Memorial Medical Center

A Component Unit of Calhoun County, Texas

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Contents
December 31, 2023 and 2022

Forvis Mazars, LLP
2700 Post Oak Boulevard, Suite 1500
Houston, TX 77056
P 713.499.4600 | F 713.499.4699
forvismazars.us

Independent Auditor's Report

Board of Managers
Memorial Medical Center
Port Lavaca, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Memorial Medical Center, a component unit of Calhoun County, Texas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise Memorial Medical Center’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Memorial Medical Center, as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Memorial Medical Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Memorial Medical Center's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Memorial Medical Center'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 Memorial Medical Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Forvis Mazars, LLP

Houston, Texas
August 8, 2024

Introduction

This management's discussion and analysis of the financial performance of Memorial Medical Center (Medical Center) provides an overview of the Medical Center's financial activities for the years ended December 31, 2023 and 2022. It should be read in conjunction with the accompanying financial statements of the Medical Center. Unless otherwise indicated, amounts are rounded to the nearest thousand.

Financial Highlights

- Cash increased in 2023 by $395,000, or 7%, and decreased in 2022 by $357,000, or 6%.
- The Medical Center's net position decreased in 2023 by $1,504,000, or 8%, and increased in 2022 by $2,214,000, or 14%.
- The Medical Center reported an operating loss in 2023 of $3,218,000 and an operating loss in 2022 of $1,383,000. The operating loss in 2023 increased by $1,835,000, or 133%, from the operating loss reported in 2022. The operating loss in 2022 decreased by $2,706,000, or 66%, from the operating loss reported in 2021.
- Net nonoperating revenues decreased by $1,504,000 in 2023 compared to 2022 and decreased by $2,544,000 in 2022 compared to 2021.

Using This Annual Report

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

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

One of the most important questions asked about any medical center's finances is "Is the medical center as a whole better or worse off as a result of the year's activities?". The balance sheet and the statement of revenues, expenses and changes in net position report information about the Medical Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities and all deferred inflows and outflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Cash Flows

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

The Medical Center's Net Position

The Medical Center's net position is the difference between its assets, liabilities, and deferred inflows and outflows of resources reported in the balance sheets. The Medical Center's net position decreased by $1,504,000, or 8%, in 2023 and increased by $2,214,000, or 14%, in 2022, as shown in Table 1.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

	2023	2022	2021
Assets and Deferred Outflows of Resources			
Assets			
Patient accounts receivable, net	$ 3,555,919	$ 2,920,203	$ 2,743,944
Nursing home resident receivable, net	14,672,862	17,274,082	17,494,507
Other current assets	16,135,788	17,147,834	24,865,032
Capital assets, net	6,560,736	7,011,955	6,563,398
Lease assets, net	52,848	98,146	143,444
Net pension asset	-	4,082,805	-
Total assets	40,978,153	48,535,025	51,810,325
Deferred Outflows of Resources	2,919,509	2,524,049	3,146,653
Total assets and deferred outflows of resources	$ 43,897,662	$ 51,059,074	$ 54,956,978

	2023	2022	2021
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Current liabilities	$ 23,791,285	$ 25,626,292	$ 33,687,663
Long-term portion of lease liabilities	-	58,419	104,665
Finance purchase agreements and long-term debt	-	98,820	167,023
Net pension liability	3,296,165	-	3,060,158
Total liabilities	27,087,450	25,783,531	37,019,509
Deferred Inflows of Resources	28,917	6,990,595	1,866,065
Net Position			
Restricted – expended for pension	-	4,082,805	-
Net investment in capital assets	6,401,444	6,907,287	6,099,107
Unrestricted	10,379,851	7,294,856	9,972,297
Total net position	16,781,295	18,284,948	16,071,404
Total liabilities, deferred inflows of resources, and net position	$ 43,897,662	$ 51,059,074	$ 54,956,978

The most significant change in the Medical Center's financial position during 2023 was a decrease in the net pension asset of approximately $4,083,000 as of December 31, 2022 to a net pension liability of approximately $3,296,000 as of December 31, 2023. In addition, the Medical Center made payments of $900,000 on the non-interest bearing line of credit with Calhoun County (County).

The most significant change in the Medical Center's financial position during 2022 was a decrease in the net pension liability of approximately $3,060,000 as of December 31, 2021 to a net pension asset of approximately $4,083,000 as of December 31, 2022. In addition, the estimated amounts due from third-party payors decreased by approximately $3,279,000 due to the timing of payments received from certain Medicaid supplemental payment programs during 2022.

Operating Results and Changes in the Medical Center's Net Position

In 2023, the Medical Center's net position decreased by $1,504,000, or 8%, as shown in Table 2. The Medical Center's net position increased by $2,214,000, or 14%, in 2022 and increased by $1,604,000, or 11% in 2021.

Table 2: Operating Results and Changes in Net Position

	2023	2022	2021
Operating Revenues			
Net patient service revenue	$ 30,496,755	$ 30,827,665	$ 27,667,084
Nursing home resident revenue	88,321,771	72,779,583	75,130,488
Other	2,355,525	2,750,064	2,373,154
Total operating revenues	121,174,051	106,357,312	105,170,726
Operating Expenses			
Salaries, wages, and employee benefits	19,703,123	17,175,254	16,644,381
Purchased services and professional fees	9,654,701	10,216,833	10,135,880
Nursing home expenses	86,490,741	72,427,192	74,406,908
Depreciation and amortization	957,559	1,143,167	1,053,742
Other	7,585,590	6,777,814	7,019,030
Total operating expenses	124,391,714	107,740,260	109,259,941
Operating Loss	(3,217,663)	(1,382,948)	(4,089,215)
Nonoperating Revenues (Expenses)			
Investment income	188,845	23,448	24,660
Interest expense	(16,297)	(14,191)	(26,430)
Employee retention credit	-	-	3,636,687
Provider relief funds and other CARES Act – hospital and nursing homes	1,466,462	3,133,653	2,052,160
Total nonoperating revenues (expenses), net	1,639,010	3,142,910	5,687,077
Capital Grants and Gifts	75,000	453,582	-
Increase (Decrease) in Net Position	$ (1,503,653)	$ 2,213,544	$ 1,597,862

Operating Losses

The first component of the overall change in the Medical Center's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The Medical Center reported an operating loss in 2023, 2022, and 2021. The Medical Center was formed and is operated primarily to serve residents of the County and the surrounding area, accepting all patients regardless of their ability to pay.

The operating loss increased by approximately $1,835,000, or 133%, as compared to the operating loss in 2022. The primary components of the increased operating loss are an increase in the Medical Center’s employee benefits of approximately $1,792,000 in 2023 related to the Medical Center’s participation in the state-wide TCDRS retirement plan and increases in salaries and wages, purchased services, professional fees, supplies, and other expenses of approximately $2,774,000 in 2023.

The operating loss decreased by approximately $2,706,000, or 66%, as compared to the operating loss in 2021. The primary components of decreased operating loss are an increase in the Medical Center’s net patient service revenue of approximately $3,161,000; a decrease in employee benefits of approximately $1,365,000 in 2022 related to the Medical Center’s participation in the state-wide TCDRS retirement plan and decreases in purchased services, professional fees, supplies, and other expenses of approximately $197,000 in 2022.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income, interest expense, and revenues related to the Provider Relief Funds and other grant programs provided under the CARES Act. Investment income and interest expense were generally consistent between 2023 and 2022. During 2023 and 2022, the Medical Center recognized revenues of $455,661 and $849,250 related to Provider Relief Funds and other CARES Act funding for the hospital operations and $1,011,000 and $2,284,000, respectively, related to Provider Relief Funds and other CARES Act funding for the nursing homes' operations, respectively.

The Medical Center's Cash Flows

During 2023, cash used in operating activities decreased by approximately $3,234,000 over 2022, primarily due to an increase in the amounts received from patients in 2023. Cash provided by noncapital financing activities decreased $4,498,000 over 2022, primarily because in the previous year, the Medical Center drew $3,000,000 on the note payable with the County; however, in 2023, the Medical Center did not draw on this note, resulting in a decrease in cash provided by noncapital financing activities. Additionally, noncapital financing activities decreased due to a decrease of $598,000 in CARES Act Funding and Employee Retention Credits received. Cash used in capital and related financing activities decreased by approximately $1,851,000 over 2022 due to a significant reduction in capital assets purchased in 2023 compared to 2022.

During 2022, cash provided by operating activities decreased by approximately $4,979,000 over 2021, primarily due to an increase in the amounts paid to employees in 2022. Cash provided by noncapital financing activities increased $4,878,000 over 2021, primarily related to $3,000,000 received on a line of credit agreement with the County in 2022. Cash used in capital and related financing activities increased by approximately $1,013,000 over 2021 due to purchases of capital assets in 2022.

Capital Asset and Debt Administration

Capital and Lease Assets

At the end of 2023 and 2022, the Medical Center had $6,614,000 and $7,1102,000, respectively, invested in capital assets and lease assets, net of accumulated depreciation and amortization, as detailed in Note 5 to the financial statements.

Notes Payable and Lease Liabilities

At December 31, 2023, the Medical Center had $58,000 in lease liabilities outstanding and $101,000 in finance purchase agreements outstanding. During 2023, the Medical Center paid $900,000 on the outstanding borrowings of $3,000,000 payable to the County.

At December 31, 2022, the Medical Center had $105,000 in lease liabilities outstanding and $183,000 in finance purchase agreements outstanding. During 2022, the Medical Center borrowed $3,000,000 on a note payable to the County.

Contacting the Medical Center's Financial Management

This financial report is designed to provide our patients, suppliers, and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Medical Center's management at Memorial Medical Center, 815 N. Virginia, Port Lavaca, Texas 77979.

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 6,324,753	$ 5,929,823
Patient accounts receivable, net of allowance; 2023 – $5,423,000, 2022 – $3,857,000	3,555,919	2,920,203
Nursing home resident accounts receivable, net of allowance; 2023 – $2,939,000 2022 – $2,662,000	14,672,862	17,274,082
Estimated amounts due from third-party payors	4,997,846	4,522,954
Supplies	1,528,600	1,627,352
Payroll tax refund receivable	-	1,248,478
Prepaid expenses and other	3,284,589	3,819,227
Total Current Assets	34,364,569	37,342,119
Capital Assets, Net	6,560,736	7,011,955
Lease Assets, Net	52,848	98,146
Net Pension Asset	-	4,082,805
Total Assets	40,978,153	48,535,025
Deferred Outflows of Resources Related to Pension	2,919,509	2,524,049
Total Assets and Deferred Outflows of Resources	$ 43,897,662	$ 51,059,074

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Balance Sheets (Continued)
December 31, 2023 and 2022

	2023	2022
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Current portion of lease liabilities	$ 58,419	$ 46,249
Current portion of finance purchase agreements	100,873	84,652
Notes payable	2,100,000	3,000,000
Accounts payable	1,193,756	1,488,884
Accounts payable – nursing homes	16,981,319	18,063,025
Accrued expenses	2,865,013	2,943,482
Unearned capital grant proceeds	491,905	-
Total Current Liabilities	23,791,285	25,626,292
Lease Liabilities – Long Term	-	58,419
Finance Purchase Agreements – Long Term	-	98,820
Net Pension Liability	3,296,165	-
Total Liabilities	27,087,450	25,783,531
Deferred Inflows of Resources Related to Pension	28,917	6,990,595
Net Position		
Restricted – expended for pension	-	4,082,805
Net investment in capital assets	6,401,444	6,907,287
Unrestricted	10,379,851	7,294,856
Total Net Position	16,781,295	18,284,948
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 43,897,662	$ 51,059,074

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2023 – $6,065,000, 2022 – $779,000	$ 30,496,755	$ 30,827,665
Nursing home resident revenue, net of provision for uncollectible accounts; 2023 – $1,605,000, 2022 – $1,131,000	88,321,771	72,779,583
Other operating revenue	2,355,525	2,750,064
Total operating revenues	121,174,051	106,357,312
Operating Expenses		
Salaries and wages	14,255,143	13,519,276
Employee benefits	5,447,980	3,655,978
Purchased services and professional fees	9,654,701	10,216,833
Insurance	122,044	122,837
Supplies and other	7,463,546	6,654,977
Nursing home expenses	86,490,741	72,427,192
Depreciation and amortization	957,559	1,143,167
Total operating expenses	124,391,714	107,740,260
Operating Loss	(3,217,663)	(1,382,948)
Nonoperating Revenues (Expenses)		
Investment income	188,845	23,448
Interest expense	(16,297)	(14,191)
Provider Relief Funds and other CARES Act funding – hospital	455,661	849,250
Provider Relief Funds and other CARES Act funding – nursing homes	1,010,801	2,284,403
Total nonoperating revenues (expenses), net	1,639,010	3,142,910
Income (Loss) Before Capital Grants and Gifts	(1,578,653)	1,759,962
Capital Grants and Gifts	75,000	453,582
Increase (Decrease) in Net Position	(1,503,653)	2,213,544
Net Position, Beginning of Year	18,284,948	16,071,404
Net Position, End of Year	$ 16,781,295	$ 18,284,948

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Receipts from patients	$ 120,309,138	$ 102,816,794
Payments to suppliers and contractors	(104,264,066)	(91,452,106)
Payments to employees	(19,970,170)	(18,917,925)
Other receipts, net	2,355,525	2,750,064
Net cash used in operating activities	(1,569,573)	(4,803,173)
Cash Flows from Noncapital Financing Activities		
Provider Relief Funds and other CARES Act Funding – nursing homes	1,010,801	675,000
Provider Relief Funds and other CARES Act Funding – hospital	455,661	250,000
Employee retention credit	1,248,478	2,388,209
Proceeds from issuance of note payable	-	3,000,000
Principal paid on notes payable	(900,000)	-
Net cash provided by noncapital financing activities	1,814,940	6,313,209
Cash Flows from Capital and Related Financing Activities		
Capital grants and gifts	566,905	-
Other	-	(9,138)
Principal paid on finance purchase agreements	(82,599)	(277,932)
Interest paid on finance purchase agreements	(9,160)	(9,160)
Principal paid on leases payable	(46,249)	(42,981)
Interest paid on leases payable	(7,137)	(5,031)
Purchase of capital assets	(461,042)	(1,546,426)
Net cash used in capital and related financing activities	(39,282)	(1,890,668)
Cash Flows from Investing Activity		
Interest on bank deposits	188,845	23,448
Net cash provided by investing activity	188,845	23,448
Increase (Decrease) in Cash and Cash Equivalents	394,930	(357,184)
Cash and Cash Equivalents, Beginning of Year	5,929,823	6,287,007
Cash and Cash Equivalents, End of Year	$ 6,324,753	$ 5,929,823

	2023	2022
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (3,217,663)	$ (1,382,948)
Depreciation and amortization	957,559	1,143,167
Provision for uncollectible accounts	7,196,000	2,384,000
Changes in operating assets and liabilities:		
Patients accounts receivable, net	(5,230,496)	(2,339,834)
Estimated amounts due from and to third-party payors	(474,892)	2,873,665
Accounts payable and accrued expenses	(1,455,303)	(3,097,516)
Deferred outflows of resources – pensions	(395,460)	622,604
Deferred inflows of resources – pensions	(6,961,678)	5,124,530
Net pension liability (asset)	7,378,970	(7,142,963)
Advanced claim payments from Medicare	-	(4,680,643)
Prepaid management fees to nursing homes	-	1,818,553
Advances to nursing homes – Provider Relief Funds	-	273,424
Other assets and liabilities	633,390	(399,212)
Net cash used in operating activities	$ (1,569,573)	$ (4,803,173)

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

Nature of Operations and Reporting Entity

Memorial Medical Center (Medical Center) is an acute care critical access hospital located in Port Lavaca, Texas. The Medical Center is a component unit of Calhoun County (County), and the Board of County Commissioners appoints members to the Board of Managers (Board) of the Medical Center. The Medical Center primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the County's area and providing care to nursing home residents.

Basis of Accounting and Presentation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows and outflows of resources, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Medical Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023, cash equivalents consisted primarily of money market accounts.

Risk Management

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

Investment Income

Investment income consists of interest income earned on bank deposits.

Patient Accounts Receivable

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

Supplies

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

Capital Assets

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

Land improvements	25–40 years
Buildings and leasehold improvements	25–40 years
Equipment	3–20 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The Medical Center evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2023 and 2022.

Deferred Outflows of Resources

The Medical Center reports the consumption of net assets that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheet.

Compensated Absences

The Medical Center policies permit most employees to accumulate vacation that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. These amounts are included in accrued expenses on the balance sheets.

Defined Benefit Pension Plan

The Medical Center participates in an agent multiple-employer defined benefit pension plan (Plan) operated by the Texas County and District Retirement System (TCDRS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

The Medical Center reports an acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

Net Position

Net position of the Medical Center is classified in three components. Net investment in capital assets consists of capital and lease assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings and lease liabilities used to finance the purchase or construction of those assets. Restricted for pension represents assets restricted for the agent multiple-employer defined benefit pension plan, which provides pensions in accordance with the benefit terms of the plan. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

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

Charity Care

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

Income Taxes

As an essential government function of the County, the Medical Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income tax on any unrelated business taxable income.

Revision

Certain immaterial revisions have been made to the 2022 financial statements to recognize approximately $421,000 of physician bonus that were not accrued as of December 31, 2022. These revisions did not have a significant impact on the financial statement line items impacted.

Note 2. Net Patient Service Revenue and Nursing Home Revenue

Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates.

These payment arrangements include the following:

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

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable services at tentative rates, with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid administrative contractor.

Approximately 69% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for both years ended December 31, 2023 and 2022. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Supplemental Medicaid Funding Revenue

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

The Waiver was originally effective from December 12, 2011 to September 30, 2016, and extended through December 2017 as the Texas Health and Human Services Commission (HHSC) and Center for Medicare and Medicaid Services (CMS) negotiated a longer-term extension. On December 21, 2017, HHSC received an approved extension from CMS for the period of January 1, 2018 through September 30, 2023. Among other changes, the approved plan required a change in the methodology used to allocate UC funds and a phase out of the DSRIP program over the five-year period.

On April 22, 2022, CMS approved an extension of the Waiver through September 30, 2030. The extension provides for the continuation of the UC Pool. The DSRIP program ended on September 30, 2021 and was not extended under the Waiver extension. CMS also approved an expansion of directed payment programs, which transitions participating hospitals away from the DSRIP program, which are discussed more fully below.

Comprehensive Hospital Increased Reimbursement Program (CHIRP) is a new directed payment program, which adds a quality component to the existing Uniform Hospital Rate Increase Program (UHRIP). Under UHRIP and CHIRP, HHSC directs managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals. The UHRIP program transitioned on August 31, 2021, and the CHIRP program began on September 1, 2021. CHIRP will require annual approval by CMS and has been approved through August 31, 2024. Revenue from UHRIP and CHIRP is recognized as a component of net patient service revenue in the statements of revenues, expenses and changes in net position.

Total funding received through the Texas Medicaid supplemental funding programs (exclusive of CHIRP and UHRIP) was approximately $2,738,000 and $2,952,000 for the years ended December 31, 2023 and 2022, respectively, and is included as net patient service revenue in the accompanying financial statements.

Nursing Home Revenue

The Medical Center has entered into a series of lease and management agreements with nursing facility operators that resulted in the Medical Center becoming the legal license holder and operator of a total of nine nursing homes. The lease agreements call for annual payments approximating $7,994,000 and $8,811,000 as of December 31, 2023 and 2022, respectively, the payment of which will be solely made from the operations of the nursing homes.

The leases expire in August 2024 or August 2025 and are cancellable with a written notice within 60 days of the expiration date. Due to the cancellable terms of the lease agreements, the leases are not subject to accounting under Governmental Accounting Standards Board (GASB) 87, *Leases*.

Under the terms of the management agreements, the third-party managers provide all services necessary to operate the facilities, including personnel and oversight of the actual operations. These managers also provide all accounting functions for the facilities, including the billing and collection services. All patient revenue from the facilities is paid to the Medical Center and recorded as such by the Medical Center. The Medical Center transfers cash from these patient revenues to the managers so the managers can pay all facility-related costs on behalf of the Medical Center. In addition, the Medical Center utilizes the nursing home cash receipts to pay a management fee to the manager pursuant to the agreements.

The Medical Center participates in a program developed by HHSC that allows participating providers to receive additional reimbursement if they either reach a national benchmark level or they make quarterly improvements in up to four predetermined quality measures. HHSC received the CMS approval for this quality program (Quality Improvement Payment Program) that began on September 1, 2017.

At December 31, 2023 and 2022, the Medical Center recorded prepaid expenses under the program of approximately $2,645,000 and $2,855,000, respectively, which represents the prepaid intergovernmental transfers (IGTs) the Medical Center is required to contribute in advance of receiving any gross proceeds. As of December 31, 2023 and 2022 revenues recognized under this program (net of any IGT and facility operator payments) were approximately $2,842,000 and $2,637,000, respectively.

These programs are subject to ongoing review by HHSC, CMS, and the state of Texas, and the funding is subject to recoupment based on future audits. The historical funding is not necessarily representative of funding the District will receive in future years. The programs could be modified or terminated based on new legislation or regulation in future periods.

Note 3. Deposits

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

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

At December 31, 2023 and 2022, none of the Medical Center’s bank balances of $7,173,000 and $7,753,000, respectively, were exposed to custodial credit risk.

Note 4. Patient and Nursing Home Resident Accounts Receivable

The Medical Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at December 31, 2023 and 2022 consisted of:

Memorial Medical Center

	2023	2022
Medicare	$ 1,611,386	$ 1,193,461
Medicaid	254,756	226,220
Other third-party payors	2,091,470	1,841,339
Patients	5,021,307	3,516,183
	8,978,919	6,777,203
Less allowance for uncollectible accounts	5,423,000	3,857,000
	$ 3,555,919	$ 2,920,203

Nursing home resident accounts receivable at December 31, 2023 and 2022 consisted of:

Nursing Homes

	2023	2022
Medicare	$ 5,813,107	$ 10,034,886
Medicaid	3,924,057	2,580,392
Other third-party payors	3,021,707	4,044,913
Patients	4,852,982	3,276,370
	17,611,854	19,936,561
Less allowance for uncollectible accounts	2,938,992	2,662,479
	$ 14,672,862	$ 17,274,082

Note 5. Capital and Lease Assets

Capital assets activity for the years ended December 31, 2023 and 2022 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets:					
Land	$ 461,793	$ -	$ -	$ -	$ 461,793
Buildings and improvements	13,498,334	182,232	-	-	13,680,566
Equipment	11,663,650	247,560	-	-	11,911,210
Construction in progress	98,088	31,250	-	-	129,338
Total capital assets	25,721,865	461,042	-	-	26,182,907
Less accumulated depreciation:					
Buildings and improvements	(10,244,716)	(276,978)	-	-	(10,521,694)
Equipment	(8,465,194)	(635,283)	-	-	(9,100,477)
Total accumulated depreciation	(18,709,910)	(912,261)	-	-	(19,622,171)
Capital assets, net	$ 7,011,955	$ (451,219)	$ -	$ -	$ 6,560,736

	2022				
	Beginning Balance	**Additions**	**Disposals**	**Transfers**	**Ending Balance**
Capital assets:					
Land	$ 461,793	$ -	$ -	$ -	$ 461,793
Buildings and improvements	13,464,332	34,002	-	-	13,498,334
Equipment	10,996,580	1,434,609	(767,539)	-	11,663,650
Construction in progress	20,273	77,815	-	-	98,088
Total capital assets	24,942,978	1,546,426	(767,539)	-	25,721,865
Less accumulated depreciation:					
Buildings and improvements	(9,972,642)	(272,074)	-	-	(10,244,716)
Equipment	(8,406,938)	(825,795)	767,539	-	(8,465,194)
Total accumulated depreciation	(18,379,580)	(1,097,869)	767,539	-	(18,709,910)
Capital assets, net	$ 6,563,398	$ 448,557	$ -	$ -	$ 7,011,955

Lease assets activity for the years ended December 31, 2023 and 2022 was:

	2023				
	Beginning Balance	**Additions**	**Disposals**	**Transfers**	**Ending Balance**
Equipment	$ 188,742	$ -	$ -	$ -	$ 188,742
Less accumulated amortization	(90,596)	(45,298)	-	-	(135,894)
Lease assets, net	$ 98,146	$ (45,298)	$ -	$ -	$ 52,848

	2022				
	Beginning Balance	**Additions**	**Disposals**	**Transfers**	**Ending Balance**
Equipment	$ 188,742	$ -	$ -	$ -	$ 188,742
Less accumulated amortization	(45,298)	(45,298)	-	-	(90,596)
Lease assets, net	$ 143,444	$ (45,298)	$ -	$ -	$ 98,146

Note 6. Notes Payable

The following is a summary of notes payable transactions for the Medical Center for the years ended December 31, 2023 and 2022.

	Beginning Balance	Additions	Deductions	Ending Balance
Notes payable:				
Non-interest bearing note - 2023	$ 3,000,000	$ -	$ (900,000)	$ 2,100,000
Non-interest bearing note - 2022	$ -	$ 3,000,000	$ -	$ 3,000,000

As of December 31, 2023 and 2022, the Medical Center has a non-interest bearing line of credit payable on demand with the County in the amount of $4,000,000. As of December 31, 2023 and 2022, $2,100,000 and $3,000,000, respectively, had been drawn on the line of credit.

Note 7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at December 31, 2023 and 2022, consisted of the following:

	2023	2022
Payable to suppliers and contractors	$ 1,193,756	$ 1,904,390
Payable to employees (including payroll taxes and benefits)	2,269,987	2,291,411
Accrued IGT payments	595,026	236,565
Payable to nursing home management company	16,981,319	18,063,025
	$ 21,040,088	$ 22,495,391

Note 8. Medical Malpractice Claims

The Medical Center is a unit of government covered by the *Texas Tort Claims* Act, which, by statute, limits its liability to $100,000 per individual and $300,000 in the aggregate. These limits coincide with the malpractice insurance coverage, which is purchased by the Medical Center under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a healthcare provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Medical Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 9. Long-Term Obligations

The following is a summary of long-term obligation transactions for the Medical Center for the years ended December 31, 2023 and 2022.

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Other long-term liabilities					
Finance purchase agreements	$ 183,472	$ -	$ (82,599)	$ 100,873	$ 100,873
Lease liabilities	104,668	-	(46,249)	58,419	58,419
Total long-term obligations	$ 288,140	$ -	$ (128,848)	$ 159,292	$ 159,292

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Other long-term liabilities					
Finance purchase agreements	$ 461,404	$ -	$ (277,932)	$ 183,472	$ 84,652
Lease liabilities	147,649	-	(42,981)	104,668	46,249
Total long-term obligations	$ 609,053	$ -	$ (320,913)	$ 288,140	$ 130,901

Finance Purchase Agreements

The Medical Center is obligated under finance purchase agreements for equipment that are accounted for as capital assets funded through financing. The following is a schedule, by year, of future minimum payments under the financed purchase agreements leases, including interest at rates ranging from 2.6% to 4.7%, together with the present value of the future minimum payments as of December 31, 2023:

Year Ending December 31,	Total to be Paid	Principal	Interest
2024	$ 105,916	$ 100,873	$ 5,043
	$ 105,916	$ 100,873	$ 5,043

Note 10. Lease Liabilities

The Medical Center leases equipment, the terms or which expires in 2025.

The following is a schedule by year of payments under the leases as of December 31, 2023:

Year Ending December 31,	Total to be Paid	Principal	Interest
2024	$ 61,139	$ 58,419	$ 2,720
	$ 61,139	$ 58,419	$ 2,720

Note 11. Charity Care

The costs of charity care provided under the Medical Center's charity care policy were approximately $1,957,000 and $4,232,000 for 2023 and 2022, respectively. In addition, the costs related to the provision for doubtful accounts were approximately $2,465,000 and $326,000 for 2023 and 2022, respectively. The costs of charity care and the provision for doubtful accounts are estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 12. Pension Plan

Plan Description

The Medical Center provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan (plan) in the state-wide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent, multiple-employer public employee retirement system consisting of over 600 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or at tcdrs.org.

Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the Medical Center within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the Medical Center's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

The employees covered by the plan at the December 31, 2022 and 2021 measurement date are as follows:

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	128	127
Inactive employees entitled to but not yet receiving benefits	479	472
Active employees	283	256
	890	855

Contributions

The Medical Center has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the Medical Center is actuarially determined annually. It was 7.0% of annual pay, or $1,429,394, and 7.0% of annual pay, or $1,394,588, for calendar years 2023 and 2022, respectively. The contribution rate payable by the employee members is 7.0% of annual pay, as adopted by the governing body of the Medical Center. The employee contribution rate and the employer contribution rate may be changed by the governing body of the Medical Center within the options available in the TCDRS Act.

Net Pension Liability (Asset)

The Medical Center's net pension liability (asset) as of December 31, 2023 and 2022 was measured as of December 31, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

The total pension liability (asset) in the December 31, 2022 and 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

	2022	2021
Inflation	2.50%	2.50%
Salary increases	4.70%	4.60%
Ad hoc cost of living adjustments	N/A	N/A
Investment rate of return, net	7.50%	7.50%

The December 31, 2022 actuarial valuation mortality rate for depositing members were based on 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2022 Ultimate scale after 2010. Mortality rates for service retirees, beneficiaries and non-depositing members were based on 135% of Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2022 Ultimate scale after 2010. Mortality rates for disabled retirees were based 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2022 Ultimate scale after 2010.

The December 31, 2021 actuarial valuation mortality rates for depositing members were based on 90% of the RP-2014 Active Employee Mortality Table for females and males projected with 110 % of the MP-2014 Ultimate scale after 2014. Mortality rates for service retirees, beneficiaries and non-depositing members were based on 110 % of the RP-2014 Healthy Annuitant Mortality Table for females and 130 % of the RP-2014 Healthy Annuitant Mortality Table for males, both projected with 110 % of the MP-2014 Ultimate scale after 2014. Mortality rates for disabled retirees were based on 115 % of the RP-2014 Disabled Annuitant Mortality Table for females and 130 % of the RP-2014 Disabled Annuitant Mortality Table for males, both projected with 110 % of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions used in the December 31, 2022 and 2021 valuations were based on the results of an actuarial experience study for the period January 1, 2018 through December 31, 2021.

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

	2023	
Asset Class	**Target Allocation**	**Geometric Real Rate of Return (Expected Minus Inflation)**
Equities		
U.S. Equities	11.5%	4.25%
International Equities - Developed	5.0%	4.95%
International Equities - Emerging	6.0%	4.95%
Global Equities	2.5%	4.95%
Hedge Funds	6.0%	2.90%
High-Yield Investments		
Strategic Credit	9.0%	3.39%
Distressed Debt	4.0%	7.60%
Direct Lending	16.0%	6.95%
Private Equity	25.0%	7.95%
Real Assets		
REITs	2.0%	4.15%
Private Real Estate Partnerships	6.0%	5.70%
Master Limited Partnerships	2.0%	5.30%
Cash Equivalents	2.0%	0.20%
Investment-Grade Bonds	3.0%	2.40%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension asset was 7.6% at December 31, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Medical Center contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position, and the net pension liability (asset) for the years ended December 31, 2023 and 2022, were as follows.

	2023		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) - (b)**
Balances at December 31, 2021	$ 56,128,564	$ 60,211,369	$ (4,082,805)
Changes for the year			
Service cost	1,492,870	-	1,492,870
Interest on total pension liability	4,290,351	-	4,290,351
Effect of economic/demographic gains or losses	445,763	-	445,763
Refund of contributions	(235,992)	(235,992)	-
Benefit payments	(2,146,537)	(2,146,537)	-
Administrative expenses	-	(33,215)	33,215
Member contributions	-	934,247	(934,247)
Net investment income	-	(3,528,071)	3,528,071
Employer contributions	-	1,429,394	(1,429,394)
Other changes	-	47,659	(47,659)
Net changes	3,846,455	(3,532,515)	7,378,970
Balances at December 31, 2022	$ 59,975,019	$ 56,678,854	$ 3,296,165

	2022		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) - (b)**
Balances at December 31, 2020	$ 52,861,413	$ 49,801,255	$ 3,060,158
Changes for the year			
Service cost	1,524,907	-	1,524,907
Interest on total pension liability	4,047,220	-	4,047,220
Effect of economic/demographic gains or losses	90,911	-	90,911
Effect of assumptions changes or inputs	(86,753)	-	(86,753)
Refund of contributions	(225,465)	(225,465)	-
Benefit payments	(2,083,669)	(2,083,669)	-
Administrative expenses	-	(32,575)	32,575
Member contributions	-	813,244	(813,244)
Net investment loss	-	10,887,623	(10,887,623)
Employer contributions	-	1,048,306	(1,048,306)
Other changes	-	2,650	(2,650)
Net changes	3,267,151	10,410,114	(7,142,963)
Balances at December 31, 2021	$ 56,128,564	$ 60,211,369	$ (4,082,805)

The net pension liability (asset) has been calculated using a discount rate of 7.6%. The following table presents the net pension (asset) liability of the Medical Center using a discount rate 1% higher and 1% lower than the current rate:

	1% Decrease 6.6%	Current Discount Rate 7.6%	1% Increase 8.6%
Medical Center's net pension (asset) liability	$ 12,500,503	$ 3,296,165	$ (4,248,547)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended December 31, 2023 and 2022, the Medical Center recognized pension expense of $1,505,522 and $46,070, respectively. At December 31, 2023 and 2022, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ 327,478
Changes in assumptions	28,917	-
Net difference between projected and actual earnings on plan investments	-	1,143,148
Contributions subsequent to the measurement date	-	1,448,883
	$ 28,917	$ 2,919,509

	2022	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 110,471	$ 60,607
Changes in assumptions	57,835	1,068,854
Net difference between projected and actual earnings on plan investments	6,822,289	-
Contributions subsequent to the measurement date	-	1,394,588
	$ 6,990,595	$ 2,524,049

At December 31, 2023 and 2022, the Medical Center reported $1,448,883 and $1,394,588, respectively, as deferred outflows of resources related to pensions resulting from Medical Center contributions subsequent to the measurement date that will be recognized as a decrease of the net pension liability at December 31, 2024 and 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2023, related to pensions, will be recognized in pension expense as follows:

2024	$ (515,216)
2025	139,446
2026	196,685
2027	(1,262,624)
	$ (1,441,709)

Note 13. Related-Party Transactions

The Medical Center from time to time conducts business transactions with the individuals or companies that members of the Board have a direct or indirect relationship. Specifically, a physician performing medical services for the Medical Center also served on the Board during 2023 and 2022.

Note 14. Contingencies

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

Note 15. COVID-19 Pandemic and CARES Act Funding

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

Provider Relief Fund

During the years ended December 31, 2023 and 2022, the Medical Center received approximately $456,000 and $250,000, respectively, of distributions from the CARES Act Provider Relief Fund and other CARES Act grants. The distributions from the Provider Relief Fund are not subject to repayment, provided the Medical Center is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The Medical Center is accounting for such payments as conditional contributions. Payments are recognized as nonoperating revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Medical Center's operating revenues and expenses through December 31, 2023 and 2022, the Medical Center recognized the following amounts related to the Provider Relief Fund and other CARES Act grants:

	2023	2022
Provider relief funds and other CARES Act funding received		
Amount related to nursing home and hospital operations	$ 1,466,462	$ 925,000
Nonoperating revenue recognized:		
Provider relief funds and other CARES Act funding–hospitals	$ 455,661	$ 849,250
Provider relief funds–nursing homes	1,010,801	2,284,403
Operating expenses		
Component of nursing home expenses	1,010,801	2,284,403

The Medical Center will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Medical Center's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Medical Center is unable to attest to or comply with current or future terms and conditions, the Medical Center's ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Medical Center's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During the year ended December 31, 2020, the Medical Center requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible healthcare facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%.

During the years ended December 31, 2023 and 2022, Medicare had applied approximately $0 and $4,681,000, respectively, from these accelerated Medicare payment requests against filed claims. As of December 31, 2022, all accelerated Medicare payments had been repaid.

Required Supplementary Information

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Schedule of Changes in the Medical Center's Net Pension Liability and Related Ratios
December 31,

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	$ 1,492,870	$ 1,524,907	$ 1,414,873	$ 1,355,217	$ 1,201,855	$ 1,309,712	$ 1,364,536	$ 1,172,884	$ 1,060,724
Interest on total pension liability	4,290,351	4,047,220	3,824,454	3,595,273	3,370,152	3,133,594	2,890,913	2,690,911	2,483,007
Effect of plan changes	-	-	-	-	-	-	-	(276,726)	-
Effect of assumption changes or inputs	-	(86,753)	3,206,562	-	-	434,538	-	512,424	-
Effect of economic and demographic (gains) losses	445,763	90,911	(271,817)	(79,470)	31,811	(85,948)	(362,120)	(205,707)	94,066
Benefit payments, including refunds of employee contributions	(2,382,529)	(2,309,134)	(2,183,978)	(2,021,786)	(1,935,693)	(1,598,016)	(1,480,285)	(1,328,724)	(1,157,854)
Net Change in Total Pension Liability	3,846,455	3,267,151	5,990,094	2,849,234	2,668,125	3,193,880	2,413,044	2,565,062	2,479,943
Total Pension Liability – Beginning	56,128,564	52,861,413	46,871,319	44,022,085	41,353,960	38,160,080	35,747,036	33,181,974	30,702,031
Total Pension Liability – Ending (a)	$ 59,975,019	$ 56,128,564	$ 52,861,413	$ 46,871,319	$ 44,022,085	$ 41,353,960	$ 38,160,080	$ 35,747,036	$ 33,181,974
Plan Fiduciary Net Position									
Contributions – employer	$ 1,429,394	$ 1,048,306	$ 1,050,026	$ 1,005,687	$ 853,588	$ 793,282	$ 803,931	$ 783,080	$ 708,827
Contributions – employee	934,247	813,244	800,723	794,101	712,748	690,434	715,252	683,488	620,401
Net investment income (loss)	(3,528,071)	10,887,623	4,698,269	6,452,581	(757,827)	5,169,706	2,433,062	(138,800)	2,098,712
Benefit payments, including refunds of employee contributions	(2,382,529)	(2,309,134)	(2,183,978)	(2,021,786)	(1,935,693)	(1,598,016)	(1,480,285)	(1,328,724)	(1,157,854)
Administrative expense	(33,215)	(32,575)	(36,440)	(34,662)	(31,559)	(26,905)	(26,488)	(23,738)	(24,573)
Other	47,659	2,650	(12,927)	(1,276)	(7,042)	(1,784)	40,524	(77,927)	46,496
Net Change in Plan Fiduciary Net Position	(3,532,515)	10,410,114	4,315,673	6,194,645	(1,165,785)	5,026,717	2,485,996	(102,621)	2,292,009
Plan Fiduciary Net Position – Beginning	60,211,369	49,801,255	45,485,582	39,290,937	40,456,722	35,430,005	32,944,009	33,046,630	30,754,621
Plan Fiduciary Net Position – Ending (b)	$ 56,678,854	$ 60,211,369	$ 49,801,255	$ 45,485,582	$ 39,290,937	$ 40,456,722	$ 35,430,005	$ 32,944,009	$ 33,046,630
Medical Center's Net Pension Liability (Asset) – Ending (a)-(b)	$ 3,296,165	$ (4,082,805)	$ 3,060,158	$ 1,385,737	$ 4,731,148	$ 897,238	$ 2,730,075	$ 2,803,027	$ 135,344
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.50%	107.27%	94.21%	97.04%	89.25%	97.83%	92.85%	92.16%	99.59%
Covered-Employee Payroll	$ 13,346,382	$ 11,617,767	$ 11,438,495	$ 11,344,298	$ 10,182,115	$ 9,863,336	$ 10,217,883	$ 9,764,116	$ 8,623,215
Medical Center's Net Pension Liability as a Percentage of Covered-Employee Payroll	24.70%	-35.14%	26.75%	12.22%	46.47%	9.10%	26.72%	28.71%	1.57%

Notes to Schedule:

Changes of assumptions: In the 2021 actuarial valuation for mortality rates used for depositing members, service retirees, beneficiaries, non-depositing members, and disabled retirees, the RP-2021 tables were projected to 2010 and later with 100% of the MP-2021 Ultimate Scale.

Changes of assumptions: In the 2019 actuarial valuation for mortality rates used for depositing members, service retirees, beneficiaries, non-depositing members, and disabled retirees, the RP-2000 tables were projected to 2014 and later with 110% of the MP-2014 Ultimate Scale.

Changes in assumptions: In the 2017 actuarial valuation for mortality rates used for depositing members, service retirees, beneficiaries, non-depositing members, and disabled retirees, varying percentages of the RP-2014 tables were after 2014 projected with 110% of the MP-2014 Ultimate Scale.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Schedule of Changes in the Medical Center's Contributions
December 31,

	2023	2022	2021	2020	2019
Actuarially determined contribution	$ 1,429,394	$ 1,448,883	$ 1,000,390	$ 1,054,999	$ 853,588
Contributions in relation to the actuarially determined contribution	1,429,394	1,448,883	1,000,390	1,054,999	853,588
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll *(1)*	$ 13,346,382	$ 11,617,767	$ 11,103,108	$ 11,431,376	$ 10,182,115
Contributions as a percentage of covered-employee payroll	10.7%	12.5%	9.0%	9.2%	8.4%

Notes to Schedule:

(1) Payroll is calculated based on contributions as reported to TCDRS.

Valuation date:
Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:	2023	2022	2021	2020	2019
Actuarial cost method	Entry age normal cost for all years.	Entry age normal cost for all years.			
Amortization method	Level percentage of payroll, closed for all years.	Level percentage of payroll, closed for all years.			
Remaining amortization period	18.1 years	19.0 years	20.0 years	13.3 years	14.4 years
Asset valuation method	5-year smoothed	5-year smoothed	5-year smoothed	5-year smoothed	5-year smoothed
Inflation	2.50%	2.50%	2.50%	2.75%	2.75%
Salary increases	4.70%	4.70%	4.60%	4.90%	4.90%
Investment rate of return, net	7.50%	7.50%	7.50%	8.00%	8.00%
Retirement age	Employees who are eligible for retirement are assumed to commence receiving benefit payments based on age for all years.				
Mortality	For depositing members, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. For service retirees, beneficiaries, and non-depositing members, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled retirees, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.	For depositing members, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. For service retirees, beneficiaries and non-depositing members, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled retirees, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.	For depositing members, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. For service retirees, beneficiaries, and nondepositing members, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled retirees, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.	For depositing members, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. For service retirees, beneficiaries, and non-depositing members, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled retirees, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.	For depositing members, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. For service retirees, beneficiaries, and non-depositing members, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled retirees, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Schedule of Changes in the Medical Center's Contributions (Continued)
December 31,

2018	2017	2016	2015	2014
$ 853,588	$ 793,282	$ 803,931	$ 783,080	$ 708,827
853,588	793,282	803,931	783,080	708,827
$ -	$ -	$ -	$ -	$ -
$ 10,182,115	$ 9,863,336	$ 10,217,883	$ 9,764,116	$ 8,623,215
8.4%	8.0%	7.9%	8.0%	8.2%

2018	2017	2016	2015	2014
14.4 years	14.5 years	14.9 years	15.6 years	14.5 years
5-year smoothed	5-year smoothed	5-year smoothed	5-year smoothed	5-year smoothed
2.75%	2.75%	3.00%	3.00%	3.00%
4.90%	4.85%	4.90%	4.90%	4.90%
8.00%	8.00%	8.00%	8.00%	8.00%
For depositing members, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. For service retirees, beneficiaries, and non-depositing members, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled retirees, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.	For depositing members, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. For service retirees, beneficiaries, and non-depositing members, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled retirees, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.	For depositing members, the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter. For service retirees, beneficiaries, and non-depositing members, the RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter, with a one-year set-forward for males and no age adjustment for females. For disabled retirees, the RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter, with no age adjustment for males and a two-year set-forward for females.	For depositing members, the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter. For service retirees, beneficiaries, and non-depositing members, the RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter, with a one-year set-forward for males and no age adjustment for females. For disabled retirees, the RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter, with no age adjustment for males and a two-year set-forward for females.	For depositing members, the RP-2000 Active Employee Mortality Table for males with a three-year set-forward and the RP-2000 Active Employee Mortality Table for females with a two-year setback, both with the projection scale AA. For service retirees, beneficiaries, and non-depositing members, the RP-2000 Combined Mortality Table with the projection scale AA, a one-year set-forward for males and no age adjustment for females. For disabled retirees, the RP-2000 Disabled Mortality Tables for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.