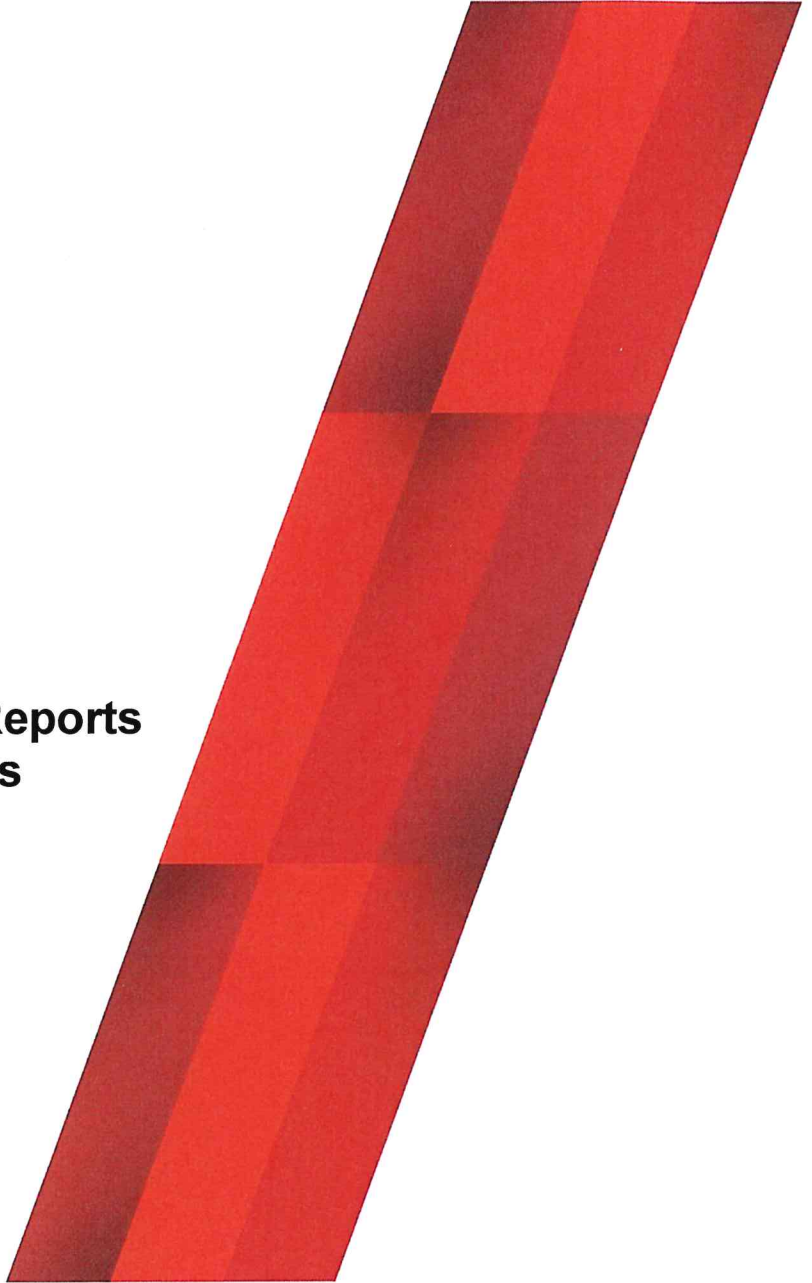


**Somervell County
Hospital District
d/b/a Glen Rose
Medical Center**

**Independent Auditor's Reports
and Financial Statements**

September 30, 2022 and 2021



Somervell County Hospital District
d/b/a Glen Rose Medical Center
September 30, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Somervell County Hospital District
d/b/a Glen Rose Medical Center
Glen Rose, Texas

Opinion

We have audited the financial statements of Somervell County Hospital District d/b/a Glen Rose Medical Center (the District), as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District, as of September 30, 2022 and 2021, 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 the District, 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.

Emphasis of Matter

As discussed in *Note 2* to the financial statements, in 2022, the District adopted Governmental Accounting Standards Board (GASB) Statement, No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

FORVIS, LLP

Waco, Texas
May 24, 2023

Somervell County Hospital District
d/b/a Glen Rose Medical Center
Balance Sheets
September 30, 2022 and 2021

Assets

	2022	2021 (As Restated)
Current Assets		
Cash	\$ 864,984	\$ 3,312,304
Patient accounts receivable, net of allowance; 2022 - \$6,553,000, 2021 - \$21,958,000	1,842,734	3,325,886
Nursing facility accounts receivable, net of allowance; 2022 - \$441,000, 2021 - \$345,000	671,211	951,472
Property taxes receivable, net	58,974	69,207
Estimated amounts due from third-party payers	2,629,118	1,289,116
Lease receivable, current	246,684	235,075
Supplies	821,339	688,595
Prepaid expenses and other	380,072	308,254
Total current assets	7,515,116	10,179,909
Capital Assets, Net	14,923,740	13,753,035
Lease Assets, Net	505,526	725,522
Lease Receivable	1,217,687	1,464,372
Other Assets	143,200	170,351
Total assets	\$ 24,305,269	\$ 26,293,189

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources, and Net Position

	2022	2021 (As Restated)
Current Liabilities		
Current maturities of long-term debt	\$ 611,535	\$ 776,668
Current maturities of lease liabilities	184,338	192,120
Accounts payable	1,825,788	2,336,570
Accrued expenses	1,194,241	1,285,068
Estimated amounts due to third-party payers	122,566	1,420,633
Total current liabilities	<u>3,938,468</u>	<u>6,011,059</u>
Long-term Debt	10,989,628	11,821,702
Lease Liabilities	<u>347,982</u>	<u>533,402</u>
Total liabilities	<u>15,276,078</u>	<u>18,366,163</u>
Deferred Inflows of Resources	<u>1,404,510</u>	<u>1,667,856</u>
Net Position		
Net investment in capital assets	3,295,783	2,804,665
Unrestricted	4,328,898	3,454,505
Total net position	<u>7,624,681</u>	<u>6,259,170</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 24,305,269</u>	<u>\$ 26,293,189</u>

Somervell County Hospital District
d/b/a Glen Rose Medical Center
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2022 and 2021

	2022	2021 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - \$1,226,000, 2021 - \$1,219,000	\$ 18,773,598	\$ 17,530,434
Nursing facility resident revenue, net of provision for uncollectible accounts; 2022 - \$441,000, 2021 - \$345,000	7,225,018	2,024,624
Other	642,944	646,777
Total operating revenues	26,641,560	20,201,835
Operating Expenses		
Salaries, wages and employee benefits	14,200,407	13,367,849
Purchased services and professional fees	3,956,987	4,129,885
Supplies and other	5,115,701	4,966,435
Nursing facility management fees	6,987,758	2,011,452
Depreciation and amortization	1,616,402	1,505,903
Total operating expenses	31,877,255	25,981,524
Operating Loss	(5,235,695)	(5,779,689)
Nonoperating Revenues (Expenses)		
Property taxes	4,063,067	3,781,679
Interest income	101,204	94,273
Interest expense	(615,937)	(615,803)
Noncapital grants and gifts	1,338,348	3,862,202
Other	64,524	65,347
Total nonoperating revenues (expenses)	4,951,206	7,187,698
Income (Loss) Before Special Item	(284,489)	1,408,009
Special Item - Forgiveness of PPP Loan	1,650,000	1,640,000
Increase in Net Position	1,365,511	3,048,009
Net Position, Beginning of Year	6,259,170	3,211,161
Net Position, End of Year	\$ 7,624,681	\$ 6,259,170

See Notes to Financial Statements

Somervell County Hospital District
d/b/a Glen Rose Medical Center
Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021 (As Restated)
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	\$ 24,682,617	\$ 17,264,219
Payments to suppliers and contractors	(16,335,393)	(10,564,361)
Payments to employees	(14,291,234)	(13,588,945)
Other receipts	406,749	383,431
	(5,537,261)	(6,505,656)
Cash Flows from Noncapital Financing Activities		
Property taxes supporting operations	3,117,638	2,841,156
Proceeds from issuance of paycheck protection program loan	-	1,650,000
Proceeds from Provider Relief Funds	762,464	18,694
Noncapital contributions	575,884	11,550
Other noncapital financing receipts	64,524	65,347
	4,520,510	4,586,747
Cash Flows from Capital and Related Financing Activities		
Principal received on lease receivables	235,076	231,755
Interest received on lease receivables	76,924	80,246
Principal paid on lease liabilities	(193,202)	(138,261)
Interest paid on lease liabilities	(38,833)	(34,605)
Proceeds from issuance of long-term debt	1,120,000	-
Principal paid on long-term debt	(601,770)	(554,385)
Interest paid on long-term debt	(577,104)	(581,198)
Property taxes to acquire or retire debt for acquisitions of capital assets	955,662	938,591
Purchase of capital assets	(2,432,548)	(418,212)
	(1,455,795)	(476,069)
Cash Flows from Investing Activities		
Interest on cash deposits	25,226	7,187
	25,226	7,187
Decrease in Cash	(2,447,320)	(2,387,791)
Cash, Beginning of Year	3,312,304	5,700,095
Cash, End of Year	\$ 864,984	\$ 3,312,304

See Notes to Financial Statements

Somervell County Hospital District
d/b/a Glen Rose Medical Center
Statements of Cash Flows (Continued)
Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u> <u>(As Restated)</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (5,235,695)	\$ (5,779,689)
Depreciation and amortization	1,616,402	1,505,903
Provision for uncollectible accounts	(1,225,697)	(1,219,435)
Changes in operating assets and liabilities:		
Patient accounts receivable	2,989,110	854,037
Estimated third-party payer settlements	(2,638,069)	(1,682,012)
Accounts payable and accrued liabilities	(601,609)	128,802
Deferred inflows of resources	(263,346)	(263,346)
Other assets and liabilities	(178,357)	(49,916)
	<u>\$ (5,537,261)</u>	<u>\$ (6,505,656)</u>
Noncash Investing, Capital and Financing Activities		
Lease obligations incurred for lease assets	\$ -	\$ 429,230
Capital asset purchases through finance agreements	\$ 134,563	\$ 92,104
Forgiveness of PPP loan	\$ 1,650,000	\$ 1,640,000

Somervell County Hospital District
d/b/a Glen Rose Medical Center
Notes to Financial Statements
September 30, 2022 and 2021

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

Nature of Operations and Reporting Entity

Somervell County Hospital District d/b/a Glen Rose Medical Center (the District), located in Glen Rose, Texas, was created pursuant to Chapter 286 of the Texas Health and Safety Code. The District is governed by a board of directors, elected by the citizens of the District. The District provides inpatient and outpatient services for residents of the District through its operations of Glen Rose Medical Center. During the year ended September 30, 2021, the District acquired the operations of a local nursing facility.

Glen Rose Healthcare, Inc. (the Corporation) is a Texas nonprofit health organization certified by the Texas State Board of Medical Examiners. The Corporation operates primarily for the purpose of providing physician services to the District's patients. The District is the sole corporate member of the Corporation and has the authority to exercise significant control over the financial operations of the Corporation. As such, the Corporation is presented as a blended component unit of the District. Separate financial statements of the Corporation are not available.

Basis of Accounting and Presentation

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary 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, property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District 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 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.

Somervell County Hospital District
d/b/a Glen Rose Medical Center
Notes to Financial Statements
September 30, 2022 and 2021

Property Taxes

The District received approximately 13% and 14% of its financial support from property taxes in 2022 and 2021, respectively. For the years ended September 30, 2022 and 2021, 24% and 25%, respectively, of these funds were used to retire debt for capital acquisitions with the remaining portion used to support operations. Property taxes are levied by the District on October 1 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1, when the value is assessed. Property taxes become due and payable when levied on October 1. This is the date on which an enforceable legal claim arises and the District records a receivable for the property tax assessment, less an allowance for uncollectible taxes. Property taxes are considered delinquent after January 31 of the following year.

The District is authorized to levy a tax on property not to exceed \$0.75 per \$100 valuation for the purpose of paying operating expenses and for debt service. The District's property tax rates were \$0.1218 and \$0.1145 for maintenance and operations and \$0.0375 and \$0.0378 for interest and sinking per \$100 valuation in 2022 and 2021, respectively.

Revenue from property taxes is recognized in the year for which the taxes are levied. The District levies taxes in October of each year to support the next fiscal year's budgeted operations.

Risk Management

The District 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.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District 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.

Interest Income

Interest income includes interest earned on deposits and lease receivable.

Somervell County Hospital District
d/b/a Glen Rose Medical Center
Notes to Financial Statements
September 30, 2022 and 2021

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 District:

Buildings and improvements	5 – 40 years
Equipment	3 – 25 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 District 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 impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended September 30, 2022 and 2021.

Compensated Absences

District policies permit most employees to accumulate vacation and sick leave benefits 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. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. 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.

Somervell County Hospital District
d/b/a Glen Rose Medical Center
Notes to Financial Statements
September 30, 2022 and 2021

Deferred Inflows of Resources

The District reports an acquisition of net position 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 District is classified in two components on its balance sheets. Net investment in capital assets, consist of capital and lease assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings and leases used to finance the purchase, use, or construction of those assets. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue and Nursing Facility Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue and nursing facility revenue are reported at the estimated net realizable amounts from patients, third-party payers 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 District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

The costs associated with the District's charity care program were approximately \$2,287,000 and \$1,704,000 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the overall ration of the District's cost to charges to the gross charges related to services provided to patients qualifying for the District's charity care program.

Income Taxes

As an essential government function of the state of Texas, the District 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 District is subject to federal income tax on any unrelated business taxable income.

The Corporation is taxable for federal income tax purposes; however, due to continuing losses, no tax liabilities have been accrued

Somervell County Hospital District
d/b/a Glen Rose Medical Center
Notes to Financial Statements
September 30, 2022 and 2021

Reclassification

A certain reclassification has been made to the 2021 financial statements to conform to the 2022 presentation. The reclassification had no effect on the changes in financial position.

Note 2: Reclassification, Revision and Change in Accounting Principle

Reclassifications

Certain reclassifications has been made to the 2021 financial statements to conform to the 2022 presentation. The reclassifications had no effect on the changes in financial position.

Revisions

Certain immaterial revisions have been made to the 2021 financial statements for eliminating adjustments for activity between the District and Corporation. These revisions did not have a significant impact on the financial statement line items impacted.

Change in Accounting Principle

On October 1, 2021, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented. The statement requires lessees to recognize a lease receivable, measured at the present value of payments expected to be received during the lease term, and a deferred inflow of resource. The statement also requires lessees to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible right-to-use lease asset. The 2021 financial statements and disclosures were restated to reflect the impact of this adoption.

Somervell County Hospital District
d/b/a Glen Rose Medical Center
Notes to Financial Statements
September 30, 2022 and 2021

The effect of the changes made to the accompanying balance sheet, statement of revenues, expenses, and changes in net position, and statement of cash flows as of and for the year ended September 30, 2021 are as follows:

	As Previously Reported	Other Reclassification and Revision	Effect of Adoption of GASB 67	As Restated
Balance Sheet				
Lease receivable, current	\$ -	\$ -	\$ 235,075	\$ 235,075
Prepaid expenses and other	300,028	-	8,226	308,254
Total current assets	9,936,608	-	243,301	10,179,909
Capital Assets, Net	13,474,777	-	278,258	13,753,035
Lease Assets, Net	-	-	725,522	725,522
Lease Receivable	-	-	1,464,372	1,464,372
Total assets	23,581,736	-	2,711,453	26,293,189
Current maturities of long-term debt	670,791	-	105,877	776,668
Current maturities of lease liabilities	-	-	192,120	192,120
Total current liabilities	5,713,062	-	297,997	6,011,059
Long-term Debt	11,647,935	-	173,767	11,821,702
Lease Liabilities	-	-	533,402	533,402
Total liabilities	17,360,997	-	1,005,166	18,366,163
Deferred Inflows of Resources	-	-	1,667,856	1,667,856
Net investment in capital assets	2,806,051	-	(1,386)	2,804,665
Unrestricted	3,414,688	-	39,817	3,454,505
Total net position	6,220,739	-	38,431	6,259,170
Total liabilities and net position	23,581,736	-	2,711,453	26,293,189
Statement of Revenues, Expenses and Changes in Net Position				
Other operating revenue	802,028	(106,596)	(48,655)	646,777
Total operating revenues	20,357,086	(106,596)	(48,655)	20,201,835
Purchased services and professional fees	6,657,959	(2,528,074)	-	4,129,885
Supplies and other	2,828,927	2,421,478	(283,970)	4,966,435
Depreciation and amortization	1,272,238	-	233,665	1,505,903
Total operating expenses	26,138,425	(106,596)	(50,305)	25,981,524
Operating Loss	(5,781,339)	-	1,650	(5,779,689)
Interest income	7,187	-	87,086	94,273
Interest expense	(565,498)	-	(50,305)	(615,803)
Total nonoperating revenues (expenses)	7,150,917	-	36,781	7,187,698
Income Before Special Item	1,369,578	-	38,431	1,408,009
Increase in Net Position	3,009,578	-	38,431	3,048,009
Net Position, End of Year	6,220,739	-	38,431	6,259,170

Somervell County Hospital District
d/b/a Glen Rose Medical Center
Notes to Financial Statements
September 30, 2022 and 2021

	As Previously Reported	Other Reclassification and Revision	Effect of Adoption	As Restated
Statement of Cash Flows				
Payments to suppliers and contractors	\$ (10,953,541)	\$ 106,596	\$ 282,584	\$ (10,564,361)
Other receipts	802,028	(106,596)	(312,001)	383,431
Net cash used in operating activities	(6,476,239)	-	(29,417)	(6,505,656)
Principal received on lease receivables	-	-	231,755	231,755
Interest received on lease receivables	-	-	80,246	80,246
Principal paid on lease liabilities	-	-	(138,261)	(138,261)
Interest paid on lease liabilities	-	-	(34,605)	(34,605)
Principal paid on long-term debt	(467,711)	-	(86,674)	(554,385)
Interest paid on long-term debt	(558,154)	-	(23,044)	(581,198)
Net cash used in capital and related financing activities	(505,486)	-	29,417	(476,069)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities				
Operating loss	(5,781,339)	-	1,650	(5,779,689)
Depreciation and amortization	1,272,238	-	233,665	1,505,903
Deferred inflows of resources	-	-	(263,346)	(263,346)
Other assets and liabilities	(48,530)	-	(1,386)	(49,916)
Net cash used in operating activities	(6,476,239)	-	(29,417)	(6,505,656)
Noncash Investing, Capital and Financing Activities				
Lease obligations incurred for lease assets	-	-	429,230	429,230
Capital asset purchases through finance agreements	-	-	92,104	92,104

Note 3: Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The District is reimbursed for certain 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.

Somervell County Hospital District
d/b/a Glen Rose Medical Center
Notes to Financial Statements
September 30, 2022 and 2021

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

Approximately 39% and 49% of the District's revenues are from participation in Medicaid and Medicare programs for the years ended September 30, 2022 and 2021, respectively. 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 District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Supplemental Medicaid Funding Programs

On December 12, 2011, the United States Department of Health and Human Services (HHS) approved a new Medicaid Section 1115(a) demonstration project entitled "Texas Health Transformation Quality Improvement Program" (Waiver). The Waiver expanded existing Medicaid managed care programs and established two funding pools that assist providers with uncompensated care (UC Pool) costs and promote health system transformation (DSRIP Pool).

The Waiver was originally effective from December 12, 2011 to September 30, 2016, and extended through December 2017 as Texas Health and Human Services Commission (HHSC) and the Centers 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, 2022. 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 has 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). Participating hospitals may opt into this second component. 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

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will require annual approval by CMS and has been approved through August 31, 2023. Revenue from UHRIP and CHIRP are recognized as a component of patient services revenue in the consolidated statements of operations and changes in net assets.

Total revenue recognized from these programs, exclusive of CHIRP and UHRIP, was approximately \$1,786,000 and \$994,000, for the years ended September 30, 2022 and 2021 (net of estimated payback discussed below), respectively, and is included as net patient service revenue in the statements of revenues, expenses and changes in net position.

The funding from the UC Pool has historically been limited by a federally determined Hospital Specific Limit (HSL) calculation and is subject to recoupment based on subsequent audit results. The District recorded an expected overpayment related to these audits of approximately \$123,000 and \$38,000 as of September 30, 2022 and 2021, respectively, and is included as estimated amounts due to third-party payers in the balance sheets.

The programs described above are subject to review and scrutiny by both the Texas Legislature and CMS, and the programs could be modified or terminated based on new legislation or regulation in future periods. The funding historically received may not be representative of funding that will be received in future years.

Nursing Facility Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

Medicare and Medicaid. Resident services rendered to Medicare and Medicaid program beneficiaries are paid at a per day basis based on level of care.

The District has also entered into payment agreements with certain commercial insurance carriers, and the basis for payment to the District under these agreements includes discounts from established charges and prospectively determined daily rates.

In 2021, the District also began participating in Quality Improvement Payment Program (QIPP). This program was designed to assist nursing facilities serving indigent patients by providing funding to support increased access to health care within the community. QIPP allows participating providers to receive additional reimbursement if they either reach certain national benchmarks or if they make quarterly improvements in up to four predetermined quality measures. Revenue recognized under this program (net of any intergovernmental transfer payments) was approximately \$237,000 and \$29,000 for the years ending September 30, 2022 and 2021, respectively, and is included in nursing facility resident revenue in the statements of revenues, expenses, and changes in net position.

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Note 4: 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 District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments.

At September 30, 2022 and 2021, \$0 and \$339,987 of the District's bank balances of \$1,342,845 and \$3,585,488, respectively, was not insured nor collateralized by assets held by the pledging financial institution's agent in the District's name.

Note 5: Patient and Nursing Facility Accounts Receivable

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient and nursing facility accounts receivable at September 30 consisted of:

Hospital and Corporation	2022	2021
	<u> </u>	<u> </u>
Medicaid	\$ 68,375	\$ 66,874
Medicare	340,333	565,115
Other third-party payers	4,529,920	11,309,697
Patients	<u>3,457,225</u>	<u>13,341,772</u>
	8,395,853	25,283,458
Less allowance for uncollectible accounts	<u>6,553,119</u>	<u>21,957,572</u>
	<u>\$ 1,842,734</u>	<u>\$ 3,325,886</u>
Nursing Facility	2022	2021
	<u> </u>	<u> </u>
Medicaid	\$ 393,244	\$ 693,244
Medicare	136,847	266,847
Patients and other payers	<u>581,978</u>	<u>336,481</u>
	1,112,069	1,296,572
Less allowance for uncollectible accounts	<u>440,858</u>	<u>345,100</u>
	<u>\$ 671,211</u>	<u>\$ 951,472</u>

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Note 6: Capital and Lease Assets

Capital assets activity for the years ended September 30 was:

	2022				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 1,335,175	\$ 1,150	\$ -	\$ -	\$ 1,336,325
Buildings and improvements	18,679,306	1,498,171	-	-	20,177,477
Equipment	11,241,400	1,067,790	-	-	12,309,190
	<u>31,255,881</u>	<u>2,567,111</u>	<u>-</u>	<u>-</u>	<u>33,822,992</u>
Less accumulated depreciation	<u>17,502,846</u>	<u>1,396,406</u>	<u>-</u>	<u>-</u>	<u>18,899,252</u>
Capital assets, net	<u>\$ 13,753,035</u>	<u>\$ 1,170,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,923,740</u>

	2021 (As Restated)				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 1,335,175	\$ -	\$ -	\$ -	\$ 1,335,175
Buildings and improvements	18,528,177	151,129	-	-	18,679,306
Equipment	10,911,613	329,787	-	-	11,241,400
	<u>30,774,965</u>	<u>480,916</u>	<u>-</u>	<u>-</u>	<u>31,255,881</u>
Less accumulated depreciation	<u>16,135,204</u>	<u>1,367,642</u>	<u>-</u>	<u>-</u>	<u>17,502,846</u>
Capital assets, net	<u>\$ 14,639,761</u>	<u>\$ (886,726)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,753,035</u>

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Lease assets activity for the years ended September 30 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Buildings and improvements	\$ 447,179	\$ -	\$ -	\$ -	\$ 447,179
Equipment	416,604	-	-	-	416,604
	<u>863,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>863,783</u>
Less accumulated depreciation:	138,261	219,996	-	-	358,257
Lease assets, net	<u>\$ 725,522</u>	<u>\$ (219,996)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 505,526</u>

	2021 (As Restated)				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Buildings and improvements	\$ 371,229	\$ 75,950	\$ -	\$ -	\$ 447,179
Equipment	63,324	353,280	-	-	416,604
	<u>434,553</u>	<u>429,230</u>	<u>-</u>	<u>-</u>	<u>863,783</u>
Less accumulated depreciation	-	138,261	-	-	138,261
Lease assets, net	<u>\$ 434,553</u>	<u>\$ 290,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 725,522</u>

Note 7: Medical Malpractice Claims

The District is a unit of government covered by the Texas Tort Claims Acts which, by statute, limits its liability to \$100,000 per person/\$300,000 per occurrence. These limits coincide with the malpractice insurance coverage maintained by the District.

The District purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim 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 District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

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Note 8: Long-term Obligations

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

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds payable:					
2008 Series bonds	\$ 10,650,000	\$ -	\$ (405,000)	\$ 10,245,000	\$ 425,000
Bond discount	(124,848)	-	7,344	(117,504)	-
Notes payable:					
Note payable to bank	-	1,120,000	(11,351)	1,108,649	35,647
2nd draw PPP loan	1,650,000	-	(1,650,000)	-	-
Finance agreements	423,218	134,563	(192,763)	365,018	150,888
Total long-term debt	<u>12,598,370</u>	<u>1,254,563</u>	<u>(2,251,770)</u>	<u>11,601,163</u>	<u>611,535</u>
Estimated amounts due to third-party payers	1,420,633	-	(1,420,633)	-	-
Total long-term obligations	<u>\$ 14,019,003</u>	<u>\$ 1,254,563</u>	<u>\$ (3,672,403)</u>	<u>\$ 11,601,163</u>	<u>\$ 611,535</u>

	2021 (As Restated)				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt:					
2008 Series bonds	\$ 11,040,000	\$ -	\$ (390,000)	\$ 10,650,000	\$ 405,000
Bond discount	(132,192)	-	7,344	(124,848)	-
Notes payable:					
1st Draw PPP Loan	1,640,000	-	(1,640,000)	-	-
2nd Draw PPP Loan	-	1,650,000	-	1,650,000	188,207
Finance agreements	502,843	92,104	(171,729)	423,218	183,461
Total long-term debt	<u>13,050,651</u>	<u>1,742,104</u>	<u>(2,194,385)</u>	<u>12,598,370</u>	<u>776,668</u>
Estimated amounts due to third-party payers	1,876,487	-	(455,854)	1,420,633	1,420,633
Total long-term obligations	<u>\$ 14,927,138</u>	<u>\$ 1,742,104</u>	<u>\$ (2,650,239)</u>	<u>\$ 14,019,003</u>	<u>\$ 2,197,301</u>

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General Obligation Bonds Payable - Series 2008

The Series 2008 bonds consist of general obligation bonds in the original amount of \$14,380,000 dated April 15, 2008, which bear interest at 4.00% to 5.00% payable on February 15 and August 15 of each year. Principal payments of varying amounts are due annually through 2038. The bonds are not subject to redemption prior to scheduled maturity. The bonds are a direct obligation of the District and are payable from the levy and collection of property taxes. The proceeds were used for the construction and equipping of a secure patient wing and renovations to the nursing home facility.

Bond requirements as of September 30, 2022 are as follows:

Year Ending September 30,	Total to be Paid	Principal	Interest
2023	\$ 935,262	\$ 425,000	\$ 510,262
2024	938,918	450,000	488,918
2025	935,918	470,000	465,918
2026	936,793	495,000	441,793
2027	936,418	520,000	416,418
2028-2032	4,686,318	3,040,000	1,646,318
2033-2037	4,689,014	3,930,000	759,014
2038	938,447	915,000	23,447
	<u>\$ 14,997,088</u>	<u>\$ 10,245,000</u>	<u>\$ 4,752,088</u>

Paycheck Protection Program Loans

During May 2020, the District obtained a loan in the amount of \$1,640,000 under the Paycheck Protection Program (PPP). The District was granted forgiveness of the PPP loan during the year ended September 2021.

During March 2021, the District obtained a second loan under the PPP in the amount of \$1,650,000. The District was granted forgiveness of the PPP loan during the year ended September 2022. The forgiveness is reported as a special item in the statements of revenues, expenses and changes in net position.

Note Payable

During 2021, the District obtained a loan in the amount of \$1,120,000 which is due in May 2042, with principal and interest at 4.5 percent payable monthly. The interest rate may change every five years based on prime rate plus 0.5 percent. The note is secured by certain capital assets.

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Debt service requirements on the note payable as of September 30, 2022, are as follows:

<u>Year Ending September 30,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 85,482	\$ 35,647	\$ 49,835
2024	85,482	37,308	48,174
2025	85,482	39,046	46,436
2026	85,482	40,866	44,616
2027	85,482	42,770	42,712
2028-2032	427,411	245,662	181,749
2033-2037	427,410	308,477	118,933
2038-2042	399,092	358,873	40,219
	<u>\$ 1,681,323</u>	<u>\$ 1,108,649</u>	<u>\$ 572,674</u>

Finance Agreements

The District is obligated under finance agreements for equipment payable in monthly payments of principal and interest at rates ranging from 5.13% to 7.39% and are secured by certain equipment.

Debt service requirements on the finance agreements as of September 30, 2022, are as follows:

<u>Year Ending September 30,</u>	<u>Paid</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 166,568	\$ 150,888	\$ 15,680
2024	118,904	110,311	8,593
2025	52,334	47,730	4,604
2026	43,735	41,944	1,791
2027	14,380	14,145	235
	<u>\$ 395,921</u>	<u>\$ 365,018</u>	<u>\$ 30,903</u>

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Note 9: Lease Liabilities

Lease liability activity for the years ended September 30 was:

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Lease liabilities:					
Buildings	\$ 362,576	\$ -	\$ (95,935)	\$ 266,641	\$ 101,883
Equipment	362,946	-	(97,267)	265,679	82,455
Total lease liabilities	<u>\$ 725,522</u>	<u>\$ -</u>	<u>\$ (193,202)</u>	<u>\$ 532,320</u>	<u>\$ 184,338</u>

	2021 (As Restated)				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Lease liabilities:					
Buildings	\$ 371,229	\$ 75,950	\$ (84,603)	\$ 362,576	\$ 95,935
Equipment	63,324	353,280	(53,658)	362,946	96,185
Total lease liabilities	<u>\$ 434,553</u>	<u>\$ 429,230</u>	<u>\$ (138,261)</u>	<u>\$ 725,522</u>	<u>\$ 192,120</u>

The District leases buildings and equipment, the terms of which expire in various years through 2027. The leases were measured based upon the contract terms at lease commencement. No leases were subject to variable payments based upon the use of the underlying asset.

The following is a schedule by year of payments under the leases as of September 30, 2022:

Year Ending September 30,	Paid	Principal	Interest
2023	\$ 227,004	\$ 184,338	\$ 42,666
2024	206,974	184,271	22,703
2025	165,709	157,811	7,898
2026	7,485	5,495	1,990
2027	640	405	235
	<u>\$ 607,812</u>	<u>\$ 532,320</u>	<u>\$ 75,492</u>

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Note 10: Pension Plan

The District sponsors a defined contribution plan to include all substantially all employees. The plan provides retirement benefits to plan members and their beneficiaries. The employee can contribute up to the maximum allowed under regulations, and the District matches the employee contributions up to 3% of base salary. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's board of directors. Employee contributions and employer matching contributions aggregated approximately, \$402,000 and \$450,000 or 5%, of covered salaries and \$156,000 and \$164,000, or 2%, of covered salaries during 2022 and 2021, respectively. Employees are immediately vested in their own contributions, District contributions, and earnings on those contributions.

Note 11: Nursing Facility Operations

Effective May 1, 2021, the District entered into a sublease and management agreement with a local nursing facility operator that resulted in the District becoming the legal operator of the facility. Under the management agreement, the manager provides all services necessary to operate the facility, including employees, supplies and other operating costs. The manager also provides all billing and collection services. All patient revenue from the facility is paid to the District. From these collections, the District pays the manager for all facility costs and the management fees pursuant to the agreement. The management agreement has an initial terms of 16 months with annual renewal unless terminated by either party. The District is obligated to pay a base management fee of 5% of ordinary revenue with potential incentive and quality payments of 60% of net nursing facility QIPP income. However, District payments to the manager are generally limited to the amount of net patient revenue received from the facilities. At its option, the District may pay additional amounts to the manager above the amounts collected for patient revenue.

For the years ended September 30, 2022 and 2021, total revenues related to these nursing homes, including supplemental Medicaid funding as discussed in *Note 3*, were approximately \$7,225,000 and \$2,025,000, respectively, which is included as nursing facility resident revenue on the statements of revenues, expenses and changes in net position. For the years ended September 30, 2022 and 2021, expenses related to these nursing homes were approximately \$6,988,000 and \$2,011,000, respectively, which is included as nursing facility management fees on the statements of revenues, expenses and changes in net position.

Note 12: Lease Receivable and Revenue

The District leases the nursing facility to a third-party, the term of which expires in 2028. The lease was measured based upon the estimated rates at lease commencement. Revenue recognized under lease contracts during the years ended September 30, 2022 and 2021, were approximately \$339,000 and \$350,000, respectively, which includes both lease revenue and interest.

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Note 13: Contingencies

The District is currently in a dispute with an insurer regarding reimbursement for patient claims. The District provided these services under agreements currently in effect the insurer, and believes they are entitled to reimbursement for these services. Subsequent to 2022, the District entered a settlement with the insurer.

Note 14: Combining Component Information

The following table includes combining balance sheet information for the District and its component unit as of September 30, 2022 and 2021.

	2022		Total
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	
Assets			
Current Assets			
Cash	\$ 794,108	\$ 70,876	\$ 864,984
Patient accounts receivable, net of allowance	1,695,020	147,714	1,842,734
Nursing facility accounts receivable, net of allowance	671,211	-	671,211
Property taxes receivable, net	58,974	-	58,974
Estimated amounts due from third-party payers	2,629,118	-	2,629,118
Lease receivable, current	246,684	-	246,684
Supplies	719,538	101,801	821,339
Prepaid expenses and other	359,973	20,099	380,072
Total current assets	<u>7,174,626</u>	<u>340,490</u>	<u>7,515,116</u>
Capital Assets, Net	14,900,244	23,496	14,923,740
Lease Assets, Net	505,526	-	505,526
Lease Receivable	1,217,687	-	1,217,687
Other Assets	<u>143,200</u>	<u>-</u>	<u>143,200</u>
Total assets	<u>\$ 23,941,283</u>	<u>\$ 363,986</u>	<u>\$ 24,305,269</u>

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	2022		
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Current maturities of long-term debt	\$ 611,535	\$ -	\$ 611,535
Current maturities of lease liabilities	184,338	-	184,338
Accounts payable	1,819,311	6,477	1,825,788
Accrued expenses	961,676	232,565	1,194,241
Estimated amounts due to third-party payers	122,566	-	122,566
Total current liabilities	3,699,426	239,042	3,938,468
Long-term Debt	10,989,628	-	10,989,628
Lease Liabilities	347,982	-	347,982
Total liabilities	15,037,036	239,042	15,276,078
Deferred Inflows of Resources	1,404,510	-	1,404,510
Net Position			
Net investment in capital assets	3,272,287	23,496	3,295,783
Unrestricted	4,227,450	101,448	4,328,898
Total net position	7,499,737	124,944	7,624,681
Total liabilities, deferred inflows of resources, and net position	\$ 23,941,283	\$ 363,986	\$ 24,305,269

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	2021 (As Restated)		
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	Total
Assets			
Current Assets			
Cash	\$ 3,214,485	\$ 97,819	\$ 3,312,304
Patient accounts receivable, net of allowance	3,066,244	259,642	3,325,886
Nursing facility accounts receivable, net of allowance	951,472	-	951,472
Property taxes receivable, net	69,207	-	69,207
Estimated amounts due from third-party payers	1,289,116	-	1,289,116
Lease receivable, current	235,075	-	235,075
Supplies	636,283	52,312	688,595
Prepaid expenses and other	287,225	21,029	308,254
Total current assets	<u>9,749,107</u>	<u>430,802</u>	<u>10,179,909</u>
Capital Assets, Net	13,718,639	34,396	13,753,035
Lease Assets, Net	725,522	-	725,522
Lease Receivable	1,464,372	-	1,464,372
Other Assets	<u>170,351</u>	<u>-</u>	<u>170,351</u>
Total assets	<u>\$ 25,827,991</u>	<u>\$ 465,198</u>	<u>\$ 26,293,189</u>

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	2021 (As Restated)		
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Current maturities of long-term debt	\$ 776,668	\$ -	\$ 776,668
Current maturities of lease liabilities	192,120	-	192,120
Accounts payable	2,318,354	18,216	2,336,570
Accrued expenses	1,018,492	266,576	1,285,068
Estimated amounts due to third-party payers	1,420,275	358	1,420,633
Total current liabilities	5,725,909	285,150	6,011,059
Long-term Debt	11,821,702	-	11,821,702
Lease Liabilities	533,402	-	533,402
Total liabilities	18,081,013	285,150	18,366,163
Deferred Inflows of Resources	1,667,856	-	1,667,856
Net Position			
Net investment in capital assets	2,770,269	34,396	2,804,665
Unrestricted	3,308,853	145,652	3,454,505
Total net position	6,079,122	180,048	6,259,170
Total liabilities, deferred inflows of resources, and net position	\$ 25,827,991	\$ 465,198	\$ 26,293,189

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The following table includes combining statements of revenues, expense and changes in net position information for the District and its component unit for the years ended September 30, 2022 and 2021.

	2022			
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 15,119,637	\$ 3,653,961	\$ -	\$ 18,773,598
Nursing facility resident revenue, net	7,225,018	-	-	7,225,018
Other	748,066	1,473	(106,595)	642,944
Total operating revenues	<u>23,092,721</u>	<u>3,655,434</u>	<u>(106,595)</u>	<u>26,641,560</u>
Operating Expenses				
Salaries, wages and employee benefits	10,203,125	3,997,282	-	14,200,407
Purchased services and professional fees	3,323,717	633,270	-	3,956,987
Supplies and other	4,638,796	583,500	(106,595)	5,115,701
Nursing facility management fees	6,987,758	-	-	6,987,758
Depreciation and amortization	1,605,502	10,900	-	1,616,402
Total operating expenses	<u>26,758,898</u>	<u>5,224,952</u>	<u>(106,595)</u>	<u>31,877,255</u>
Operating Loss	<u>(3,666,177)</u>	<u>(1,569,518)</u>	<u>-</u>	<u>(5,235,695)</u>
Nonoperating Revenues (Expenses)				
Property taxes	4,063,067	-	-	4,063,067
Interest income	100,298	906	-	101,204
Interest expense	(615,937)	-	-	(615,937)
Noncapital grants and gifts	1,247,401	90,947	-	1,338,348
Donations from District (to Corporation)	(1,422,561)	1,422,561	-	-
Other	64,524	-	-	64,524
Total nonoperating revenues, net	<u>3,436,792</u>	<u>1,514,414</u>	<u>-</u>	<u>4,951,206</u>
Loss Before Special item	<u>(229,385)</u>	<u>(55,104)</u>	<u>-</u>	<u>(284,489)</u>
Special Item - Forgiveness of PPP Loan	<u>1,650,000</u>	<u>-</u>	<u>-</u>	<u>1,650,000</u>
Increase (Decrease) in Net Position	<u>1,420,615</u>	<u>(55,104)</u>	<u>-</u>	<u>1,365,511</u>
Net Position, Beginning of Year	<u>6,079,122</u>	<u>180,048</u>	<u>-</u>	<u>6,259,170</u>
Net Position, End of Year	<u>\$ 7,499,737</u>	<u>\$ 124,944</u>	<u>\$ -</u>	<u>\$ 7,624,681</u>

Somervell County Hospital District
d/b/a Glen Rose Medical Center
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September 30, 2022 and 2021

	2021 (As Restated)			
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 13,971,217	\$ 3,559,217	\$ -	\$ 17,530,434
Nursing facility resident revenue, net	2,024,624	-	-	2,024,624
Other	751,847	1,526	(106,596)	646,777
Total operating revenues	<u>16,747,688</u>	<u>3,560,743</u>	<u>(106,596)</u>	<u>20,201,835</u>
Operating Expenses				
Salaries, wages and employee benefits	9,408,869	3,958,980	-	13,367,849
Purchased services and professional fees	3,550,997	578,888	-	4,129,885
Supplies and other	4,464,427	608,604	(106,596)	4,966,435
Nursing facility management fees	2,011,452	-	-	2,011,452
Depreciation and amortization	1,494,983	10,920	-	1,505,903
Total operating expenses	<u>20,930,728</u>	<u>5,157,392</u>	<u>(106,596)</u>	<u>25,981,524</u>
Operating Loss	<u>(4,183,040)</u>	<u>(1,596,649)</u>	<u>-</u>	<u>(5,779,689)</u>
Nonoperating Revenues (Expenses)				
Property taxes	3,781,679	-	-	3,781,679
Interest income	94,230	43	-	94,273
Interest expense	(615,803)	-	-	(615,803)
Noncapital grants and gifts	3,843,508	18,694	-	3,862,202
Donations from District (to Corporation)	(1,549,673)	1,549,673	-	-
Other	65,347	-	-	65,347
Total nonoperating revenues, net	<u>5,619,288</u>	<u>1,568,410</u>	<u>-</u>	<u>7,187,698</u>
Income (Loss) Before Special item	1,436,248	(28,239)	-	1,408,009
Special Item - Forgiveness of PPP Loan	1,640,000	-	-	1,640,000
Increase (Decrease) in Net Position	3,076,248	(28,239)	-	3,048,009
Net Position, Beginning of Year	3,002,874	208,287	-	3,211,161
Net Position, End of Year	<u>\$ 6,079,122</u>	<u>\$ 180,048</u>	<u>\$ -</u>	<u>\$ 6,259,170</u>

Somervell County Hospital District
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The following table includes condensed combining statement of cash flow information for the District and its component unit for the years ended September 30, 2022 and 2021.

	2022		
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	Total
Net Cash Used In Operating Activities	\$ (3,995,904)	\$ (1,541,357)	\$ (5,537,261)
Net Cash Provided by Noncapital Financing Activities	3,007,002	1,513,508	4,520,510
Net Cash Used in Capital and Related Financing Activities	(1,455,795)	-	(1,455,795)
Net Cash Provided by Investing Activities	24,320	906	25,226
Decrease in Cash	(2,420,377)	(26,943)	(2,447,320)
Cash, Beginning of Year	3,214,485	97,819	3,312,304
Cash, End of Year	<u>\$ 794,108</u>	<u>\$ 70,876</u>	<u>\$ 864,984</u>
	2021 (As Restated)		
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	Total
Net Cash Used in Operating Activities	\$ (4,873,054)	\$ (1,632,602)	\$ (6,505,656)
Net Cash Provided by Noncapital Financing Activities	3,018,380	1,568,367	4,586,747
Net Cash Used in Capital and Related Financing Activities	(476,069)	-	(476,069)
Net Cash Provided by Investing Activities	7,144	43	7,187
Decrease in Cash	(2,323,599)	(64,192)	(2,387,791)
Cash, Beginning of Year	5,538,084	162,011	5,700,095
Cash, End of Year	<u>\$ 3,214,485</u>	<u>\$ 97,819</u>	<u>\$ 3,312,304</u>

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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.

The District received funds through the Medicare Advance and Accelerated Payment Program, and through the Provider Relief Fund and Coronavirus Relief Fund, as provided for under the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act Funding). In addition, the District received funds through the Medicare Advance and Accelerated Payment Program.

Provider Relief Fund

Through the year ended September 30, 2022, the District received approximately \$5,195,000 of distributions from the CARES Act Funding including, approximately \$1,087,000 and \$19,000 received in the years ended September 30, 2022 and 2021, respectively.

These distributions from the CARES Act Funding are not subject to repayment, provided the District 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 District 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 CARES Act Funding and the effect of the pandemic on the District's operating revenues, the District recognized approximately \$1,087,000 and \$19,000 of revenue from the CARES Act Funding for the years ended September 30, 2022 and 2021, respectively.

The District will continue to monitor compliance with the terms and conditions of the CARES Act Funding and the effect of the pandemic on the District's revenues and expenses. The terms and conditions governing the CARES Act Funding are complex and subject to interpretation and change. If the District is unable to attest to or comply with current or future terms and conditions the District's ability to retain some or all of the distributions received may be affected. CARES Act Funding payments are subject to government oversight, including potential audits.

Somervell County Hospital District
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Notes to Financial Statements
September 30, 2022 and 2021

Medicare Accelerated and Advanced Payment Program

During the year ended September 30, 2020, the District requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care 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.

During the year ended September 30, 2020, the District received approximately \$1,838,000 from these accelerated Medicare payment requests. The unapplied amount of accelerated Medicare payment requests of \$0 and \$1,382,000, as of September 30, 2022 and 2021, respectively, are recorded as estimated amounts due to third-party payers in the accompanying balance sheets.

Note 16: Future Change in Accounting Principle

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), addresses the accounting for the costs related to cloud computing agreements. The standard defines a subscription-based information technology arrangement (SBITA), establishes that a SBITA would result in a right-to-use (RTU) asset and a corresponding liability, provides capitalization criteria, and requires new note disclosures. The Statement's language and concepts closely mirror the lease guidance provided in Statement 87, *Leases*. This statement requires governments to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

GASB 96 is effective for the District's fiscal year ending September 30, 2023. The changes should be applied retroactively.

