <p>Corpus Christi RTA **</p>
--	--

 <p>\$663,057,000 43 Transactions Since 2009</p> <p>Amarillo</p>	 <p>\$296,345,000 17 Transactions Since 2010</p> <p>Bell County</p>	 <p>\$528,649,996 16 Transactions Since 2010</p> <p>Belton ISD</p>	 <p>\$503,730,000 31 Transactions Since 2009</p> <p>Cedar Park</p>	 <p>\$805,064,999 13 Transactions Since 2010</p> <p>Del Valle ISD</p>	 <p>\$441,574,935 8 Transactions Since 2010</p> <p>Dripping Springs ISD</p>
---	--	---	---	--	--

 <p>\$885,851,000 60 Transactions Since 2009</p> <p>Georgetown</p>	 <p>\$380,865,000 24 Transactions Since 2010</p> <p>Guadalupe-Blanco River Auth</p>	 <p>\$883,199,998 25 Transactions Since 2008</p> <p>Hays County</p>	 <p>\$515,350,000 28 Transactions Since 2009</p> <p>Killeen</p>	 <p>\$3,494,240,000 16 Transactions Since 2015</p> <p>Lower Colorado River Auth</p>	 <p>\$648,329,789 18 Transactions Since 2009</p> <p>Lubbock-Cooper ISD</p>
--	---	---	---	---	--

 <p>\$746,095,000 36 Transactions Since 2009</p> <p>Round Rock</p>	 <p>\$735,740,000 42 Transactions Since 2009</p> <p>San Marcos</p>	 <p>\$850,100,000 42 Transactions Since 2009</p> <p>Temple</p>	 <p>\$719,535,000 6 Transactions Since 2009</p> <p>Texas Muni Power Agency</p>	 <p>\$269,884,964 33 Transactions Since 2008</p> <p>Travis County WC&ID No. 17</p>	 <p>\$1,935,085,000 29 Transactions Since 2009</p> <p>Williamson County</p>
---	---	---	---	---	--

Notable SPFI Financial Advisory Experience – Hospital Districts

<p>\$15,275,000</p> <p>Martin County Hospital District</p>	<p>\$28,725,000 2 Transactions since 2013</p> <p>Deaf Smith County Hospital District</p>	<p>\$3,205,000</p> <p>Scurry County Hospital District</p>
<p>\$2,150,000</p> <p>Muleshoe Area Hospital District</p>	<p>\$26,300,000</p> <p>Lubbock County Hospital District</p>	<p>\$16,900,000</p> <p>Kimble County Hospital District</p>

Financial Advisor Team Introduction



Victor Quiroga, Jr.
Title: Managing Director
Role: Lead Advisor



Dan Wegmiller
Title: Managing Director
Role: Support Advisor



Jennifer Ritter
Title: Managing Director
Role: Support Advisor



Jeff Garland
Title: Managing Director
Role: Lead Quantitative Advisor



Kristin Merz
Title: Associate Director
Role: Continuing Disclosure Expertise



Cole Gilmore
Title: Associate
Role: Quantitative Expertise

Victor Quiroga, Jr. – Lead Advisor



Professional Experience:

- 22 Years Experience
- Lead Advisor on more the 600 bond transactions totaling over \$11 billion
- Lead Advisor on 199 bond transactions totaling \$2.3 billion in the Coastal Bend Area
- Advised CCISD on 7 consecutive, successful bond elections for over \$1.1 billion

Education:

- BA in Political Science from the University of Chicago
- Series 50 registered Municipal Advisor with the Securities and Exchange Commission

Representative Financial Advisory Clients:

Corpus Christi ISD	Corpus Christi RTA	City of Cibolo
City of Portland	City of Universal City	London ISD
Tuloso-Midway ISD	Flour Bluff ISD	Port Aransas ISD
Bishop CISD	Ingleside ISD	Coastal Bend College
Bee County	City of Beeville	Beeville ISD

Why Specialized Public Finance Inc. as the District's Financial Advisor?

- ☑ ***The Value of an Independent Financial Advisor***
 - Free from the conflicts of interest inherent in financial advisors who are also broker/dealers pursuing bond underwriting engagements
 - We will provide the City of Corpus Christi unbiased and conflict-free advice

- ☑ ***One of the Top Financial Advisors in Texas and the Nation***
 - Averaged 199 transactions per year over the past five years
 - The #2 firm among all Texas financial advisors for completed transactions
 - The #6 firm among all National financial advisors for completed transactions

- ☑ ***Seasoned Team of Professionals Focused Exclusively on Providing Financial Advisory Services***
 - Senior advisors averaging 25 years of experience
 - Advisory professional have always focused on financial advisory services

- ☑ ***Extensive Experience with Texas Counties and Hospital Districts***
 - Hired by over 47 Counties and 6 County Hospital Districts
 - Completed 7 County Hospital District transactions for over \$92 million

- ☑ ***Superior Credit Knowledge of Corpus Christi and the Coastal Bend Area***
 - Co-Lead Advisor has conducted 199 bond sales for \$2.3 billion for Coastal Bend Issuers
 - 81 successful bond sales for \$1.7 billion for Nueces County Issuers
 - Advised Corpus Christi ISD on 7 consecutive, successful bond elections for over \$1.1 billion

State Attorney General's Tax Rate Limitations for Texas Hospital Districts

- The Texas Constitution (Art. IX, Sec. 4 & 9) imposes a limit of \$0.75 per \$100 assessed valuation for all purposes, including taxes levied for the payment of operation and maintenance (M&O) expenses of the District and to pay any tax-supported bonded indebtedness of the District.

Financing Tools Available to Texas Hospital Districts

Type:	General Obligation Bonds	Certificates of Obligation ⁽¹⁾	Revenue Bonds
Purpose:	General Purpose	General Purpose	Enterprise System
Voter Authorization:	Yes	No ⁽²⁾	No
Amortization Requirements:	Not to exceed 40 years	Not to exceed 40 years	None
Source of Payment:	I&S Taxes ⁽³⁾	I&S Taxes ⁽³⁾ and/or revenues	Revenues
Interest Rate:	Strongest Credit: Lowest Interest Rates	Similar to General Obligation Bonds	Higher than General Obligation Bonds

⁽¹⁾ If a bond election failed, Certificates may not be issued for that purpose within 3 years of the election.

⁽²⁾ Publication of notice required: petition during notice period could require an election.

⁽³⁾ I&S Tax Rate is not subject to rollback.

McCALL, PARKHURST & HORTON L.L.P. – SAN ANTONIO
HOSPITAL DISTRICT FINANCE EXPERIENCE

- Bexar County Hospital District
 - \$290,000,000 Combination Tax and Revenue Certificates of Obligations, Series 2008
 - \$36,240,000 Certificates of Obligations, Series 2009A
 - \$246,395,000 Certificates of Obligations, Taxable Series 2009B (Direct Subsidy – Build America Bonds)
 - \$204,885,000 Certificates of Obligations, Taxable Series 2010B (Direct Subsidy – Build America Bonds)
 - \$293,710,000 Certificates of Obligations, Series 2022 (Disclosure Counsel)
- Culberson County Hospital District
 - May 10, 2008 Bond Election
 - \$700,000 Limited Tax Bonds, Series 2008
 - \$6,800,000 Limited Tax Bonds, Series 2009
 - \$4,379,000 Limited Tax Refunding Bonds, Taxable Series 2020
- Kimble County Hospital District
 - May 9, 2009 Bond Election
 - \$1,000,000 Limited Tax Bonds, Series 2009
 - \$15,900,000 Limited Tax Bonds, Series 2009A
 - \$15,325,000 Limited Tax Refunding Bonds, Taxable Series 2020
- Hutchinson County Hospital District
 - \$9,600,000 Hospital System Revenue Bonds, Taxable Series 2010A (USDA Purchased)
 - \$9,000,000 Hospital System Revenue Bonds, Taxable Series 2010B (USDA Purchased)
 - \$10,000,000 Hospital System Revenue Bonds, Taxable Series 2010C (USDA Guaranteed)
- Schleicher County Hospital District
 - May 14, 2011 Bond Election
 - \$17,370,000 Limited Tax Bonds, Series 2011
- Rice Hospital District
 - \$1,375,000 Hospital System Revenue Bonds, Taxable Series 2013 (USDA Guaranteed)
- Coleman County Hospital District
 - \$9,000,000 Hospital System Revenue Bonds, Taxable Series 2020A (USDA Purchased)
 - \$4,608,000 Hospital System Revenue Bonds, Taxable Series 2020B (USDA Purchased)
 - \$1,640,000 Hospital System Revenue Bonds, Taxable Series 2020C (USDA Guaranteed)

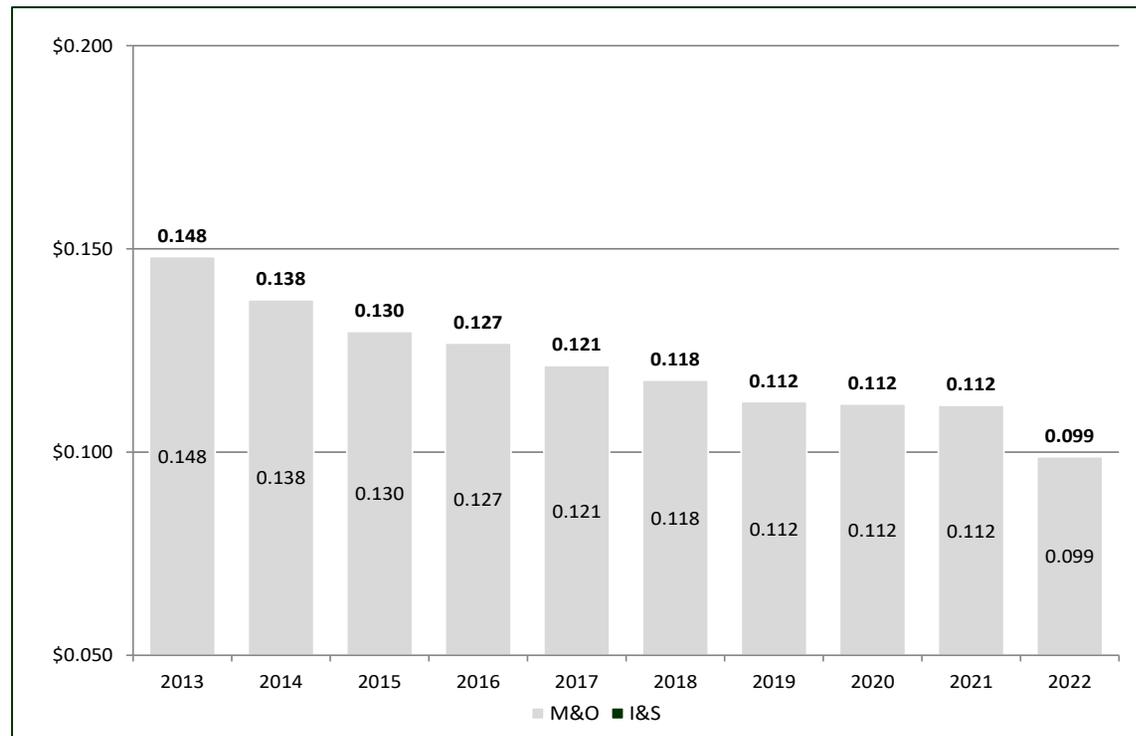
Information on Capital Improvement Financing

Nueces County Hospital District



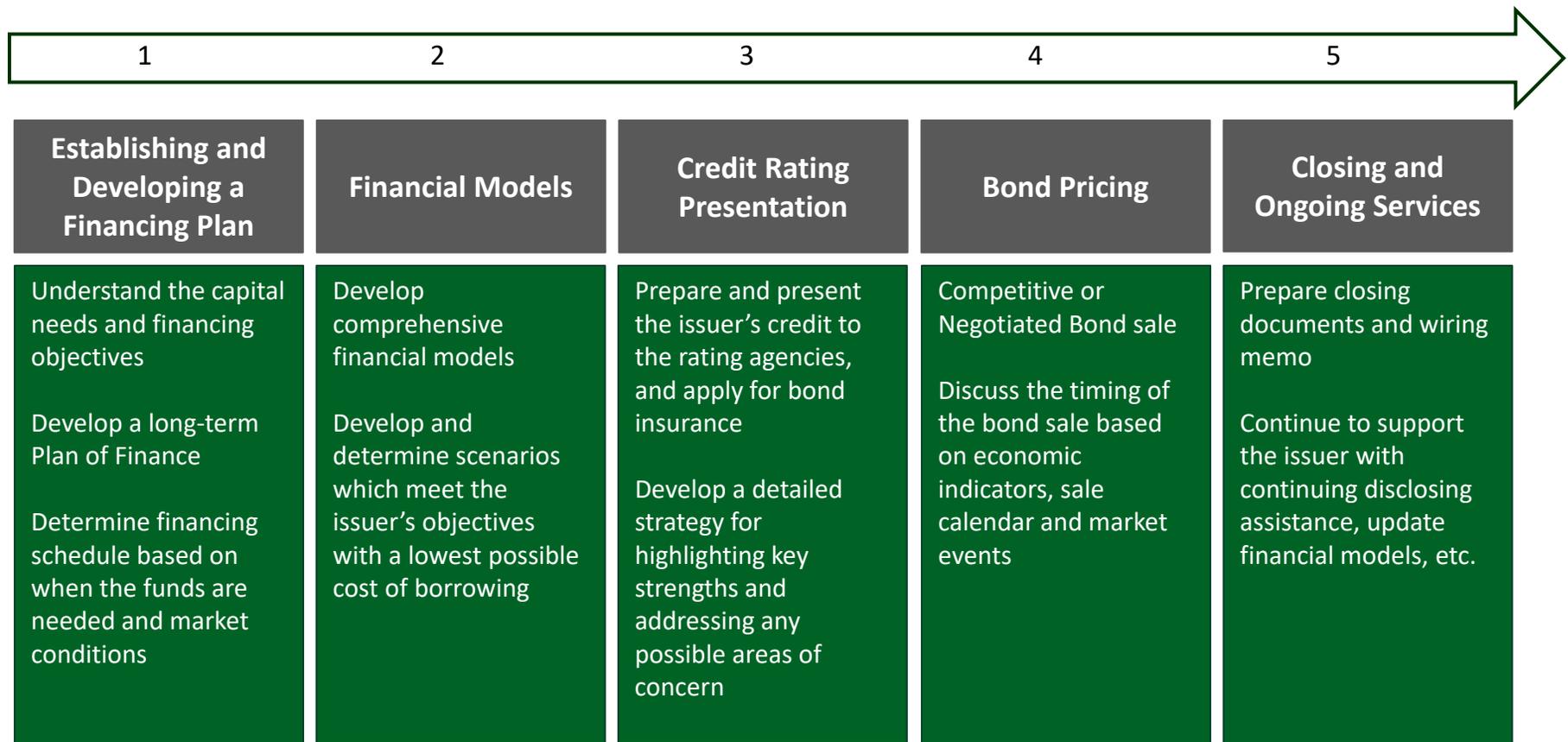
State Attorney General’s Tax Rate Limitations for Texas Hospital Districts

- The Texas Constitution (Art. IX, Sec. 4 & 9) imposes a limit of \$0.75 per \$100 assessed valuation for all purposes, including taxes levied for the payment of operation and maintenance (M&O) expenses of the District and to pay any tax-supported bonded indebtedness of the District.
- Current tax rate for NCHD is \$0.099 and it is only for M&O
- NCHD Tax Rate History:



Major Steps in the Bond Issuance Process

- Long-term capital planning is a key first step to any debt issuance process.
- Developing a capital planning model helps everyone (staff, elected officials, rating agencies) understand if/how the projects can be funded and the resulting financial impact while also ensuring continued compliance with the District’s financial policies.



Nueces County Hospital District’s Financing History

- The NCHD currently has no debt outstanding, but has utilized debt in the past for capital improvement projects and refinancings

Date:	Amount:	Title:
9/1/1975	\$4,000,000	Revenue Bonds
7/1/1986	\$26,990,000	Revenue Refunding & Improvement Bonds
5/15/1993	\$27,405,000	Combination Tax & Subordinate Lien Revenue Refunding Bonds
2/15/2003	\$18,490,000	Limited Tax Refunding Bonds

Financing Tools Available to Texas Hospital Districts

Type:	General Obligation Bonds	Certificates of Obligation ⁽¹⁾	Revenue Bonds
Purpose:	General Purpose	General Purpose	Enterprise System
Voter Authorization:	Yes	No ⁽²⁾	No
Amortization Requirements:	Not to exceed 40 years	Not to exceed 40 years	None
Source of Payment:	I&S Taxes ⁽³⁾	I&S Taxes ⁽³⁾ and/or revenues	Revenues
Interest Rate:	Strongest Credit: Lowest Interest Rates	Similar to General Obligation Bonds	Higher than General Obligation Bonds

⁽¹⁾ If a bond election failed, Certificates may not be issued for that purpose within 3 years of the election.

⁽²⁾ Publication of notice required: petition during notice period could require an election.

⁽³⁾ I&S Tax Rate is not subject to rollback.

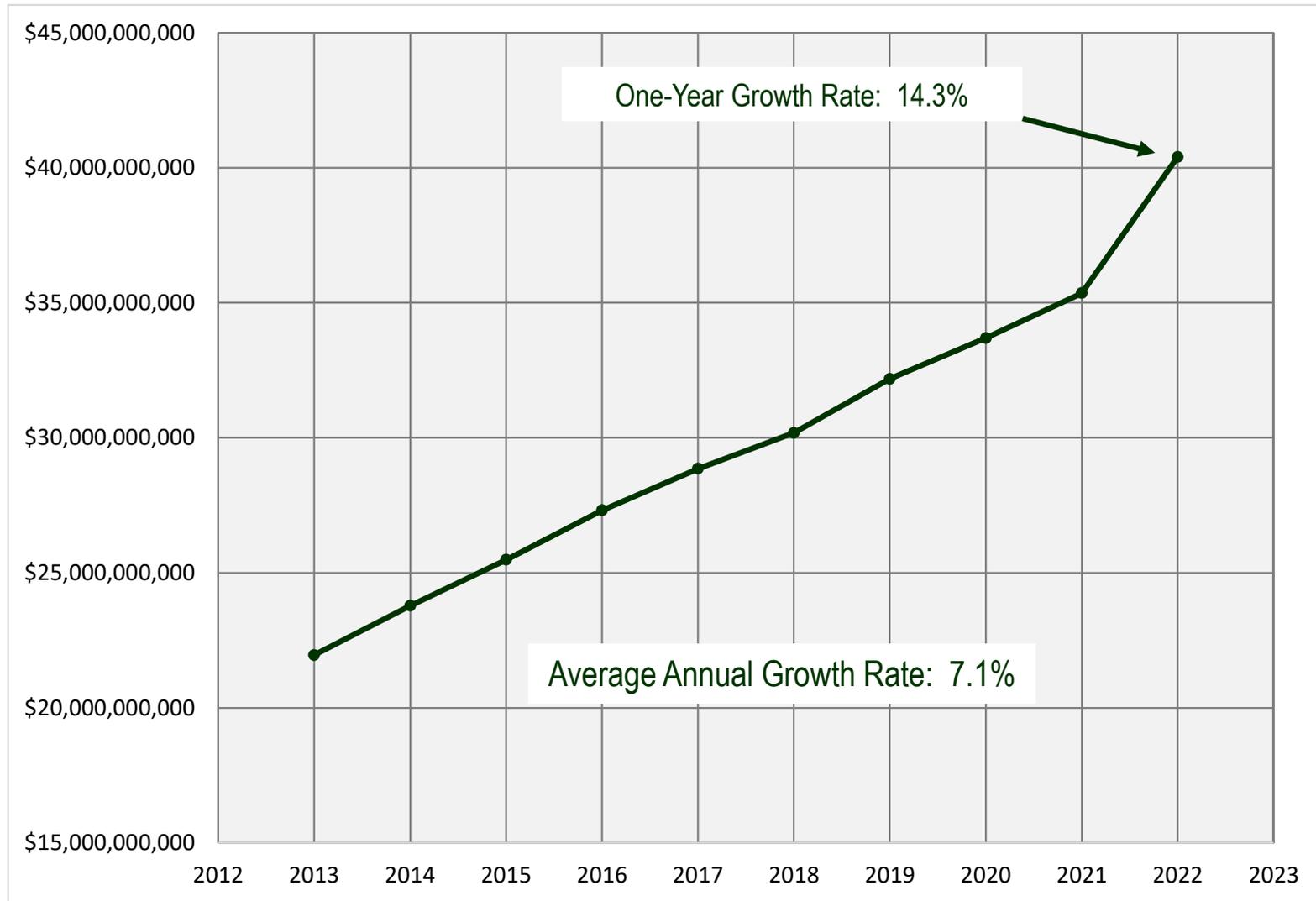
Steps Required for the Issuance of Certificates of Obligation

- Board approves a Financing Plan for the issuance of Certificates of Obligation (“CO’s”); Requests the County to consider the approval of a “Notice of Intent Resolution” to issue the CO’s
- Commissioners Court approves Notice of Intent Resolution
- 1st publication of the Notice of Intent appears in the Caller Times (45-day clock begins)
- 2nd publication of the Notice of Intent appears in the Caller Times (must occur 1-week after 1st publication)
- Enter the bond market for the sale of the Certificates of Obligation (i.e., lock-in interest rate; may not occur earlier than 45-days from the 1st publication)
 - Board approves the sale of the CO’s at a special-called meeting
 - Commissioners Court approves the sale of the CO’s at a regular meeting
- Closing; proceeds delivered to the District’s construction fund (30-days after sale of CO’s)

***** From start to finish, issuing Certificates of Obligation is a 90-day process *****

Taxable Assessed Valuation Trend

- For a tax-supported financing tool such as CO's, the NCHD's property tax base is the main determining factor for bond affordability



Scenario 1: I&S Tax Rate Impact Model for a \$30,000,000 Borrowing = \$0.0047 Impact

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
FYE 9/30	Net Taxable Assessed Valuation	Est. Growth	Existing D/S	\$30,000,000 Series 2023 7/12 4.58%	Projected Total D/S	Less: Available D/S Funds	Less: Frozen Tax Revenues	Projected Total Net D/S	Projected I&S Tax Rate	Change
2023	\$ 39,260,911,676		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2024	41,223,957,260	5.00%	-	1,901,465	1,901,465	-	-	1,901,465	0.0047	0.0047
2025	43,285,155,123	5.00%	-	1,897,500	1,897,500	-	-	1,897,500	0.0045	
2026	45,449,412,879	5.00%	-	1,899,500	1,899,500	-	-	1,899,500	0.0043	
2027	46,812,895,265	3.00%	-	1,900,250	1,900,250	-	-	1,900,250	0.0041	
2028	48,217,282,123	3.00%	-	1,899,750	1,899,750	-	-	1,899,750	0.0040	
2029	49,181,627,766	2.00%	-	1,898,000	1,898,000	-	-	1,898,000	0.0039	
2030	50,165,260,321	2.00%	-	1,900,000	1,900,000	-	-	1,900,000	0.0039	
2031	51,168,565,527	2.00%	-	1,900,500	1,900,500	-	-	1,900,500	0.0038	
2032	52,191,936,838	2.00%	-	1,899,500	1,899,500	-	-	1,899,500	0.0037	
2033	53,235,775,575	2.00%	-	1,897,000	1,897,000	-	-	1,897,000	0.0036	
2034	54,300,491,086	2.00%	-	1,898,000	1,898,000	-	-	1,898,000	0.0036	
2035	55,386,500,908	2.00%	-	1,897,250	1,897,250	-	-	1,897,250	0.0035	
2036	56,494,230,926	2.00%	-	1,899,750	1,899,750	-	-	1,899,750	0.0034	
2037	57,624,115,545	2.00%	-	1,900,250	1,900,250	-	-	1,900,250	0.0034	
2038	58,776,597,856	2.00%	-	1,898,750	1,898,750	-	-	1,898,750	0.0033	
2039	59,952,129,813	2.00%	-	1,900,250	1,900,250	-	-	1,900,250	0.0032	
2040	61,151,172,409	2.00%	-	1,899,500	1,899,500	-	-	1,899,500	0.0032	
2041	62,374,195,857	2.00%	-	1,896,500	1,896,500	-	-	1,896,500	0.0031	
2042	63,621,679,774	2.00%	-	1,896,250	1,896,250	-	-	1,896,250	0.0030	
2043	64,894,113,370	2.00%	-	1,898,500	1,898,500	-	-	1,898,500	0.0030	
2044	66,191,995,637	2.00%	-	1,898,000	1,898,000	-	-	1,898,000	0.0029	
2045	67,515,835,550	2.00%	-	1,899,750	1,899,750	-	-	1,899,750	0.0029	
2046	68,866,152,261	2.00%	-	1,898,500	1,898,500	-	-	1,898,500	0.0028	
2047	70,243,475,306	2.00%	-	1,899,250	1,899,250	-	-	1,899,250	0.0028	
2048	71,648,344,812	2.00%	-	1,896,750	1,896,750	-	-	1,896,750	0.0027	
2049	73,081,311,708	2.00%	-	1,901,000	1,901,000	-	-	1,901,000	0.0027	
2050	74,542,937,943	2.00%	-	1,896,500	1,896,500	-	-	1,896,500	0.0026	
2051	76,033,796,701	2.00%	-	1,898,500	1,898,500	-	-	1,898,500	0.0025	
2052	77,554,472,636	2.00%	-	1,896,500	1,896,500	-	-	1,896,500	0.0025	
2053	79,105,562,088	2.00%	-	1,900,500	1,900,500	-	-	1,900,500	0.0025	
Totals			\$ -	\$ 56,963,715	\$ 56,963,715	\$ -	\$ -	\$ 56,963,715		\$ 0.0047

Assumptions:

- (1) FY 2023 Net Taxable AV provided by the Nueces County Appraisal District ("NCAD") as of August 8, 2022 and includes 60% of the under review amount of \$1,435,442,044. Additionally, the AV excludes the TIF incremental value of \$560,749,003. Projected AV growth, if any, shown for purposes of illustration only.
- (2) All assumptions are as of February 15, 2023 for purposes of illustration only. Preliminary Series 2023 assumes a July 2023 delivery and current market rates + 0.50%.
- (3) Est. tax collections rate: 98.00%

Scenario 2: I&S Tax Rate Impact Model for a \$45,000,000 Borrowing = \$0.0070 Impact

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	
FYE 9/30	Net Taxable Assessed Valuation	Est. Growth	Existing D/S	\$45,000,000 Series 2023 7/12 4.58%		Projected Total D/S	Less: Available D/S Funds	Less: Frozen Tax Revenues	Projected Total Net D/S	Projected I&S Tax Rate	Change
2023	\$ 39,260,911,676		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2024	41,223,957,260	5.00%	-	2,846,285	2,846,285	-	-	2,846,285	0.0070	0.0070	
2025	43,285,155,123	5.00%	-	2,843,250	2,843,250	-	-	2,843,250	0.0067		
2026	45,449,412,879	5.00%	-	2,843,750	2,843,750	-	-	2,843,750	0.0064		
2027	46,812,895,265	3.00%	-	2,842,500	2,842,500	-	-	2,842,500	0.0062		
2028	48,217,282,123	3.00%	-	2,844,500	2,844,500	-	-	2,844,500	0.0060		
2029	49,181,627,766	2.00%	-	2,844,500	2,844,500	-	-	2,844,500	0.0059		
2030	50,165,260,321	2.00%	-	2,842,500	2,842,500	-	-	2,842,500	0.0058		
2031	51,168,565,527	2.00%	-	2,843,500	2,843,500	-	-	2,843,500	0.0057		
2032	52,191,936,838	2.00%	-	2,847,250	2,847,250	-	-	2,847,250	0.0056		
2033	53,235,775,575	2.00%	-	2,843,500	2,843,500	-	-	2,843,500	0.0055		
2034	54,300,491,086	2.00%	-	2,842,500	2,842,500	-	-	2,842,500	0.0053		
2035	55,386,500,908	2.00%	-	2,844,000	2,844,000	-	-	2,844,000	0.0052		
2036	56,494,230,926	2.00%	-	2,842,750	2,842,750	-	-	2,842,750	0.0051		
2037	57,624,115,545	2.00%	-	2,843,750	2,843,750	-	-	2,843,750	0.0050		
2038	58,776,597,856	2.00%	-	2,846,750	2,846,750	-	-	2,846,750	0.0049		
2039	59,952,129,813	2.00%	-	2,846,500	2,846,500	-	-	2,846,500	0.0048		
2040	61,151,172,409	2.00%	-	2,843,000	2,843,000	-	-	2,843,000	0.0047		
2041	62,374,195,857	2.00%	-	2,846,250	2,846,250	-	-	2,846,250	0.0047		
2042	63,621,679,774	2.00%	-	2,845,750	2,845,750	-	-	2,845,750	0.0046		
2043	64,894,113,370	2.00%	-	2,846,500	2,846,500	-	-	2,846,500	0.0045		
2044	66,191,995,637	2.00%	-	2,843,250	2,843,250	-	-	2,843,250	0.0044		
2045	67,515,835,550	2.00%	-	2,846,000	2,846,000	-	-	2,846,000	0.0043		
2046	68,866,152,261	2.00%	-	2,844,250	2,844,250	-	-	2,844,250	0.0042		
2047	70,243,475,306	2.00%	-	2,843,000	2,843,000	-	-	2,843,000	0.0041		
2048	71,648,344,812	2.00%	-	2,847,000	2,847,000	-	-	2,847,000	0.0041		
2049	73,081,311,708	2.00%	-	2,845,750	2,845,750	-	-	2,845,750	0.0040		
2050	74,542,937,943	2.00%	-	2,844,250	2,844,250	-	-	2,844,250	0.0039		
2051	76,033,796,701	2.00%	-	2,842,250	2,842,250	-	-	2,842,250	0.0038		
2052	77,554,472,636	2.00%	-	2,844,500	2,844,500	-	-	2,844,500	0.0037		
2053	79,105,562,088	2.00%	-	2,845,500	2,845,500	-	-	2,845,500	0.0037		
Totals			\$ -	\$ 85,335,035	\$ 85,335,035	\$ -	\$ -	\$ 85,335,035		\$ 0.0070	

Assumptions:

- (1) FY 2023 Net Taxable AV provided by the Nueces County Appraisal District ("NCAD") as of August 8, 2022 and includes 60% of the under review amount of \$1,435,442,044. Additionally, the AV excludes the TIF incremental value of \$560,749,003. Projected AV growth, if any, shown for purposes of illustration only.
- (2) All assumptions are as of February 15, 2023 for purposes of illustration only. Preliminary Series 2023 assumes a July 2023 delivery and current market rates + 0.50%.
- (3) Est. tax collections rate: 98.00%

Summary of Financing Scenarios:

Borrowing Amount*:	I&S Tax Rate Impact:	Monthly Impact to \$250,000 Home
\$30,000,000	\$0.0047	\$0.98
\$45,000,000	\$0.0070	\$1.46

(Assumes a 30-year repayment term with a fixed interest rate of 4.58% for planning purposes.*

Next Steps for a Successful Financing

- ❖ Prioritize capital improvement projects
- ❖ Develop a conservative project cost budget
- ❖ Determine when financing proceeds are needed