

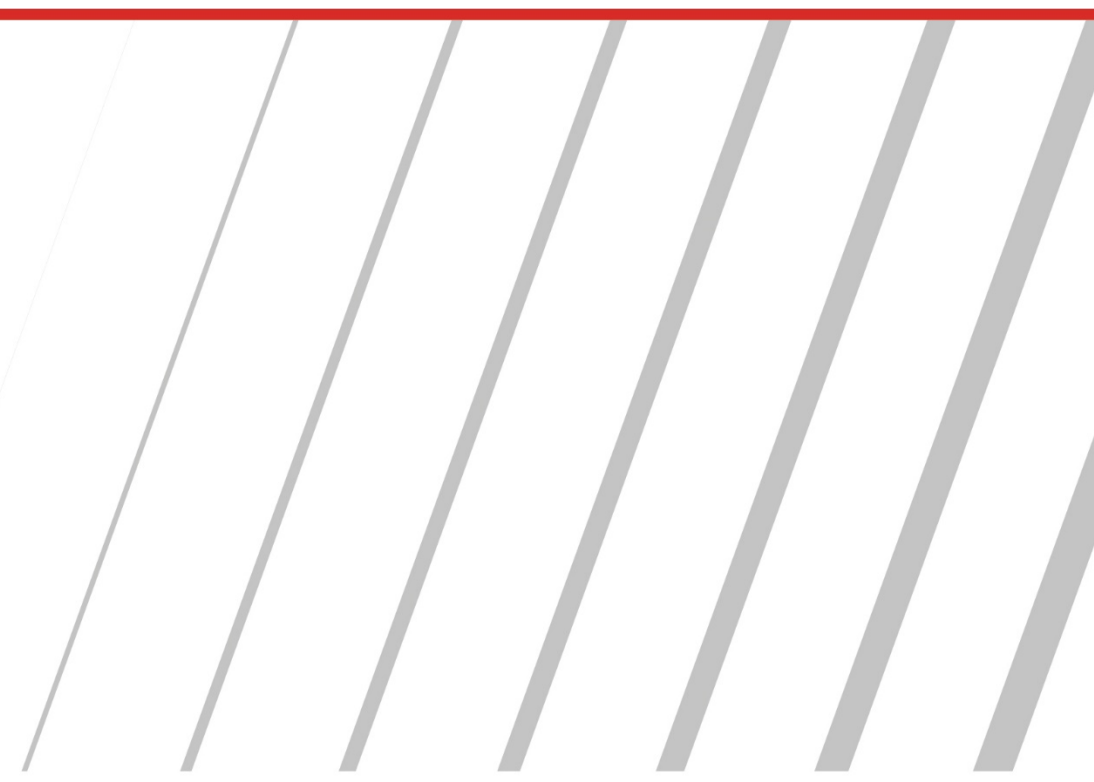


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# **Somervell County Hospital District d/b/a Glen Rose Medical Center**

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

**September 30, 2023 and 2022**



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**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**September 30, 2023 and 2022**

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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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District, as of September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of 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, during fiscal year 2023, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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, 2024**

**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Balance Sheets**  
**September 30, 2023 and 2022**

**Assets**

	<b>2023</b>	<b>2022 (As Restated)</b>
<b>Current Assets</b>		
Cash	\$ 7,354,376	\$ 864,984
Patient accounts receivable, net of allowance; 2023 - \$2,876,000, 2022 - \$6,553,000	1,638,217	1,842,734
Nursing facility accounts receivable, net of allowance; 2023 - \$544,000, 2022 - \$441,000	697,211	671,211
Property taxes receivable, net	33,448	58,974
Estimated amounts due from third-party payers	943,315	2,629,118
Lease receivable, current	258,866	246,684
Supplies	900,527	821,339
Prepaid expenses and other	293,881	380,072
	<b>12,119,841</b>	<b>7,515,116</b>
<b>Capital Assets, Net</b>	<b>15,228,610</b>	<b>14,923,740</b>
<b>Lease Assets, Net</b>	<b>1,024,517</b>	<b>505,526</b>
<b>Subscription Assets, Net</b>	<b>427,284</b>	<b>688,382</b>
<b>Lease Receivable</b>	<b>958,820</b>	<b>1,217,687</b>
<b>Other Assets</b>	<b>147,094</b>	<b>143,200</b>
	<b>12,119,841</b>	<b>7,515,116</b>
<b>Total assets</b>	<b>\$ 29,906,166</b>	<b>\$ 24,993,651</b>

## Liabilities, Deferred Inflows of Resources, and Net Position

	<b>2023</b>	<b>2022</b> <b>(As Restated)</b>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 655,493	\$ 611,535
Current maturities of lease liabilities	604,789	184,338
Current maturities of subscription liabilities	298,493	286,144
Accounts payable	2,312,180	1,825,788
Accrued expenses	1,205,603	1,194,241
Estimated amounts due to third-party payers	3,805	122,566
	<hr/>	<hr/>
Total current liabilities	5,080,363	4,224,612
	<hr/>	<hr/>
<b>Long-term Debt</b>	10,686,045	10,989,628
<b>Lease Liabilities</b>	455,856	347,982
<b>Subscription Liabilities</b>	159,538	428,197
	<hr/>	<hr/>
Total liabilities	16,381,802	15,990,419
	<hr/>	<hr/>
<b>Deferred Inflows of Resources</b>	1,141,164	1,404,510
	<hr/>	<hr/>
<b>Net Position</b>		
Net investment in capital assets	3,822,888	3,269,824
Unrestricted	8,560,312	4,328,898
	<hr/>	<hr/>
Total net position	12,383,200	7,598,722
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and net position	\$ 29,906,166	\$ 24,993,651
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**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended September 30, 2023 and 2022**

	<b>2023</b>	<b>2022 (As Restated)</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2023 - \$1,670,000, 2022 - \$1,226,000	\$ 22,826,800	\$ 18,773,598
Nursing facility resident revenue, net of provision for uncollectible accounts; 2023 - \$544,000, 2022 - \$441,000	6,878,070	7,225,018
Other	3,978,574	642,944
Total operating revenues	33,683,444	26,641,560
<b>Operating Expenses</b>		
Salaries, wages and employee benefits	15,913,698	14,200,407
Purchased services and professional fees	3,836,033	3,628,378
Supplies and other	5,025,582	5,104,538
Nursing facility management fees	6,767,161	6,987,758
Depreciation and amortization	2,359,384	1,920,131
Total operating expenses	33,901,858	31,841,212
<b>Operating Loss</b>	(218,414)	(5,199,652)
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	4,162,966	4,063,067
Interest income	461,967	101,204
Interest expense	(696,642)	(677,939)
Noncapital grants and gifts	728,765	1,338,348
Other	345,836	64,524
Total nonoperating revenues (expenses)	5,002,892	4,889,204
<b>Income (Loss) Before Special Item</b>	4,784,478	(310,448)
<b>Special Item - Forgiveness of PPP Loan</b>	-	1,650,000
<b>Increase in Net Position</b>	4,784,478	1,339,552
<b>Net Position, Beginning of Year</b>	7,598,722	6,259,170
<b>Net Position, End of Year</b>	\$ 12,383,200	\$ 7,598,722

**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Statements of Cash Flows**  
**Years Ended September 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b> <b>(As Restated)</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from and on behalf of patients	\$ 31,551,507	\$ 24,682,617
Payments to suppliers and contractors	(15,237,452)	(15,995,621)
Payments to employees	(15,902,336)	(14,291,234)
Other receipts	3,711,334	406,749
Net cash used in (provided by) operating activities	<u>4,123,053</u>	<u>(5,197,489)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Property taxes supporting operations	3,266,895	3,117,638
Proceeds from Provider Relief Funds	716,651	762,464
Noncapital contributions	12,114	575,884
Other noncapital financing receipts	345,836	64,524
Net cash provided by noncapital financing activities	<u>4,341,496</u>	<u>4,520,510</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Principal received on lease receivables	246,685	235,076
Interest received on lease receivables	65,315	76,924
Principal paid on lease liabilities	(572,367)	(193,202)
Interest paid on lease liabilities	(63,467)	(38,833)
Principal paid on subscription liabilities	(294,450)	(266,607)
Interest paid on subscription liabilities	(43,273)	(73,165)
Proceeds from issuance of long-term debt	-	1,120,000
Principal paid on long-term debt	(636,025)	(601,770)
Interest paid on long-term debt	(582,558)	(577,104)
Property taxes to acquire or retire debt for acquisitions of capital assets	921,597	955,662
Purchase of capital assets	(1,414,259)	(2,432,548)
Net cash used in capital and related financing activities	<u>(2,372,802)</u>	<u>(1,795,567)</u>
<b>Cash Flows from Investing Activities</b>		
Interest on cash deposits	397,645	25,226
Net cash provided by investing activities	<u>397,645</u>	<u>25,226</u>
<b>Increase (Decrease) in Cash</b>	6,489,392	(2,447,320)
<b>Cash, Beginning of Year</b>	<u>864,984</u>	<u>3,312,304</u>
<b>Cash, End of Year</b>	<u>\$ 7,354,376</u>	<u>\$ 864,984</u>



**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Statements of Cash Flows (Continued)**  
**Years Ended September 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b> <b>(As Restated)</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (218,414)	\$ (5,199,652)
Depreciation and amortization	2,359,384	1,920,131
Provision for uncollectible accounts	1,669,934	(1,225,697)
Changes in operating assets and liabilities:		
Patient accounts receivable	(1,491,417)	2,989,110
Estimated third-party payer settlements	1,567,042	(2,638,069)
Accounts payable and accrued liabilities	497,754	(601,609)
Deferred inflows of resources	(263,346)	(263,346)
Other assets and liabilities	2,116	(178,357)
	\$ 4,123,053	\$ (5,197,489)
<b>Noncash Investing, Capital and Financing Activities</b>		
Lease obligations incurred for lease assets	\$ 1,100,692	\$ -
Subscription obligations incurred for subscription assets	\$ 38,140	\$ -
Capital asset purchases through finance agreements	\$ 369,056	\$ 134,563
Forgiveness of PPP loan	\$ -	\$ 1,650,000

**Somervell County Hospital District  
d/b/a Glen Rose Medical Center  
Notes to Financial Statements  
September 30, 2023 and 2022**

**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. The District also operates 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, 2023 and 2022**

***Property Taxes***

The District received approximately 11% and 13% of its financial support from property taxes in 2023 and 2022, respectively. For the years ended September 30, 2023 and 2022, 22% and 24%, 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 \$0.1141 and \$0.1218 for maintenance and operations and \$0.0324 and \$0.0375 for interest and sinking per \$100 valuation in 2023 and 2022, 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, 2023 and 2022**

***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.

***Subscription Assets***

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

***Capital, Lease and Subscription Asset Impairment***

The District evaluates capital, lease and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease or subscription asset has occurred. If a capital, lease or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended September 30, 2023 and 2022.

**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Notes to Financial Statements**  
**September 30, 2023 and 2022**

***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.

***Deferred Inflows of Resources***

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

***Net Position***

Net position of the District is classified in two components on its balance sheets. Net investment in capital assets, consist of capital, lease and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings 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.

**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Notes to Financial Statements**  
**September 30, 2023 and 2022**

***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 \$1,431,000 and \$2,287,000 for 2023 and 2022, 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, 2023 and 2022**

**Note 2: Change in Accounting Principle**

On October 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, using a retrospective method of adoption to all SBITAs in place and not yet completed at the beginning of the earliest period presented, October 1, 2021. The statement requires governmental entities to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement.

The effect of the changes made to the accompanying financial statements as of and for the year ended September 30, 2022 as a result of adoption are as follows:

	<b>As Previously Reported</b>	<b>Effect of Adoption of GASB 96</b>	<b>As Restated</b>
<b>Balance Sheet</b>			
Subscription Assets, Net	\$ -	\$ 688,382	\$ 688,382
Total assets	24,305,269	688,382	24,993,651
Current maturities of subscription liabilities	-	286,144	286,144
Total current liabilities	3,938,468	286,144	4,224,612
Subscription Liabilities	-	428,197	428,197
Total liabilities	15,276,078	714,341	15,990,419
Net investment in capital assets	3,295,783	(25,959)	3,269,824
Total net position	7,624,681	(25,959)	7,598,722
Total liabilities, deferred inflows of resources, and net position	24,305,269	688,382	24,993,651
<b>Statement of Revenues, Expenses and Changes in Net Position</b>			
Purchased services and professional fees	\$ 3,956,987	\$ (328,609)	\$ 3,628,378
Supplies and other	5,115,701	(11,163)	5,104,538
Depreciation and amortization	1,616,402	303,729	1,920,131
Total operating expenses	31,877,255	(36,043)	31,841,212
Operating Loss	(5,235,695)	36,043	(5,199,652)
Interest expense	(615,937)	(62,002)	(677,939)
Total nonoperating revenues (expenses)	4,951,206	(62,002)	4,889,204
Income (Loss) Before Special Item	(284,489)	(25,959)	(310,448)
Increase in Net Position	1,365,511	(25,959)	1,339,552
Net Position, End of Year	7,624,681	(25,959)	7,598,722
<b>Statement of Cash Flows</b>			
Payments to suppliers and contractors	\$ (16,335,393)	\$ 339,772	\$ (15,995,621)
Net cash used in operating activities	(5,537,261)	339,772	(5,197,489)
Principal paid on subscription liabilities	-	(266,607)	(266,607)
Interest paid on subscription liabilities	-	(73,165)	(73,165)
Net cash used in capital and related financing activities	(1,455,795)	(339,772)	(1,795,567)
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>			
Operating loss	(5,235,695)	36,043	(5,199,652)
Depreciation and amortization	1,616,402	303,729	1,920,131
Net cash used in operating activities	(5,537,261)	339,772	(5,197,489)

**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Notes to Financial Statements**  
**September 30, 2023 and 2022**

**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.

*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 41% and 39% of the District's revenues are from participation in Medicaid and Medicare programs for the years ended September 30, 2023 and 2022, 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 Medicaid Section 1115(a) demonstration project entitled "Texas Health Transformation Quality Improvement Program" (Waiver). The Waiver extended 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).

On April 22, 2022, the Center for Medicare and Medicaid Services (CMS) approved an extension of the Waiver through September 30, 2030. The extension provides for the continuation of the UC Pool and an expansion of directed payment programs, which transitions participating hospitals away from the DSRIP program which ended on September 30, 2021. One of the new directed payment programs is the Comprehensive Hospital Increased Reimbursement Program (CHIRP). Under 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 CHIRP program began on September 1, 2021. CHIRP will require annual approval by CMS and has been approved through August 31, 2024.



**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Notes to Financial Statements**  
**September 30, 2023 and 2022**

Total revenue recognized from these programs, exclusive of CHIRP and UHRIP, was approximately \$1,065,000 and \$1,786,000, for the years ended September 30, 2023 and 2022 (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. Amounts receivable under these programs was approximately \$396,000 and \$2,149,000 at September 30, 2023 and 2022, respectively, which is included in the estimated amounts due from third-party payers in the balance sheets.

The funding from the UC Pool has historically been limited by a federally determined Hospital Specific Limit calculation and is subject to recoupment based on subsequent audit results. The District recorded an expected overpayment related to these audits of approximately \$0 and \$123,000 as of September 30, 2023 and 2022, 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. Based on CMS's review, changes may be made to how future payments are made may be modified. Management is not currently able to estimate the impact of these reviews on it financial statements.

***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.

The District also participates 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 \$161,000 and \$237,000 for the years ending September 30, 2023 and 2022, 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, 2023 and 2022, the District's deposits were either insured or collateralized in accordance with state law.

**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:

<b>Hospital and Corporation</b>	<b>2023</b>	<b>2022</b>
Medicaid	\$ 54,690	\$ 68,375
Medicare	384,130	340,333
Other third-party payers	1,085,195	4,529,920
Patients	2,989,794	3,457,225
	<u>4,513,809</u>	<u>8,395,853</u>
Less allowance for uncollectible accounts	<u>2,875,592</u>	<u>6,553,119</u>
	<u>\$ 1,638,217</u>	<u>\$ 1,842,734</u>
 <b>Nursing Facility</b>		
Medicaid	\$ 658,859	\$ 393,244
Medicare	451,196	136,847
Patients and other payers	130,939	581,978
	<u>1,240,994</u>	<u>1,112,069</u>
Less allowance for uncollectible accounts	<u>543,783</u>	<u>440,858</u>
	<u>\$ 697,211</u>	<u>\$ 671,211</u>

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**Note 6: Capital, Lease and Subscription Assets**

***Capital Assets***

Capital assets activity for the years ended September 30 was:

	<b>2023</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Land	\$ 1,336,325	\$ 207,136	\$ -	\$ -	\$ 1,543,461
Buildings and improvements	20,177,477	368,472		-	20,545,949
Equipment	12,309,190	1,182,707	(832,142)	-	12,659,755
Construction in progress	-	25,000	-	-	25,000
	<u>33,822,992</u>	<u>1,783,315</u>	<u>(832,142)</u>	<u>-</u>	<u>34,774,165</u>
Less accumulated depreciation	<u>18,899,252</u>	<u>1,478,445</u>	<u>(832,142)</u>	<u>-</u>	<u>19,545,555</u>
Capital assets, net	<u>\$ 14,923,740</u>	<u>\$ 304,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,228,610</u>
	<b>2022</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
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>

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**Lease Assets**

Lease assets activity for the years ended September 30 was:

	<b>2023</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Buildings and improvements	\$ 447,179	\$ -	\$ -	\$ -	\$ 447,179
Equipment	416,604	1,100,692	-	-	1,517,296
	<u>863,783</u>	<u>1,100,692</u>	<u>-</u>	<u>-</u>	<u>1,964,475</u>
Less accumulated depreciation:	358,257	581,701	-	-	939,958
Lease assets, net	<u>\$ 505,526</u>	<u>\$ 518,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,024,517</u>
	<b>2022</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
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>

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**Subscription Assets**

Subscription IT assets activity for the year ended September 30 was:

	<b>2023</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Subscription IT assets	\$ 980,948	\$ 38,140	\$ -	\$ -	\$ 1,019,088
Less accumulated amortization	292,566	299,238	-	-	591,804
Subscription assets, net	\$ 688,382	\$ (261,098)	\$ -	\$ -	\$ 427,284
	<b>2022 (As Restated)</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Ending Balance</b>
Subscription IT assets	\$ 980,948	\$ -	\$ -	-	\$ 980,948
Less accumulated amortization	-	292,566	-	-	292,566
Subscription assets, net	\$ 980,948	\$ (292,566)	\$ -	\$ -	\$ 688,382

**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:

	<b>2023</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Bonds payable:					
2008 Series bonds	\$ 10,245,000	\$ -	\$ (425,000)	\$ 9,820,000	\$ 450,000
Bond discount	(117,504)	-	7,344	(110,160)	-
Notes payable:					
Note payable to bank	1,108,649	-	(35,351)	1,073,298	37,308
Finance agreements	365,018	369,056	(175,674)	558,400	168,185
<b>Total long-term debt</b>	<b>\$ 11,601,163</b>	<b>\$ 369,056</b>	<b>\$ (628,681)</b>	<b>\$ 11,341,538</b>	<b>\$ 655,493</b>

	<b>2022</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt:					
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
<b>Total long-term debt</b>	<b>12,598,370</b>	<b>1,254,563</b>	<b>(2,251,770)</b>	<b>11,601,163</b>	<b>611,535</b>
Estimated amounts due to third-party payers	1,420,633	-	(1,420,633)	-	-
<b>Total long-term obligations</b>	<b>\$ 14,019,003</b>	<b>\$ 1,254,563</b>	<b>\$ (3,672,403)</b>	<b>\$ 11,601,163</b>	<b>\$ 611,535</b>

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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, 2023 are as follows:

<u>Year Ending September 30,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
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	939,668	550,000	389,668
2029-2032	3,746,650	2,490,000	1,256,650
2033-2037	4,689,014	3,930,000	759,014
2038	938,447	915,000	23,447
	<u>\$ 14,061,826</u>	<u>\$ 9,820,000</u>	<u>\$ 4,241,826</u>

**Paycheck Protection Program Loan**

During March 2021, the District obtained a loan under the Paycheck Protection Program (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% payable monthly. The interest rate may change every five years based on prime rate plus 0.5%. The note is secured by certain capital assets.

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Debt service requirements on the note payable as of September 30, 2023, are as follows:

<b>Year Ending September 30,</b>	<b>Total to be</b>		
	<b>Paid</b>	<b>Principal</b>	<b>Interest</b>
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	85,482	44,762	40,720
2029-2032	341,928	200,899	141,029
2033-2037	427,410	308,477	118,933
2038-2042	399,388	359,169	40,219
	<u>\$ 1,596,137</u>	<u>\$ 1,073,298</u>	<u>\$ 522,839</u>

***Finance Agreements***

The District is obligated under finance agreements for equipment payable in monthly payments of principal and interest at rates ranging from 4.99% to 7.39% and are secured by certain equipment.

Debt service requirements on the finance agreements as of September 30, 2023, are as follows:

<b>Year Ending September 30,</b>	<b>Paid</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 196,496	\$ 168,185	\$ 28,311
2025	137,007	116,911	20,096
2026	128,408	115,626	12,782
2027	99,202	92,771	6,431
2028	66,222	64,907	1,315
	<u>\$ 627,335</u>	<u>\$ 558,400</u>	<u>\$ 68,935</u>



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**Note 9: Lease and Subscription Liabilities**

***Lease Liabilities***

Lease liability activity for the years ended September 30 was:

	<b>2023</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Lease liabilities:					
Buildings	\$ 266,641	\$ -	\$ (101,883)	\$ 164,758	\$ 86,972
Equipment	265,679	1,100,692	(470,484)	895,887	517,817
Total lease liabilities	\$ 532,320	\$ 1,100,692	\$ (572,367)	\$ 1,060,645	\$ 604,789
	<b>2022</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Lease liabilities:					
Buildings	\$ 362,576	\$ -	\$ (95,935)	\$ 266,641	\$ 101,883
Equipment	362,946	-	(97,267)	265,679	82,455
Total lease liabilities	\$ 725,522	\$ -	\$ (193,202)	\$ 532,320	\$ 184,338

The District leases buildings and equipment, the terms of which expire in various years through 2029. 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, 2023:

<b>Year Ending September 30,</b>	<b>Paid</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 643,674	\$ 604,789	\$ 38,885
2025	258,522	244,742	13,780
2026	71,243	63,169	8,074
2027	65,997	60,572	5,425
2028	65,592	62,768	2,824
2029	25,007	24,605	402
	\$ 1,130,035	\$ 1,060,645	\$ 69,390

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***Subscription Liabilities***

Subscription liability activity for the years ended September 30 was:

	<b>2023</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Subscription liabilities	\$ 714,341	\$ 38,140	\$ (294,450)	\$ 458,031	\$ 298,493
	<b>2022 (As Restated)</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Subscription liabilities	\$ 980,948	\$ -	\$ (266,607)	\$ 714,341	\$ 286,144

The District has various subscription-based information technology arrangements, the terms of which expire in various years through 2026. The subscriptions were measured at the present value of subscription payments expected to be made during the agreement term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

During the years ended September 30, 2023 and 2022, the District recognized approximately \$168,000 and \$175,000, respectively, of subscription expense for variable payments not previously included in the measurement of the subscription liability.

The following is a schedule by year of payments under the SBITAs as of September 30, 2023:

<b>Year Ending September 30,</b>	<b>Paid</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 321,349	\$ 298,493	\$ 22,856
2025	157,241	152,465	4,776
2026	8,588	7,073	1,515
	\$ 487,178	\$ 458,031	\$ 29,147

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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, \$420,000 and \$402,000 or 3%, of covered salaries and \$171,000 and \$156,000, or 1%, of covered salaries during 2023 and 2022, 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, 2023 and 2022, total revenues related to these nursing homes, including supplemental Medicaid funding as discussed in *Note 3*, were approximately \$6,878,000 and \$7,225,000, 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, 2023 and 2022, expenses related to these nursing homes were approximately \$6,767,000 and \$6,988,000, 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, 2023 and 2022, were approximately \$311,000 and \$339,000, respectively, which includes both lease revenue and interest.

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**Note 13: Contingencies**

During 2022, the District was in a dispute with an insurer regarding reimbursement for patient claims. The District provided these services under agreements currently in effect the insurer, and in October 2022, District entered a settlement with an insurer for reimbursement for these services. A portion of the \$5,150,000 settlement proceeds were recorded as a reduction in patient accounts receivable for balances that were not fully allowed and the remaining amount of approximately \$3,033,000 of the proceeds are reported within other operating revenue in the statements of revenues, expenses and changes in net position.

**Note 14: Combining Component Information**

The following table includes combining balance sheet information for the District and its component unit as of September 30, 2023 and 2022.

	<b>2023</b>		
	<b>Glen Rose Medical Center</b>	<b>Glen Rose Healthcare, Inc.</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 7,218,048	\$ 136,328	\$ 7,354,376
Patient accounts receivable, net of allowance	1,412,016	226,201	1,638,217
Nursing facility accounts receivable, net of allowance	697,211	-	697,211
Property taxes receivable, net	33,448	-	33,448
Estimated amounts due from third-party payers	943,315	-	943,315
Lease receivable, current	258,866	-	258,866
Supplies	798,726	101,801	900,527
Prepaid expenses and other	279,498	14,383	293,881
Total current assets	<u>11,641,128</u>	<u>478,713</u>	<u>12,119,841</u>
<b>Capital Assets, Net</b>	15,205,820	22,790	15,228,610
<b>Lease Assets, Net</b>	1,024,517	-	1,024,517
<b>Subscription Assets, Net</b>	427,284	-	427,284
<b>Lease Receivable</b>	958,820	-	958,820
<b>Other Assets</b>	<u>147,094</u>	<u>-</u>	<u>147,094</u>
Total assets	<u>\$ 29,404,663</u>	<u>\$ 501,503</u>	<u>\$ 29,906,166</u>

**Somervell County Hospital District**  
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	2023		
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	Total
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Current Liabilities</b>			
Current maturities of long-term debt	\$ 655,493	\$ -	\$ 655,493
Current maturities of lease liabilities	604,789	-	604,789
Current maturities of subscription liabilities	298,493	-	298,493
Accounts payable	2,240,416	71,764	2,312,180
Accrued expenses	890,897	314,706	1,205,603
Estimated amounts due to third-party payers	3,805	-	3,805
Total current liabilities	4,693,893	386,470	5,080,363
<b>Long-term Debt</b>	10,686,045	-	10,686,045
<b>Lease Liabilities</b>	455,856	-	455,856
<b>Subscription Liabilities</b>	159,538	-	159,538
Total liabilities	15,995,332	386,470	16,381,802
<b>Deferred Inflows of Resources</b>	1,141,164	-	1,141,164
<b>Net Position</b>			
Net investment in capital assets	3,800,098	22,790	3,822,888
Unrestricted	8,468,069	92,243	8,560,312
Total net position	12,268,167	115,033	12,383,200
Total liabilities, deferred inflows of resources, and net position	\$ 29,404,663	\$ 501,503	\$ 29,906,166

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	2022 (As Restated)		
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	Total
<b>Assets</b>			
<b>Current Assets</b>			
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	7,174,626	340,490	7,515,116
<b>Capital Assets, Net</b>	14,900,244	23,496	14,923,740
<b>Lease Assets, Net</b>	505,526	-	505,526
<b>Subscription Assets, Net</b>	688,382	-	688,382
<b>Lease Receivable</b>	1,217,687	-	1,217,687
<b>Other Assets</b>	143,200	-	143,200
Total assets	\$ 24,629,665	\$ 363,986	\$ 24,993,651

**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Notes to Financial Statements**  
**September 30, 2023 and 2022**

	2022 (As Restated)		
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	Total
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Current Liabilities</b>			
Current maturities of long-term debt	\$ 611,535	\$ -	\$ 611,535
Current maturities of lease liabilities	184,338	-	184,338
Current maturities of subscription liabilities	286,144	-	286,144
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	3,985,570	239,042	4,224,612
<b>Long-term Debt</b>	10,989,628	-	10,989,628
<b>Lease Liabilities</b>	347,982	-	347,982
<b>Subscription Liabilities</b>	428,197	-	428,197
Total liabilities	15,751,377	239,042	15,990,419
<b>Deferred Inflows of Resources</b>	1,404,510	-	1,404,510
<b>Net Position</b>			
Net investment in capital assets	3,246,328	23,496	3,269,824
Unrestricted	4,227,450	101,448	4,328,898
Total net position	7,473,778	124,944	7,598,722
Total liabilities, deferred inflows of resources, and net position	\$ 24,629,665	\$ 363,986	\$ 24,993,651

**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Notes to Financial Statements**  
**September 30, 2023 and 2022**

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, 2023 and 2022.

	2023			
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	Eliminations	Total
<b>Operating Revenues</b>				
Net patient service revenue	\$ 18,828,753	\$ 3,998,047	\$ -	\$ 22,826,800
Nursing facility resident revenue, net	6,878,070	-	-	6,878,070
Other	3,965,481	13,093	-	3,978,574
Total operating revenues	<u>29,672,304</u>	<u>4,011,140</u>	<u>-</u>	<u>33,683,444</u>
<b>Operating Expenses</b>				
Salaries, wages and employee benefits	11,162,071	4,751,627	-	15,913,698
Purchased services and professional fees	3,662,946	173,087	-	3,836,033
Supplies and other	4,479,791	545,791	-	5,025,582
Nursing facility management fees	6,767,161	-	-	6,767,161
Depreciation and amortization	2,316,607	42,777	-	2,359,384
Total operating expenses	<u>28,388,576</u>	<u>5,513,282</u>	<u>-</u>	<u>33,901,858</u>
<b>Operating Loss</b>	<u>1,283,728</u>	<u>(1,502,142)</u>	<u>-</u>	<u>(218,414)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Property taxes	4,162,966	-	-	4,162,966
Interest income	454,658	7,309	-	461,967
Interest expense	(696,642)	-	-	(696,642)
Noncapital grants and gifts	728,765	-	-	728,765
Donations from District (to Corporation)	(1,484,922)	1,484,922	-	-
Other	345,836	-	-	345,836
Total nonoperating revenues, net	<u>3,510,661</u>	<u>1,492,231</u>	<u>-</u>	<u>5,002,892</u>
<b>Increase (Decrease) in Net Position</b>	4,794,389	(9,911)	-	4,784,478
<b>Net Position, Beginning of Year</b>	<u>7,473,778</u>	<u>124,944</u>	<u>-</u>	<u>7,598,722</u>
<b>Net Position, End of Year</b>	<u>\$ 12,268,167</u>	<u>\$ 115,033</u>	<u>\$ -</u>	<u>\$ 12,383,200</u>



**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Notes to Financial Statements**  
**September 30, 2023 and 2022**

	2022 (As Restated)			
	Glen Rose Medical Center	Glen Rose Healthcare, Inc.	Eliminations	Total
<b>Operating Revenues</b>				
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>
<b>Operating Expenses</b>				
Salaries, wages and employee benefits	10,203,125	3,997,282	-	14,200,407
Purchased services and professional fees	2,995,108	633,270	-	3,628,378
Supplies and other	4,627,633	583,500	(106,595)	5,104,538
Nursing facility management fees	6,987,758	-	-	6,987,758
Depreciation and amortization	1,909,231	10,900	-	1,920,131
Total operating expenses	<u>26,722,855</u>	<u>5,224,952</u>	<u>(106,595)</u>	<u>31,841,212</u>
<b>Operating Loss</b>	<u>(3,630,134)</u>	<u>(1,569,518)</u>	<u>-</u>	<u>(5,199,652)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Property taxes	4,063,067	-	-	4,063,067
Interest income	100,298	906	-	101,204
Interest expense	(677,939)	-	-	(677,939)
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>3,374,790</u>	<u>1,514,414</u>	<u>-</u>	<u>4,889,204</u>
<b>Loss Before Special item</b>	(255,344)	(55,104)	-	(310,448)
<b>Special Item - Forgiveness of PPP Loan</b>	<u>1,650,000</u>	<u>-</u>	<u>-</u>	<u>1,650,000</u>
<b>Increase (Decrease) in Net Position</b>	1,394,656	(55,104)	-	1,339,552
<b>Net Position, Beginning of Year</b>	<u>6,079,122</u>	<u>180,048</u>	<u>-</u>	<u>6,259,170</u>
<b>Net Position, End of Year</b>	<u>\$ 7,473,778</u>	<u>\$ 124,944</u>	<u>\$ -</u>	<u>\$ 7,598,722</u>

**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Notes to Financial Statements**  
**September 30, 2023 and 2022**

The following table includes condensed combining statement of cash flow information for the District and its component unit for the years ended September 30, 2023 and 2022.

	<b>2023</b>		
	<b>Glen Rose Medical Center</b>	<b>Glen Rose Healthcare, Inc.</b>	<b>Total</b>
<b>Net Cash Provided By (Used In) Operating Activities</b>	\$ 5,507,761	\$ (1,384,708)	\$ 4,123,053
<b>Net Cash Provided by Noncapital Financing Activities</b>	2,856,574	1,484,922	4,341,496
<b>Net Cash Used in Capital and Related Financing Activities</b>	(2,330,731)	(42,071)	(2,372,802)
<b>Net Cash Provided by Investing Activities</b>	390,336	7,309	397,645
<b>Increase in Cash</b>	6,423,940	65,452	6,489,392
<b>Cash, Beginning of Year</b>	794,108	70,876	864,984
<b>Cash, End of Year</b>	<u>\$ 7,218,048</u>	<u>\$ 136,328</u>	<u>\$ 7,354,376</u>
	<b>2022 (As Restated)</b>		
	<b>Glen Rose Medical Center</b>	<b>Glen Rose Healthcare, Inc.</b>	<b>Total</b>
<b>Net Cash Used in Operating Activities</b>	\$ (3,656,132)	\$ (1,541,357)	\$ (5,197,489)
<b>Net Cash Provided by Noncapital Financing Activities</b>	3,007,002	1,513,508	4,520,510
<b>Net Cash Used in Capital and Related Financing Activities</b>	(1,795,567)	-	(1,795,567)
<b>Net Cash Provided by Investing Activities</b>	24,320	906	25,226
<b>Decrease in Cash</b>	(2,420,377)	(26,943)	(2,447,320)
<b>Cash, Beginning of Year</b>	3,214,485	97,819	3,312,304
<b>Cash, End of Year</b>	<u>\$ 794,108</u>	<u>\$ 70,876</u>	<u>\$ 864,984</u>

**Somervell County Hospital District**  
**d/b/a Glen Rose Medical Center**  
**Notes to Financial Statements**  
**September 30, 2023 and 2022**

**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 Provider Relief Fund and Coronavirus Relief Fund, as provided for under the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act Funding).

***Provider Relief Fund and Coronavirus Relief Fund***

Through the year ended September 30, 2023, the District received approximately \$5,700,000 of distributions from the CARES Act Funding including, approximately \$506,000 and \$1,087,000 received in the years ended September 30, 2023 and 2022, 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 \$506,000 and \$1,087,000 of revenue from the CARES Act Funding for the years ended September 30, 2023 and 2022, respectively, which are reported within noncapital grants and contributions in the statements of revenues, expenses and changes in net position.

The terms and conditions governing the Provider Relief Funds and Coronavirus Relief Funds 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. Provider Relief Fund and Coronavirus Relief Fund payments are subject to government oversight, including potential audits.

**Note 16: Subsequent Events**

In February 2024, the District obtained a promissory note for \$1,049,000 for the purchase of equipment. The note carries a variable interest rate of prime rate less 1.25%, but not to fall lower than the initial rate of 7.25%, with a maturity date of November 26, 2029.