

Tomball Hospital Authority
dba Tomball Regional Health Foundation

Annual Financial Report

For the Eighteen Months Ended December 31, 2023

**Tomball Hospital Authority dba
Tomball Regional Health Foundation**
Eighteen Months Ended December 31, 2023
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Financial Section

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Independent Auditor's Report

To the Board of Directors of
Tomball Hospital Authority
dba Tomball Regional Health Foundation

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and general fund of Tomball Hospital Authority dba Tomball Regional Health Foundation (Authority), as of and for the eighteen months ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and general fund of Tomball Hospital Authority dba Tomball Regional Health Foundation, as of December 31, 2023, and the respective changes in financial position for the eighteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Authority 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.

Emphasis of Matter

As discussed in Note 1.H. to the basic financial statements, during the eighteen months ended December 31, 2023, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

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; this includes 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 Authority'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.

The Board of Directors of
Tomball Hospital Authority
dba Tomball Regional Health Foundation

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

The Board of Directors of
Tomball Hospital Authority
dba Tomball Regional Health Foundation

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas
April 18, 2024

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Management's Discussion and Analysis (Unaudited)

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Management's Discussion and Analysis (Unaudited)

Introduction

This management's discussion and analysis of the financial performance of Tomball Hospital Authority dba Tomball Regional Health Foundation (the Authority) provides an overview of the Authority's financial and program activities for the eighteen months ended December 31, 2023. It is intended to serve as an introduction to the basic financial statements which follow this section. Please read it in conjunction with those statements.

During the fiscal year ending June 30, 2012, the Authority ceased operating a hospital or providing direct healthcare to residents within our community. The Authority's sole source of revenue is investment income from the Authority's investment portfolio resulting from the sale of the previously operated hospital. Its Mission Statement is "To promote wellness and improve health status for all residents in our communities through programs that enhance access to healthcare, preventative care and health education." We desire to create a partnership with our community and local organizations that serve healthcare and healthcare related educational needs. That desire is accomplished by funding various projects within our community that fit our mission and values.

Tomball Hospital Authority is a separate and distinct governmental entity, a political subdivision of the State of Texas, organized under Chapter 262 of the Texas Health and Safety Code. The Authority is not a 501(c)(3). Although not a "charity", the Authority strives to meet the same standards as set forth by the BBB Wise Giving Alliance and their accreditation standards. Of their 20 published standards, 5 of those standards address fundraising which the Authority does not do. Of the remaining 15 accreditation standards, we are in compliance with all 15 of those standards with at least 65% of our total expense being spent on projects. These Accreditation Standards can be found at <http://www.give.org/for-charities/How-We-Accredit-Charities/>.

In period ending 2022 and 2023, program fees were 84% and 85% of total operating expenses, respectively.

As stated above, revenue for the Authority is solely dependent upon investment performance. The primary expense of the Authority is program fees.

Financial Highlights

Total current assets increased for the eighteen months ending December 31, 2023, by \$18,849,976 or 18%. The overall increase in investments was primarily the result of the favorable performance of the investment portfolio. In August of 2015, the Board of Directors (the Board) approved an annual spend rate of 4% based on the rolling average of 12 quarters of quarterly market value of the investment portfolio. The Spending Policy was re-evaluated in September 2023 and the rolling average of the previous 12 quarters was determined to be \$108,513,493 yielding a 4% spend rate of \$4,718,264 and a quarterly withdrawal of up to \$1,179,566 to support projects and operations.

The Authority authorized to change its fiscal year end from June 30 to December 31, resulting in an eighteen month period ending December 31, 2023.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The Authority presents its financial activities and financial position entirely through a set of combined government-wide and fund financial statements. These statements include the Governmental Fund Balance Sheet / Statement of Net Position and the Statement of Governmental Fund Revenues, Expenditures, and Change in Fund Balance / Statement of Activities.

The government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, reports information on all of the *governmental activities* of the Authority.

The fund financial statements, which include the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Change in Fund Balance, places an emphasis on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The Authority does not report any non-major funds, and reports only one major governmental fund. The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet / Statement of Net Position and the Statement of Governmental Fund Revenues, Expenditures, and Change in Fund Balance / Statement of Activities provide a reconciliation to facilitate this comparison between the general fund and governmental activities.

Notes to the Financial Statements

Integral to the financial statements are the notes to the basic financial statements. These notes provide additional information that is essential to a full understanding of the financial data provided in the basic financial statements. The Authority has prepared notes sufficient to provide the readers of these financial statements a clear picture of the Authority's financial position and insight into the results of its operations. These notes are in conformity with GAAP.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$125,744,930 at the close of the eighteen months ended as noted in Table A-1 below.

Tomball Hospital Authority dba Tomball Regional Health Foundation's Net Position

	December 31, 2023		June 30, 2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current assets						
Cash and cash equivalents	\$ 397,780	-	\$ 47,323	-	\$ 350,457	741
Investments	124,775,940	99	106,249,672	99	18,526,268	17
Prepaid items and other	77,150	-	103,899	-	(26,749)	(26)
Total current assets	125,250,870		106,400,894		18,849,976	
Noncurrent assets						
Capital assets, net	1,210,390	1	1,225,206	1	(14,816)	(1)
Total assets	126,461,260	100	107,626,100	100	18,835,160	
Current liabilities						
Accounts payable	354,117	49	264,019	40	90,098	34
Leases payable - due within one year	-	-	14,884	2	(14,884)	(100)
Total current liabilities	354,117		278,903		75,214	
Long-term liabilities						
Estimated self-insurance - due in more than one year	362,213	51	377,204	58	(14,991)	(4)
Total liabilities	716,330	100	656,107	100	60,223	
Net position						
Net investment in capital assets	1,210,390	1	1,210,322	1	68	-
Unrestricted	124,534,540	99	105,759,671	99	18,774,869	18
Total net position	\$ 125,744,930	100	\$ 106,969,993	100	\$ 18,774,937	

The Authority's total assets of \$126,461,260 are largely comprised of current investments of \$124,775,940 or 99%. The Authority's investment income provides for program costs.

Accounts payable of \$354,117 comprise 49% of the Authority's total liabilities of \$716,330. Long-term liabilities are comprised of estimated self-insurance, \$362,213 or 51% of total liabilities, related to general and professional liability and workers' compensation. As of December 31, 2023, the Authority did not report a portion of estimated self-insurance as due within one year, which is generally included in current liabilities.

At December 31, 2023, the Authority's net position consisted primarily of unrestricted net position of \$124,534,540 which represents resources available to fund the services of the Authority next year.

The Authority's net position increased \$18,774,937 for the eighteen months ending December 31, 2023 from current operations as noted in Table A-2 below.

	Eighteen Months Ending 2023		Fiscal year Ending 2022		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues (losses)						
Investment income (loss)	\$ 23,972,606	100	\$ (21,582,847)	100	\$ 45,555,453	(211)
Total revenues (losses)	23,972,606	100	(21,582,847)	100	45,555,453	
Expenses						
Salaries and benefits	350,033	7	246,262	7	103,771	42
Purchased services and professional fees	196,215	4	136,992	4	59,223	43
Program fees	4,386,929	85	2,830,762	84	1,556,167	55
Supplies and other	169,311	2	73,645	2	95,666	130
Amortization expense	14,816	-	44,449	1	(29,633)	(67)
Insurance	80,331	2	51,196	2	29,135	57
Interest	34	-	384	-	(350)	(91)
Total expenses	5,197,669	100	3,383,690	100	1,813,979	
Excess (deficit) of revenues over expenses from continuing operations	18,774,937		(24,966,537)		43,741,474	
Discontinued operations						
Gain from discontinued operations	-		183,904		(183,904)	
Change in net position	18,774,937		(24,782,633)		43,557,570	
Beginning net position	106,969,993		131,752,626		(24,782,633)	
Ending net position	\$ 125,744,930		\$ 106,969,993		\$ 18,774,937	

The Authority's total revenues of \$23,972,606 were comprised of investment income related to increases in fair value of investments. Total expenses were \$5,197,669, which consisted primarily of salaries and benefits of \$350,033 or 7% of total expenses, and program fees of \$4,386,929, or 85% of total expenses.

Governmental Fund Financial Analysis

The focus of the Authority's general fund is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements, in particular, unassigned fund balance may serve as a useful measure of the Authority's net resources available for discretionary use as it represents a portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Authority itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Board of Directors.

As of the end of the period, the Authority's general fund reported ending fund balance of \$124.9 million, a increase of \$18.8 million over the prior year due to favorable investment returns and adherence to the Authority's spending policy. Approximately 99.9% of this total amount, \$124.8 million, is unassigned fund balance and the remaining 0.1%, or \$0.1 million, is non-spendable fund balance.

Capital Assets

At the end of 2023, the Authority had invested \$1.2 million in capital assets, net of accumulated depreciation and amortization. There was no significant change from the previous year.

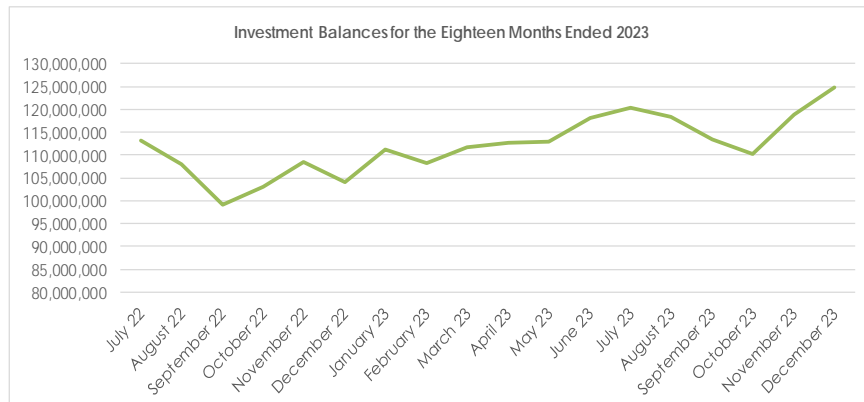
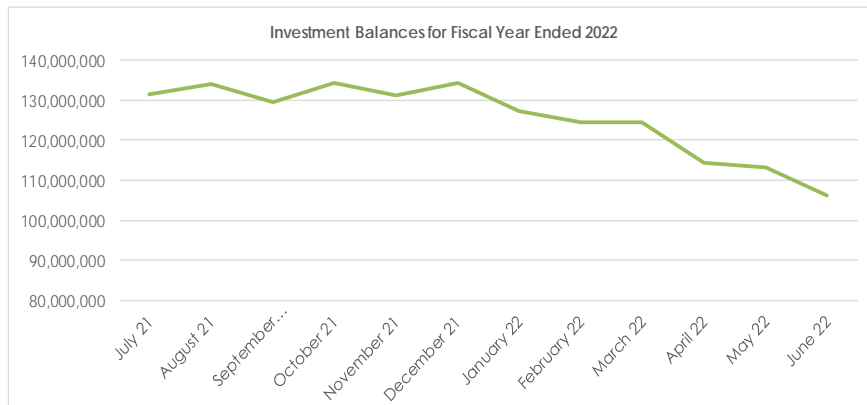
Investment Portfolio Performance

Investment performance for the eighteen months ended 2023 was steady but favorable to the portfolio due to market conditions as noted in Table A-3 below for period ending 2022 and 2023.

Month	2021	2022	2023
January	-	127,189,330	111,236,067
February	-	124,382,259	108,176,616
March	-	124,371,090	111,648,367
April	-	114,346,539	112,570,412
May	-	113,138,674	113,011,440
June	-	106,249,672	118,009,286
July	131,441,427	113,120,448	120,401,194
August	134,072,158	107,937,494	118,321,888
September	129,600,417	99,102,056	113,326,500
October	134,325,261	102,973,277	110,110,268
November	131,196,774	108,498,433	118,843,177
December	134,419,306	104,067,651	124,775,939

Table A-3

Tomball Hospital Authority dba Tomball Regional Health Foundation's Investment Portfolio Performance



Program Fees

The Authority spent \$4,386,929 and \$2,830,762 for eighteen months ending 2023 and fiscal year 2022, respectively, on the following programs:

Program Description	2023	2022
Tomagwa Dental Program	\$ 819,114	\$ 517,170
Tomagwa Dental Program - Supplemental	160,000	-
City of Tomball	506,483	-
Northwest Asst Ministry Meals	412,592	266,470
An Nisa Hope Center	281,716	135,958
Inspiration Ranch	261,240	153,200
Meals on Wheels	203,452	110,478
Tomball ISD	194,682	110,000
Camp Hope	180,320	172,421
Shield Bearer Counseling Centers	130,750	64,911
TEAM Dental	121,945	82,997
Inspiring Possibilities	109,208	73,476
Tomball Pregnancy Center	108,000	139,220
Montgomery Co. Youth Services	102,767	42,948
The Way, Truth, and Life Outreach	101,979	60,019
JoyRide Center	80,311	79,990
The Rose (Mammography)	75,000	-
Be An Angel, Inc.	55,000	-
Society of Samaritans	49,993	-
Amer Heart Assoc - CPR Training	48,589	124,998
Klein ISD - AED	45,243	-
AsSalam Clinic	41,250	18,750
Families Feeding Families	32,550	12,500
Boys & Girls Country	31,250	-
Texas Hearing Institute	30,489	10,000
Lone Star College Foundation	30,276	289,258
Concordia Lutheran High School	29,581	13,414
Beloved and Beyond	25,000	-
Kailee Mills Foundation	25,000	-
YMCA at Cypress Creek	20,000	20,000
Tomball CC Health & Wellness	18,869	3,000
Projects-Care Net Pregnancy Ctr	16,260	-
CASA Child Advocates of Mo. Co	10,000	-
Cy-Hope	10,000	-
Ruby's Home for Good	5,760	-
Reach Unlimited	5,550	-
Senior Rides and More	4,600	10,000
Swim Safe Program	2,110	7,157
Lone Star College Life Path Program	-	121,725
LifePath Endowment	-	100,000
Teen and Family Services	-	60,000
The Tomball Lions Club	-	21,000
Lone Star College - Meningitis	-	8,127
Tomball PD Temperature Cards	-	1,575
Total program fees	\$ 4,386,929	\$ 2,830,762

Legacy Expense

Legacy Expense is defined as ongoing expense obligations related to discontinued operations during the timeframe when the Authority owned and operated Tomball Regional Medical Center. The Authority was self-insured for Workman's Compensation claims and there are still open claims related to workman's compensation that the Authority is still obligated for. The Authority had estimated amounts due of \$183,904 in 2021 related to final cost settlements of Federal Medicare. Due to statute of limitations for the federal government to contest final figures, and considering no activity since the last payment in 2017, the Authority wrote off the estimated liability which appears as a gain from discontinued operations in 2022.

Leadership Change

On September 6, 2022, Mr. Jeffrey Klein was hired after a national search as the new CEO of the Tomball Regional Health Foundation. The previous CEO, Mr. Lynn LeBouef, passed away in January of 2022.

Community Engagement

The Authority is making a concerted effort to identify the healthcare needs of the community and to collaborate with community partners to meet those needs. To that end, the Authority is actively participating in local Chambers of Commerce and other avenues within the communities we serve to be visible and approachable. The Authority has updated its website and is now on social media with a presence on Facebook and Instagram. In addition, TRHF is holding quarterly roundtable events to help local non-profit organizations and community leaders better understand each other's role in the community and how to work together to improve the healthcare of the communities we serve. Lastly, the Authority's Board of Directors voted to extend the funding participation in the community to include zip code 77070.

Updated Funding Procedures

In an effort to improve the application and review process for potential funding recipients, the Authority has purchased philanthropy management software from Foundant Technologies. Organizations interested in receiving funding from the Authority are now able to submit applications online during the open application period. If the Authority does select an organization for funding, the software will then allow for improved tracking and reporting over the previous paper-based system. All funding agreements will now follow the calendar year to coincide with our fiscal year.

City of Tomball Park Project

Of the \$506,483 received by the City of Tomball in 2022-23, \$490,000 was to help with playground and other fitness related improvements to Jerry Matheson Park. Those funds were first allocated in 2021, but due to Covid related delays, the actual park improvements were not completed until 2023 at which time funding took place.

Period 2023 Project Expense

Since 2012, the Authority has funded and budgeted over \$27,685,001, in project expense in our community.

Contacting the Authority

This report is designed to provide our community with a general overview of the Authority's finances and activities. Questions about this report and request for additional financial information should be directed to the Authority by telephoning 832.559.5513, or by visiting our website at <https://trhfoundation.org>.

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Basic Financial Statements

Tomball Hospital Authority
dba Tomball Regional Health Foundation
Governmental Fund Balance Sheet /
Statement of Net Position
December 31, 2023

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Net Position</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 397,780	\$ -	\$ 397,780
Investments	124,775,940	-	124,775,940
Prepaid items and other	77,150	-	77,150
	<u>125,250,870</u>	<u>-</u>	<u>125,250,870</u>
Total current assets			
Noncurrent assets			
Capital assets, net	-	1,210,390	1,210,390
	<u>-</u>	<u>1,210,390</u>	<u>1,210,390</u>
Total noncurrent assets			
Total assets	125,250,870	1,210,390	126,461,260
LIABILITIES			
Current liabilities			
Accounts payable	354,117	-	354,117
	<u>354,117</u>	<u>-</u>	<u>354,117</u>
Total current liabilities			
Long term liabilities			
Estimated self-insurance - due in more than one year	-	362,213	362,213
	<u>-</u>	<u>362,213</u>	<u>362,213</u>
Total noncurrent liabilities			
Total liabilities	354,117	362,213	716,330
FUND BALANCE			
Nonspendable	77,150	(77,150)	-
Unassigned	124,819,603	(124,819,603)	-
	<u>124,896,753</u>	<u>(124,896,753)</u>	<u>-</u>
TOTAL FUND BALANCE			
	<u>\$ 124,896,753</u>	<u>\$ (124,896,753)</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ -	\$ 1,210,390	\$ 1,210,390
Unrestricted	-	124,534,540	124,534,540
	<u>-</u>	<u>124,534,540</u>	<u>124,534,540</u>
TOTAL NET POSITION			
	<u>\$ -</u>	<u>\$ 125,744,930</u>	<u>\$ 125,744,930</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

Tomball Hospital Authority
dba Tomball Regional Health Foundation

Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balance / Statement of Activities
Eighteen Months Ended December 31, 2023

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Statement of Activities</u>
REVENUES			
Investment income	\$ 23,972,606	\$ -	\$ 23,972,606
Total revenues	23,972,606	-	23,972,606
EXPENDITURES / EXPENSES			
Salaries and benefits	350,033	-	350,033
Purchased services and professional fees	196,215	-	196,215
Program fees	4,386,929	-	4,386,929
Supplies and other	184,302	(14,991)	169,311
Amortization expense	-	14,816	14,816
Insurance	80,331	-	80,331
Principal	14,884	(14,884)	-
Interest	34	-	34
Total expenditures / expenses	<u>5,212,728</u>	<u>(15,059)</u>	<u>5,197,669</u>
Excess (deficit) of revenues over expenditures / expenses	18,759,878	15,059	18,774,937
Fund balance / net position - beginning	<u>106,136,875</u>		<u>106,969,993</u>
FUND BALANCE / NET POSITION - ENDING	<u>\$ 124,896,753</u>		<u>\$ 125,744,930</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

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Tomball Hospital Authority dba Tomball Regional Health Foundation

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Tomball Hospital Authority dba Tomball Regional Health Foundation (the Authority), was organized under the *Texas Hospital Authority Act* in 1973 as a body politic and corporate and political subdivision of the State of Texas. Five of the Authority's eleven Board of Directors (the Board) are appointed by Tomball's City Council. The remaining six members are appointed by the Board.

Prior to October 1, 2011, the Authority, formerly Tomball Hospital Authority dba Tomball Regional Hospital, owned and operated Tomball Regional Hospital (the Hospital), an acute care hospital located in Tomball, Texas. The Authority primarily earned revenues by providing inpatient, outpatient and emergency care services to patients in Tomball, Texas and surrounding areas.

Effective October 1, 2011, the Authority sold the interest in its Hospital operations and substantially all of its assets, including its interests in Tomball Hospital Holdings (THH), Tomball Regional Medical Center Provider Network and an interest in Tomball Ambulatory Surgery Center dba Medical Complex Surgical Center (TASC) to Tomball Texas Holdings, LLC (TTH), a subsidiary of Community Health Systems, Inc. (CHS). A portion of the proceeds were used to pay in full the outstanding long-term debt of the Authority. The Authority aims to use the remaining resources to improve the access to and quality of health care for residents of Tomball, Texas and the surrounding areas.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Authority's accounting policies are described below.

In evaluating how to define the Authority for financial reporting purposes, management has applied certain criteria defined by generally accepted accounting principles. The basic criterion used was whether the governing body has ability to exercise oversight responsibility over another entity, manifested by significant financial interdependency, the selection of governing authorities, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used was whether special financing relationships exist with other entities, regardless of whether the Authority is able to exercise oversight responsibilities. After applying these criteria, it was determined that no component units require inclusion as part of the reporting entity of the Authority. The Authority is also not considered a component unit of any other reporting entity.

The Authority changed its fiscal year from June 30 to December 31, resulting in an eighteen month period ending December 31, 2023.

B. Basis of Presentation

The Authority meets the requirements to report as a stand-alone special-purpose government with a single governmental activity. The Authority presents its financial activities and financial position entirely through a set of combined government-wide and fund financial statements. These statements include the Governmental Fund Balance Sheet / Statement of Net Position and the Statement of Governmental Fund Revenues, Expenditures, and Change in Fund Balance / Statement of Activities.

The government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, reports information on all of the *governmental activities* of the Authority. These activities are supported primarily by investment income, which is an own source revenue.

Tomball Hospital Authority dba Tomball Regional Health Foundation

Notes to the Basic Financial Statements

The fund financial statements, which include the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Change in Fund Balance, places an emphasis on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The Authority does not report any non-major governmental funds, and reports only one major governmental fund. The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term debt and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases and SBITAs are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Authority.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, 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 . Accordingly, actual results could differ from those estimates.

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Notes to the Basic Financial Statements

E. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and deposits with depository banks.

2. Investments and Investment Income

Investments for the Authority are reported at fair value and are recorded on the trade-date.

Investment income includes dividend and interest income, realized gains and losses on investments, and the net change in fair value (unrealized gains and losses) on investments.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which includes land and improvements, furniture and equipment, and right-to-use assets, are capitalized and reported in the financial statements at historical cost. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of an item or increase its estimated useful life. Donated capital assets are reported at acquisition value at the date of donation. Land and improvements are not depreciated. Furniture and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	3-40 years
Furniture and equipment	3-20 years

5. Leases

The Authority is a lessee for noncancellable leases of property and equipment. The Authority recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

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Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the Authority is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

6. *Subscription-Based Information Technology Arrangements (SBITAs)*

The Authority has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The Authority recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The Authority recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of an SBITA, the Authority initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the Authority determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Authority uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the Authority is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The Authority monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

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Notes to the Basic Financial Statements

7. Net Position and Flow Assumption

Net position consists of 1) Net investment in capital assets 2) restricted and 3) unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation, amortization and related long-term liabilities. The Authority does not report net position that meets the criteria of restricted. Remaining net position is classified as unrestricted.

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the statements of net position, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance and Flow Assumption

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Authority classifies governmental fund balances as follows:

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid items.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This Authority does not have resources that meet this definition.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the Authority through formal action of the Authority's highest level of decision-making authority. The Board of Directors (the Board) is the highest level of decision-making authority for the Authority that can, by action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by Board action or the resolution remains in place until a similar action is taken (the Board action or adoption of another resolution) to remove or revise the limitation.

Assigned – includes fund balance amounts that are self-imposed by the Authority to be used for specific purposes, but do not meet the criteria to be classified as non-spendable, restricted or committed. The Authority has, by policy, authorized the Board to assign fund balance. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories.

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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Notes to the Basic Financial Statements

F. Revenues and Expenses

1. *Discontinued Operations*

Gains and losses from discontinued operations include payments related to agreements with third-party payers when the Authority owned the hospital assets prior to October 1, 2011. These agreements provided for payments to the Authority at amounts different from its established rates. Net patient service revenue was reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and included estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments were considered in the recognition of revenue on an estimated basis in the period the related services were rendered and such estimated amounts were revised in the future periods as adjustments became known. These payment arrangements included:

Medicare

Inpatient and substantially all outpatient services rendered to Medicare program beneficiaries were paid at prospectively determined rates. These rates varied according to a patient classification system that is based on clinical, diagnostic and other factors. The Authority was reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary.

Medicaid

Inpatient services were paid based on a prospective payment system. Most outpatient services rendered to Medicaid program beneficiaries were reimbursed under a cost reimbursement methodology. The Authority was reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary.

Workers' Compensation

Workers' compensation claims incurred prior to disposition of the hospital assets are the responsibility of the Authority. Until those claims are fully resolved, the Authority will continue to include any adjustments related to workers' compensation reserves.

2. *Income Taxes*

As a political subdivision under the laws of the State of Texas, the Authority 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 Authority may be subject to federal income tax on any unrelated business taxable income.

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Notes to the Basic Financial Statements

G. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet / statement of net position includes an adjustment column to facilitate reconciliation between the general fund and governmental activities. As of December 31, 2023 amounts reported for governmental activities in the statement of net position are different because:

- Capital assets, net of accumulated depreciation and amortization, or \$1,210,390 used in governmental activities are not current financial resources, and therefore are not reported in the governmental fund balance sheet.
- Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental fund balance sheet. This includes self-insurance of \$362,213.

The governmental fund statement of revenues, expenditures and change in fund balance / statement of activities includes an adjustment column to facilitate reconciliation between the general fund and governmental activities. For the eighteen months ended December 31, 2023, amounts reported for governmental activities in the statement of activities are different because:

- Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the general fund. Self-insurance liability decreased by \$14,991 in the current period. Lease liability decreased by \$14,884 in the current period. Amortization expense in the current period was \$14,816.

H. Implementation of New Accounting Standards

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments; and 4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. GASB 96 was implemented in the Authority's 2023 financial statements with no impact to amounts previously reported.

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Notes to the Basic Financial Statements

Note 2. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. In accordance with the Public Funds Investment Act, the Board of Directors has enacted deposit policies to ensure compliance with state laws regarding the deposit of Authority funds and maintains a formal agreement with a custodial bank that provides for collateralization of funds in accordance with state and federal statutes.

As of December 31, 2023, the Authority's bank deposit balances of \$416,942 were not exposed to custodial credit risk because they were insured and collateralized with pledged securities with Frost Bank.

Investments

The Authority may legally invest in direct obligations of and other obligations guaranteed as to principal by the U. S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. Pursuant to the passing of Senate Bill 233 on September 1, 2013, a hospital authority that no longer owns or operates a hospital and is using the remaining assets to promote public health and general welfare initiatives can invest the remaining assets as provided by Chapter 2256 Government Code, the "Public Funds Investment Act", and Property Code, Title 9, Subtitle B, the "Texas Trust Code". The Authority modified their investment policy during the fiscal year ending June 30, 2014, as Senate Bill 233 allowed them to expand the investment portfolio to include U.S. and global equities and fixed income securities.

The Authority's investment balances, level of fair values, and weighted average maturity of such investments are as follows:

Investment Type	Investments	Fair Value Measurements (Level 1)	Percent of Total Investments	Weighted Average Maturity (Days)
December 31, 2023				
Investments reported at net asset value, not subject to level reporting				
Money market mutual funds	\$ 7,156,241	\$ -	6%	52
Investments reported at fair value				
Equity securities				
U.S. equity securities	70,833,427	70,833,427	57%	
Global equity securities	13,338,019	13,338,019	11%	
Fixed income mutual funds:				
U.S. fixed income non-government/ agency	32,862,161	32,862,161	26%	
Global fixed income	586,092	586,092	0%	
Total value	\$ 124,775,940	\$ 117,619,699	100%	

Portfolio weighted average maturity

1

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Notes to the Basic Financial Statements

Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

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

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The Authority has the following fair value measurements as of December 31, 2023:

Equity Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Fixed Income Mutual Funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the Authority reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to ensure adequate cash flow requirements are met.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority's policy to limit its investments in money market mutual funds to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs). At December 31, 2023 the Authority's investments in money market mutual funds were rated "AAAm" by Standard & Poor's. Equity securities, fixed income mutual funds, and real estate mutual funds are not subject to NRSRO ratings; however, the Authority will seek diversification by asset class in order to limit credit risk.

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Concentration of Credit Risk

The investment policy of the Authority requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

The strategic asset allocation and associated ranges of the Authority are as follows:

<u>Asset Class</u>	<u>Normal</u>	<u>Strategic</u>
Large cap equity	23.00%	10-30%
Mid cap equity	14.00%	0-18%
Small cap equity	8.00%	0-15%
Developed international equity	7.00%	0-20%
Emerging markets equity	8.00%	0-18%
Total equity	60.00%	35-75%
U.S. fixed income	22.00%	0-30%
High yield debt	7.00%	0-15%
International developed debt	0.00%	0-12%
Emerging markets debt	6.00%	0-14%
Real assets	2.00%	0-13%
Cash equivalents	3.00%	0-13%
Total fixed income	40.00%	10-35%
Total	100.00%	

The Authority is diligent in its efforts to maximize the returns of the organization so that maximum funding might be available to the community. Effective November 29, 2023, the Authority has updated its investment policy after careful review by the board of directors. The new investment allocation is as follows:

- Equities shall not exceed 55-65% of the total portfolio.
- Fixed Income shall not be less than 30-40% of the total portfolio.
- Real Estate shall not exceed 0-10% of the total portfolio.

Custodial Credit Risk

For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments are not exposed to custodial credit risk as the investments are held by the Authority's agent in the Authority's name for the benefit of the Authority.

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Investment income for the eighteen months ended December 31, 2023, consisted of the following:

	<u>2023</u>
Interest and dividend income	\$ 3,172,682
Net realized and unrealized gains	<u>20,799,924</u>
Total investment income	<u>\$ 23,972,606</u>

Note 3. Capital Assets

Capital assets activity for the eighteen months ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land and improvements	\$ 1,210,390	\$ -	\$ -	\$ 1,210,390
Total capital assets not being depreciated	1,210,390	-	-	1,210,390
Capital assets being depreciated				
Buildings and improvements, leased right-to-use	59,265	-	(59,265)	-
Furniture and equipment	94,642	-	-	94,642
Total capital assets being depreciated	153,907	-	(59,265)	94,642
Less accumulated depreciation and amortization for				
Buildings and improvements, leased right-to-use	(44,449)	(14,816)	59,265	-
Furniture and equipment	(94,642)	-	-	(94,642)
Total accumulated depreciation and amortization	(139,091)	(14,816)	59,265	(94,642)
Total capital assets being depreciated and amortized, net	14,816	(14,816)	-	-
Total capital assets, net	<u>\$ 1,225,206</u>	<u>\$ (14,816)</u>	<u>\$ -</u>	<u>\$ 1,210,390</u>

Note 4. Risk Management

General and Professional Liability – Self Insured

As a unit of government covered by the Texas Tort Claims Act (the Act), the Authority's liability for general and malpractice claims is limited to \$100,000 per person and \$300,000 per occurrence, with no annual limit. The Authority is self-insured for amounts not limited by the Act. Losses from asserted and unasserted claims identified under the Authority's incident reporting system are accrued based on estimates that incorporate the Authority's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued malpractice and general liability losses have been estimated by professional insurance consultants. It is reasonably possible that the Authority's estimate of losses will change by a material amount in the near term.

Workers' Compensation – Self insured

The Authority is self-insured for workers' compensation claims costs. A provision is accrued for workers' compensation claims including both claims reported and claims incurred, but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the Authority's estimate will change by a material amount in the near term.

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Activity for the Authority's self-insured liabilities for the eighteen months ending December 31, 2023, is summarized as follows:

	General and Professional Liability	Workers' Compensation	Total
Balance, beginning of year	\$ 100,000	\$ 277,204	\$ 377,204
Changes in estimates for claims incurred in prior years	-	-	-
Claims and expenses paid	-	(14,991)	(14,991)
Balance, end of year	\$ 100,000	\$ 262,213	\$ 362,213
Due within one year	\$ -	\$ -	\$ -
Due in more than one year	100,000	262,213	362,213

Note 5. Leases Payable

The Authority has entered into a lease agreements as lessee. The lease allows the right-to-use building space over the term of the lease. The Authority is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the lease. The lease rate, term and ending lease liability are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Office Lease	\$ 14,884	\$ -	\$ (14,884)	\$ -

	Interest Rate(s)	Liability at Commencement	Lease Term in Years	Ending Balance
Governmental activities				
Office Lease	1.09%	\$ 59,265	4.0	\$ -
Total governmental activities				\$ -

Note 6. Contingencies

In the normal course of business, the Authority is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations may be in areas not covered by the Authority's self-insurance program or by commercial insurance (discussed in Note 4); for example, allegations regarding employment practices or performance on contracts. The Authority 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.