

**OCHILTREE HOSPITAL DISTRICT
PERRYTON, TEXAS**

**AS AND FOR THE YEARS ENDED
SEPTEMBER 30, 2024 AND 2023**



INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management
Ochiltree Hospital District
Perryton, Texas

Opinion

We have audited the accompanying financial statements of Ochiltree Hospital District (the “District”), as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Ochiltree Hospital District’s basic financial statements as presented on pages 1-5.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of September 30, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standard, we:

- Exercise professional judgement 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 of 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 the 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 have identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages A-1 through A-5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in blue ink that reads "D & Co., LLP". The letters are stylized and slanted to the right.

D & Co., L.L.P.
Lubbock, Texas
March 12, 2025

**OCHILTREE HOSPITAL DISTRICT
PERRYTON, TEXAS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**AS AND FOR THE YEARS ENDED
SEPTEMBER 30, 2024 AND 2023**

OCHILTREE HOSPITAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS AND FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023

UNAUDITED

Our discussion and analysis of Ochiltree Hospital District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended September 30, 2024 and 2023. Please read it in conjunction with the District's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The District's net position reflects an increase of \$1,854,751 or 4.1% in 2024 and \$2,354,853 or 5.5% in 2023.
- Net patient service revenue increased by \$604,855 or 2.8% in 2024 and increased by \$644,474 or 3.1% in 2023.
- The District reported an operating loss of \$5,436,813 in 2024 compared to an operating loss of \$5,549,398 in 2023. The operating loss was a favorable decrease of \$112,585 or 2.0% over the operating loss reported in 2023.
- Total operating expenses increased in 2024 by \$620,401 or 2.3% in comparison to the increase of \$2,155,986 or 8.5% in 2023.

USING THIS ANNUAL REPORT

The District's financial statements consist of three statements; a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, and enabling legislation.

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

Our analysis of the District's finances begins on page A-2. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position—the difference between assets and liabilities—as one way to measure the District's financial health, or net position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

**OCHILTREE HOSPITAL DISTRICT
UNAUDITED MANAGEMENT’S DISCUSSION AND ANALYSIS
OF FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as “Where did cash come from?” “What was cash used for?” and “What was the change in cash balance during the reporting period?”

THE DISTRICT’S NET POSITION

The District’s net position is the difference between its assets and liabilities reported in the Statement of Net Position on pages 1 and 2. The District’s net position increased by \$1,854,751 or 4.1% in 2024 and \$2,354,853 or 5.5% in 2023, as shown in **Table 1**.

Table 1: Assets, Liabilities, and Net Position

	2024	2023	2022
Assets:			
Current Assets	\$ 18,598,979	\$ 20,854,706	\$ 24,147,655
Capital Assets (net)	35,603,922	32,892,645	28,797,411
Restricted Assets	10,000	10,000	10,000
Other Non-Current Assets	280,011	270,261	246,618
Total Assets	<u>54,492,912</u>	<u>54,027,612</u>	<u>53,201,684</u>
Liabilities:			
Long-Term Debt Outstanding	\$ 5,489,823	\$ 6,609,825	\$ 7,761,678
Other Current and Non-Current Liabilities	<u>2,046,063</u>	<u>2,315,512</u>	<u>2,692,584</u>
Total Liabilities	7,535,886	8,925,337	10,454,262
Net Position:			
Net Investment in Capital Assets	30,114,099	26,282,820	21,035,733
Restricted	10,000	10,000	10,000
Unrestricted	<u>16,832,927</u>	<u>18,809,455</u>	<u>21,701,689</u>
Total Net Position	<u>46,957,026</u>	<u>45,102,275</u>	<u>42,747,422</u>
Total Liabilities and Net Position	<u>\$ 54,492,912</u>	<u>\$ 54,027,612</u>	<u>\$ 53,201,684</u>

Total assets increased by \$465,300 or 0.9% in 2024 and increased \$825,928 or 1.6% in 2023, primarily due to the increase in capital assets from multiple construction projects. Total liabilities decreased \$1,389,451 or 15.6% in 2024 and \$1,528,925 or 14.6% in 2023.

**OCHILTREE HOSPITAL DISTRICT
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION

In 2024 and 2023, the District's net position increased by \$1,854,751 or 4.1% and \$2,354,853 or 5.5%, respectively.

Table 2: Operating Results and Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Revenues:			
Net Patient Service Revenue	\$ 22,212,781	\$ 21,607,926	\$ 20,963,452
Other Operating Revenue	<u>537,021</u>	<u>408,890</u>	<u>442,783</u>
Total Operating Revenue	22,749,802	22,016,816	21,406,235
Operating Expenses:			
Salaries and Benefits	16,283,527	15,751,255	14,033,449
Other Operating Expenses	9,644,531	9,851,676	9,726,600
Depreciation / Amortization	<u>2,258,557</u>	<u>1,963,283</u>	<u>1,650,179</u>
Total Operating Expenses	<u>28,186,615</u>	<u>27,566,214</u>	<u>25,410,228</u>
Operating Loss	(5,436,813)	(5,549,398)	(4,003,993)
Nonoperating Revenues and Expenses:			
Property Taxes	6,102,560	6,084,656	6,080,151
Noncapital Grants / Contributions	4,205	145,755	7,864
Investment Income	930,777	1,007,002	320,933
Interest Expense	(225,788)	(256,913)	(235,293)
Tobacco Settlement Revenue	106,461	112,867	116,804
Federal Financial Assistance	-	492,461	1,147,926
Other Nonoperating	200,311	205,532	190,598
Gain (Loss) on Disposal of Assets	<u>-</u>	<u>46,023</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>7,118,526</u>	<u>7,837,383</u>	<u>7,628,983</u>
Excess of Revenues over Expenses Before Capital Grants and Contributions	1,681,713	2,287,985	3,624,990
Capital Grants and Contributions	<u>173,038</u>	<u>66,868</u>	<u>2,728,673</u>
Increase in Net Position	1,854,751	2,354,853	6,353,663
Net Position, Beginning of Year	<u>45,102,275</u>	<u>42,747,422</u>	<u>36,393,905</u>
Net Position, End of Year	<u>\$ 46,957,026</u>	<u>\$ 45,102,275</u>	<u>\$ 42,747,568</u>

**OCHILTREE HOSPITAL DISTRICT
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

Operating Loss

The first component of the overall change in the District's net position is its operating loss generally, the difference between net patient service revenues and the expenses incurred to perform those services. The District has reported an operating losses in 2024 of \$5,436,813 and in 2023 of \$5,549,398, respectively.

The primary components of the decrease in operating loss for 2024 are:

- Increase in net patient service revenue of \$604,855, or 2.8%, over 2023
- Increase in other operating revenue of \$128,131, or 31.3%, over 2023
- Decrease in other operating expenses of \$207,145, or 2.1%, over 2023

The primary components of the increase in operating loss for 2023 are:

- Increase in salaries and benefits of \$1,717,806, or 12.2%, over 2022
- Increase in depreciation and amortization expense of \$313,104, or 19.0%, over 2022

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of property taxes levied by the District, tobacco settlement proceeds, CARES Act provider relief fund program revenue, and investment income.

Grants, Contributions, and Endowments

The District receives both capital and operating grants from various sources for specific purposes. Noncapital grants and contributions received during 2024 and 2023 were \$4,205 and \$145,755, respectively. Capital grants and contributions received during 2024 and 2023 were \$173,038 and \$66,868, respectively.

THE DISTRICT'S CASH FLOWS

Changes in the District's cash flows are consistent with changes in operating loss and nonoperating revenues and expenses, discussed earlier.

CAPITAL, LEASE, AND SUBSCRIPTION ASSETS AND DEBT ADMINISTRATION

Capital, Lease, and Subscription Assets

At September 30, 2024 and 2023, the District had \$35,603,922 and \$32,892,645, respectively, invested in capital and lease assets, net of accumulated depreciation and amortization, as detailed in Note 9 of the financial statements. The District acquired capital, lease, and subscription assets in the amount of \$4,969,835 and \$6,472,590 in 2024 and 2023, respectively.

**OCHILTREE HOSPITAL DISTRICT
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

Debt

At September 30, 2024 and 2023, the District had \$5,489,823 and \$6,609,825, respectively, long-term debt, leases, and subscriptions outstanding, as detailed in Note 10 of the financial statements. During 2024 and 2023, the District made payments of \$1,206,169 and \$1,151,853, respectively, on outstanding debt and leases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Administration at Ochiltree Hospital District, 3101 Garrett Dr., Perryton, Texas 79070.

**OCHILTREE HOSPITAL DISTRICT
PERRYTON, TEXAS**

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
SEPTEMBER 30, 2024 AND 2023**

OCHILTREE HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2024 AND 2023

ASSETS:	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 13,673,978	\$ 16,394,802
Short-Term Investments	35,639	32,546
Assets Whose Use is Limited	438,285	344,491
Patient Accounts Receivable, Net	2,492,447	2,756,589
Estimated Third-Party Payor Settlements	701,034	132,927
Inventory of Supplies	513,513	512,298
Prepaid and Other Current Assets	647,103	584,073
Property Taxes Receivable	<u>96,980</u>	<u>96,980</u>
Total Current Assets	18,598,979	20,854,706
ASSETS RESTRICTED FOR GRANT PROJECTS		
	10,000	10,000
CAPITAL AND LEASE ASSETS,		
Land	156,637	156,637
Construction-in-Progress	7,095,397	5,498,823
Depreciable Capital and Lease Assets, Net	<u>28,351,888</u>	<u>27,237,185</u>
Net of Accumulated Depreciation and Amortization	35,603,922	32,892,645
OTHER ASSETS		
	<u>280,011</u>	<u>270,261</u>
Total Assets	<u>\$ 54,492,912</u>	<u>\$ 54,027,612</u>

The accompanying notes are an integral part of these financial statements.

OCHILTREE HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2024 AND 2023

LIABILITIES AND NET POSITION:	<u>2024</u>	<u>2023</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	\$ 1,055,785	\$ 1,198,456
Accounts Payable	545,542	824,685
Accrued Payroll, Benefits, and Related Liabilities	1,005,609	933,837
Other Accrued Liabilities	367,302	266,398
Self Funded Health Insurance	<u>127,610</u>	<u>290,592</u>
Total Current Liabilities	3,101,848	3,513,968
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	<u>4,434,038</u>	<u>5,411,369</u>
Total Liabilities	7,535,886	8,925,337
NET POSITION		
Net Investment in Capital Assets	30,114,099	26,282,820
Restricted:		
Expendable Grant Projects	10,000	10,000
Unrestricted	<u>16,832,927</u>	<u>18,809,455</u>
Total Net Position	<u>46,957,026</u>	<u>45,102,275</u>
Total Liabilities and Net Position	<u>\$ 54,492,912</u>	<u>\$ 54,027,612</u>

The accompanying notes are an integral part of these financial statements.

OCHILTREE HOSPITAL DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING REVENUES:		
Net Patient Service Revenue	\$ 22,212,781	\$ 21,607,926
Other Operating Revenue	<u>537,021</u>	<u>408,890</u>
Total Operating Revenues	22,749,802	22,016,816
OPERATING EXPENSES:		
Salaries and Wages	12,695,883	12,379,939
Employee Benefits	3,587,644	3,371,316
Professional Fees and Purchased Services	4,100,403	4,316,196
Supplies and Other	5,544,128	5,535,480
Depreciation and Amortization	<u>2,258,557</u>	<u>1,963,283</u>
Total Operating Expenses	<u>28,186,615</u>	<u>27,566,214</u>
Operating Loss	(5,436,813)	(5,549,398)
NONOPERATING REVENUES (EXPENSES):		
Property Tax Revenue	6,102,560	6,084,656
Noncapital Grants and Contributions	4,205	145,755
Investment Income	930,777	1,007,002
Interest Expense	(225,788)	(256,913)
Tobacco Settlement Revenue	106,461	112,867
Federal Financial Assistance	-	492,461
Other Non Operating	200,311	205,532
Gain (Loss) on Disposal of Assets	<u>-</u>	<u>46,023</u>
Total Nonoperating Revenues (Expenses)	<u>7,118,526</u>	<u>7,837,383</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	1,681,713	2,287,985
Capital Grants and Contributions	<u>173,038</u>	<u>66,868</u>
Increase in Net Position	1,854,751	2,354,853
Net Position, Beginning of Year	<u>45,102,275</u>	<u>42,747,422</u>
Net Position, End of Year	<u>\$ 46,957,026</u>	<u>\$ 45,102,275</u>

The accompanying notes are an integral part of these financial statements.

OCHILTREE HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from and on Behalf of Patients	\$ 21,995,224	\$ 20,983,075
Payments to Suppliers and Contractors	(9,934,529)	(9,961,466)
Payments to Employees	(16,374,679)	(15,127,488)
Other Receipts and Payments, net	488,319	417,492
Net Cash Used in Operating Activities	<u>(3,825,665)</u>	<u>(3,688,387)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Earnings	930,777	1,007,002
Purchase of Investments	(3,093)	937
Net Cash Provided by Investing Activities	<u>927,684</u>	<u>1,007,939</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Grants and Contributions	173,038	66,868
Principal Payments on Long-Term Debt and Notes Payable	(1,206,169)	(1,151,853)
Interest Payments on Long-Term Debt and Notes Payable	(225,788)	(256,913)
Proceeds from Sale of Capital Assets	350	460,097
Purchase of Capital Assets	(4,883,667)	(6,472,591)
Net Cash Used in Capital and Related Financing Activities	<u>(6,142,236)</u>	<u>(7,354,392)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Property Tax Revenues	6,102,560	6,066,619
Noncapital Grants and Contributions	4,205	145,755
CARES Act Provider Relief Revenue	-	492,461
Other Nonoperating	306,422	318,399
Net Cash Provided by Noncapital Financing Activities	<u>6,413,187</u>	<u>7,023,234</u>
Net Decrease in Cash and Cash Equivalents	(2,627,030)	(3,011,606)
Cash and Cash Equivalents, Beginning of Year	<u>16,739,293</u>	<u>19,750,899</u>
Cash and Cash Equivalents, End of Year	<u>\$ 14,112,263</u>	<u>\$ 16,739,293</u>

The accompanying notes are an integral part of these financial statements.

OCHILTREE HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
RECONCILIATION OF CASH AND EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
Cash and Equivalents Presented Under the Following Titles:		
Cash and Cash Equivalents	\$ 13,673,978	\$ 16,394,802
Assets Whose Use is Limited - Current	<u>438,285</u>	<u>344,491</u>
	<u>\$ 14,112,263</u>	<u>\$ 16,739,293</u>
RECONCILIATION OF NET INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (5,436,813)	\$ (5,549,398)
Adjustments to Reconcile Operating Loss to Net Cash Flows Used in Operating Activities:		
Depreciation and Amortization	2,258,557	1,963,283
Provision for Bad Debts	1,387,148	926,165
(Increase) Decrease in:		
Accounts Receivable	(1,123,006)	(1,540,685)
Prepaid Expenses and Other Current Assets	(64,245)	864,356
Estimated Third-Party Payor Settlements	(568,107)	48,607
Other Prepaids, Deferrals, and Accruals, Net	(9,750)	(23,643)
Increase (Decrease) in:		
Accounts Payable	(279,143)	(84,695)
Accrued Salaries and Benefits Payable	71,772	185,972
Other Accrued Liabilities	<u>(62,078)</u>	<u>(478,349)</u>
Net Cash Used in Operating Activities	<u>\$ (3,825,665)</u>	<u>\$ (3,688,387)</u>

The accompanying notes are an integral part of these financial statements.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Ochiltree Hospital District (the “District”) was created by the state of Texas to operate, control, and manage Ochiltree County’s health care functions. The District was formed as a political subdivision under the laws of the state of Texas, with its operations governed by a five-member board elected by the citizens of Ochiltree County, Texas. The District primarily earns revenues by providing inpatient, outpatient, emergency care, and assisted living services to patients in the Ochiltree County area. The District operates Ochiltree General Hospital, Perryton Health Center, and The Seasons assisted living facility.

Enterprise Fund Accounting – The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The District has elected to apply the provisions based on Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The District has also elected to apply the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Recently Adopted Accounting Pronouncements:

GASB Statement No. 100 – In June 2022, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 100 – *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for fiscal years beginning after June 15, 2023, with earlier application encouraged. Implementation of the Statement had no effect on the District’s change in net position.

Pending Adoption of Recent Accounting Pronouncements:

GASB Statement No. 101 – In June 2022, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Statement is effective for fiscal years beginning after December 15, 2023, with earlier application encouraged. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

GASB Statement No. 102 – In December 2023, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 102 – *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The statement is effective for fiscal years beginning after June 15, 2024, with earlier application encouraged. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Adoption of Recent Accounting Pronouncements (Continued):

GASB Statement No. 103 – In April 2024, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 103 – *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The statement is effective for fiscal years beginning after June 15, 2025, with earlier application encouraged. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

GASB Statement No. 104 – In September 2024, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The statement is effective for fiscal years beginning after June 15, 2025, with earlier application encouraged. Management is currently evaluating the effect this statement will have on the financial statements and related disclosures.

Cash and Cash Equivalents – The District considers highly liquid investments with an original maturity of three months or less to be cash equivalents. At September 30, 2024 and 2023, cash equivalents consisted primarily of certificates of deposit.

Investments – The District’s short-term investments are stated at fair value and are comprised of certificates of deposits with maturities in excess of three months, but less than a year, when purchased.

Patient Accounts Receivable – The allowance for estimated uncollectible patient accounts receivable is maintained at a level which, in management’s judgement, is adequate to absorb patient account balance write-offs inherent in the billing process. The amount of the allowance is based on management’s evaluation of the collectability of patient accounts receivable, including the nature of the accounts, credit concentrations, and trends in historical write-off experience, specific impaired accounts, and economic conditions. Allowances for uncollectibles and contractals are generally determined by applying historical percentages to financial classes within accounts receivable. The allowances are increased by provision for bad debt expenses and contractual adjustments, and reduced by write-offs, net of recoveries.

Inventory of Supplies – Inventory is stated at historical cost on the First-In, First-Out (FIFO) Method.

Capital Assets – Capital assets are recorded at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. The District provides for depreciation of capital assets by the straight-line method and at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life. Equipment under capital lease obligations and leasehold improvements are amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued) – Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets. The District capitalizes acquisitions over \$5,000 with a useful life listed below.

The following are a range of useful lives used by asset class:

Land Improvements	10 to 15 years
Building (Components)	5 to 40 years
Fixed Equipment	5 to 20 years
Major Moveable Equipment	3 to 20 years
Leases	5 to 7 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 incentives received from the lessor at or before the commencement of the lease, plus direct costs that are ancillary to place the asset in service. Lease assets are amortized on a straight-line method 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 incentives received from the SBITA vendor at or before the commencement of the SBITA, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line method over the shorter of the SBITA term or the useful life of the underlying asset.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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.

Property Taxes – The District received approximately 21% and 22% of its financial support from property taxes in 2024 and 2023, respectively. These funds were used to support operations. Property taxes are levied by the District on October 1st of each year based on the preceding January 1st assessed property values. To secure payment, an enforceable lien attaches to the property on January 1st, when the value is assessed. Property taxes become due and payable when levied on October 1st. 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 31st of the following year.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position – Net position of the District is classified in two components. Net position invested in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining assets less the remaining liabilities that do not meet the definition of invested in capital assets, net of related debt.

Operating Revenues and Expenses – For purposes of display, the District’s statements of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the District’s principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Federal Income Taxes – 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, if any.

Indigent Care – The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Management’s policy for the provision of charity care is to request proof of income and personal property values, proof of Ochiltree County, Texas residency, number of household members, other benefits received, and other pertinent information. The District applies Federal Poverty Guidelines to determine patient eligibility and performs an application review every six months after approval. Because the District does not pursue the collection of amounts determined to qualify as charity care, charity care is excluded from net patient revenue.

Grants and Contributions – From time to time, the District receives grants from state agencies and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

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 disaster; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage during the year.

The District is self-insured for a portion of its exposure to risk of loss from employee health claims. An annual estimated provision is accrued for the self-insured portion of employee health claims and includes an estimate of the ultimate cost for both claims and claims incurred but not yet reported.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications – Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications did not affect the financial position or changes in net position as previously reported.

NOTE 2 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid – The District is a Critical Access Hospital. Thus, inpatient acute care services, certain inpatient non-acute care services, and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at tentative rates, with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

Other – The District has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Net patient service revenue is comprised as follows:

	<u>2024</u>	<u>2023</u>
Routine Patient Services	\$ 2,718,936	\$ 2,863,288
Ancillary Patient Services		
Inpatient	4,526,689	4,450,564
Outpatient	<u>34,127,727</u>	<u>33,675,100</u>
Gross Patient Service Revenue	41,373,352	40,988,952
Charity	(2,001,906)	(2,020,533)
Third-Party Contractual Adjustments	(16,806,409)	(17,227,984)
Provision for Bad Debts	(1,387,148)	(926,165)
Medicaid Supplemental Payments & Other Credits	<u>1,034,892</u>	<u>793,656</u>
Net Patient Service Revenue	<u>\$ 22,212,781</u>	<u>\$ 21,607,926</u>

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 2 - NET PATIENT SERVICE REVENUE (CONTINUED)

Estimated Third-Party Payor Settlements – Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Anticipated final settlement amounts from current year and prior years' cost reports are recorded in the financial statements as they are determined by the District. Estimated third-party payor settlements recorded at September 30, 2024 and 2023 are \$701,034 and \$132,927, respectively, and are included in current assets within the Statement of Net Position.

Charity Care – The value of charity care provided by the District based upon its established rates, was \$2,001,906 in 2024 and \$2,020,533 in 2023. ASU 2010-23 requires charity care to be disclosed on a cost basis. The District utilizes the cost to charge ratios, as calculated based on its most recent cost report, to determine the total cost. The District's cost of providing charity care was approximately \$1,343,224 and \$1,153,450 for the years ended September 30, 2024 and 2023, respectively.

NOTE 3 – INVESTMENTS

The District's investments are reported at fair value and consist of certificates of deposit, which are readily available to convert to cash, and are classified as cash and cash equivalents and short-term investments. At September 30, 2024 and 2023, the District's investments were \$13,245,639 and \$16,242,546, respectively.

The District's investments may be exposed to the following types of risks:

Interest Rate Risk – Interest rate risk is the risk that market values of investments will change based on changes in market interest rates.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer.

Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near-term and that such change could materially affect the amounts reported in the accompanying statements of net position.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2024 and 2023, the carrying amount of the District’s deposits with financial institutions was \$14,147,902 and \$16,771,839, respectively, and the bank balance was \$14,995,429 and \$17,148,660, respectively. The bank balance is categorized as follows:

	<u>2024</u>	<u>2023</u>
Amount Insured by the FDIC	\$ 502,678	\$ 509,145
Amount Collateralized with Securities Held by the Pledging Financial Institution's Trust Department in the District's name	<u>14,492,751</u>	<u>16,639,515</u>
Total Bank Balance	<u>\$ 14,995,429</u>	<u>\$ 17,148,660</u>

NOTE 5 – ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consist of the following at September 30:

	<u>2024</u>	<u>2023</u>
Internally Designated for Health Insurance Claims:		
Cash and Cash Equivalents	345,352	266,075
Internally Designated for Hospice Operations:		
Cash and Cash Equivalents	12,069	13,826
Internally Designated for Employee Benefits:		
Cash and Cash Equivalents	23,303	17,488
Internally Designated for Memorial Donations:		
Cash and Cash Equivalents	16,166	8,794
Internally Designated for Assisted Living Facility Rent Deposits:		
Cash and Cash Equivalents	<u>41,395</u>	<u>38,308</u>
Total Assets Whose Use is Limited	<u>\$ 438,285</u>	<u>\$ 344,491</u>

NOTE 6 – RESTRICTED ASSETS

The Composition of restricted assets as of September 30, 2024 and 2023 is set forth in the following table:

	<u>2024</u>	<u>2023</u>
Restricted for Grant Projects	<u>\$ 10,000</u>	<u>\$ 10,000</u>

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 7 – PATIENT ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Gross Accounts Receivable	\$ 6,662,150	\$ 7,393,171
Less: Allowance for Bad Debts	(2,791,607)	(2,974,649)
Allowance for Contractuals	<u>(1,378,096)</u>	<u>(1,661,933)</u>
Accounts Receivable, Net of Allowance	<u>\$ 2,492,447</u>	<u>\$ 2,756,589</u>

Concentration of Credit Risk – The District grants credit without collateral to its patients, most of whom are residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2024 and 2023 is as follows:

Medicare	22%	22%
Medicaid	5%	7%
Other Third-Party Payors	32%	32%
Patients	<u>41%</u>	<u>39%</u>
Total	<u>100%</u>	<u>100%</u>

NOTE 8 – PROPERTY TAXES RECEIVABLE

Property taxes are levied on October 1 of each year and become delinquent as of February 1 of the following year. Property taxes are recognized as revenue in the year for which taxes have been levied and are reported net of collection expenses and fees. Tax revenue, net of related expenses for 2024 and 2023 was \$6,102,560 and \$6,084,656, respectively. The tax rates for September 30, 2024 and 2023 were \$0.431 and \$0.439, respectively. As of September 30, 2024 and 2023, the balance of property taxes receivable and its related allowance for uncollectible taxes are as follows:

	<u>2024</u>	<u>2023</u>
Taxes Receivable	\$ 296,026	\$ 296,026
Less: Allowance for Uncollectible Taxes	<u>(199,046)</u>	<u>(199,046)</u>
Taxes Receivable, Net of Allowance	<u>\$ 96,980</u>	<u>\$ 96,980</u>

OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023

NOTE 9 – CAPITAL, LEASE, AND SUBSCRIPTION ASSETS

The following is a summary of capital assets at cost less accumulated depreciation for the years ended September 30:

	<u>Balance</u> <u>09/30/23</u>	<u>Additions</u>	<u>Reclass/ Retirements</u>	<u>Balance</u> <u>09/30/24</u>
Land	\$ 156,637	\$ -	\$ -	\$ 156,637
Land Improvements	33,985	-	-	33,985
Building And Improvements	36,209,616	-	2,828,931	39,038,547
Equipment	10,868,883	388,532	69,631	11,327,046
Construction in Progress	5,498,823	4,495,136	(2,898,562)	7,095,397
Totals at Historical Cost	<u>52,767,944</u>	<u>4,883,668</u>	<u>-</u>	<u>57,651,612</u>
Less Accumulated Depreciation for:				
Land Improvements	(14,377)	(2,266)	-	(16,643)
Building and Improvements	(11,881,714)	(1,552,137)	-	(13,433,851)
Equipment	<u>(8,278,563)</u>	<u>(558,920)</u>	<u>-</u>	<u>(8,837,483)</u>
Total Accumulated Depreciation	<u>(20,174,654)</u>	<u>(2,113,323)</u>	<u>-</u>	<u>(22,287,977)</u>
Total Capital Assets, Net of Accumulated Depreciation	32,593,290	2,770,345	-	35,363,635
Lease Assets:				
Right-to-Use Lease Assets	750,767	86,167	-	836,934
Less Accumulated Amortization for:				
Right-to-Use Lease Assets	<u>(451,412)</u>	<u>(145,235)</u>	<u>-</u>	<u>(596,647)</u>
Total Lease Assets, Net of Accumulated Amortization	<u>299,355</u>	<u>(59,068)</u>	<u>-</u>	<u>240,287</u>
Total Capital Assets, Net	<u>\$ 32,892,645</u>	<u>\$ 2,711,277</u>	<u>\$ -</u>	<u>\$ 35,603,922</u>

Construction in progress at September 30, 2024 and 2023 includes amounts related to the new physician clinic. The radiology renovation and surgical center construction projects will be completed in three phases. Phase I for the radiology remodel was completed April 2021 at an approximate total cost of \$1.2 million. Phase II was placed into service in February 2023 at an estimated completion cost of \$4.2 million, and Phase III for the surgical center was placed into service in November 2023 at an approximate total cost of \$2.8 million. The amount in CIP is associated with a new physicians' clinic that is estimated to be completed in fiscal year 2025 at an approximate total cost of \$7.1 million.

OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023

NOTE 9 – CAPITAL, LEASE, AND SUBSCRIPTION ASSETS (CONTINUED)

The following is a summary of capital assets at cost less accumulated depreciation for the years ended September 30:

	<u>Balance</u> <u>09/30/22</u>	<u>Additions</u>	<u>Reclass/ Retirements</u>	<u>Balance</u> <u>09/30/23</u>
Land	\$ 171,637	\$ -	\$ (15,000)	\$ 156,637
Land Improvements	55,117	-	(21,132)	33,985
Building And Improvements	32,814,489	-	3,395,127	36,209,616
Equipment	8,979,147	889,192	1,000,544	10,868,883
Construction in Progress	<u>4,936,195</u>	<u>5,583,398</u>	<u>(5,020,770)</u>	<u>5,498,823</u>
Totals at Historical Cost	46,956,585	6,472,590	(661,231)	52,767,944
Less Accumulated Depreciation for:				
Land Improvements	(16,455)	(2,383)	4,461	(14,377)
Building and Improvements	(10,798,169)	(1,326,241)	242,696	(11,881,714)
Equipment	<u>(7,784,011)</u>	<u>(494,552)</u>	-	<u>(8,278,563)</u>
Total Accumulated Depreciation	<u>(18,598,635)</u>	<u>(1,823,176)</u>	<u>247,157</u>	<u>(20,174,654)</u>
Total Capital Assets, Net of Accumulated Depreciation	28,357,950	4,649,414	(414,074)	32,593,290
Lease Assets:				
Right-to-Use Lease Assets	750,767	-	-	750,767
Less Accumulated Amortization for:				
Right-to-Use Lease Assets	<u>(311,306)</u>	<u>(140,106)</u>	-	<u>(451,412)</u>
Total Lease Assets, Net of Accumulated Amortization	<u>439,461</u>	<u>(140,106)</u>	-	<u>299,355</u>
Total Capital Assets, Net	<u>\$ 28,797,411</u>	<u>\$ 4,509,308</u>	<u>\$ (414,074)</u>	<u>\$ 32,892,645</u>

Total depreciation and amortization expense for 2024 and 2023, was \$2,258,557 and \$1,963,283, respectively.

OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023

NOTE 10 – LONG-TERM DEBT

A schedule of changes in the District’s long-term debt consists of the following at September 30:

	Balance 09/30/23	Additions	Reductions	Balance 09/30/24	Due Within One Year
Long-Term Debt:					
Series 2016	\$ 1,636,000	\$ -	\$ (182,000)	\$ 1,454,000	\$ 188,000
Note Payable, Phase 3 (1)	1,690,417	-	(178,990)	1,511,427	207,680
Note Payable, Phase 3 (2)	1,834,296	-	(227,109)	1,607,187	211,994
Note Payable, 2015	405,377	-	(268,808)	136,569	137,323
Note Payable, 2006	672,331	-	(210,641)	461,690	223,785
Total Long-Term Debt	<u>6,238,421</u>	<u>-</u>	<u>(1,067,548)</u>	<u>5,170,873</u>	<u>968,782</u>
Right-to-Use Lease Obligations					
Stryker Laparoscope	43,855	-	(40,320)	3,535	3,536
Siemens CT Scan	169,046	-	(33,324)	135,722	44,748
Siemens X-ray System	129,978	-	(35,538)	94,440	25,230
Beckman Coulter Lab Equipment	28,525	-	(24,832)	3,693	3,667
Beckman Coulter Microscan	-	86,167	(4,607)	81,560	9,822
Total Right-to-Use Lease Obligations	<u>371,404</u>	<u>86,167</u>	<u>(138,621)</u>	<u>318,950</u>	<u>87,003</u>
Total Long-Term Debt and Right-to-Use Lease Obligations	<u>\$ 6,609,825</u>	<u>\$ 86,167</u>	<u>\$ (1,206,169)</u>	<u>\$ 5,489,823</u>	<u>\$ 1,055,785</u>
	Balance 09/30/22	Additions	Reductions	Balance 09/30/23	Due Within One Year
Long-Term Debt:					
Series 2016	\$ 1,812,000	\$ -	\$ (176,000)	\$ 1,636,000	\$ 182,000
Note Payable, Phase 3 (1)	1,901,147	-	(210,730)	1,690,417	200,992
Note Payable, Phase 3 (2)	2,016,490	-	(182,194)	1,834,296	205,067
Note Payable, 2015	666,556	-	(261,179)	405,377	268,787
Note Payable, 2006	870,730	-	(198,399)	672,331	210,641
Total Long-Term Debt	<u>7,266,923</u>	<u>-</u>	<u>(1,028,502)</u>	<u>6,238,421</u>	<u>1,067,487</u>
Right-to-Use Lease Obligations					
Stryker Laparoscope	86,420	-	(42,565)	43,855	41,507
Siemens CT Scan	218,453	-	(49,407)	169,046	42,981
Siemens X-ray System	143,548	-	(13,570)	129,978	24,845
Beckman Coulter Lab Equipment	46,334	-	(17,809)	28,525	21,636
Total Right-to-Use Lease Obligations	<u>494,755</u>	<u>-</u>	<u>(123,351)</u>	<u>371,404</u>	<u>130,969</u>
Total Long-Term Debt and Capital Lease Obligations	<u>\$ 7,761,678</u>	<u>\$ -</u>	<u>\$ (1,151,853)</u>	<u>\$ 6,609,825</u>	<u>\$ 1,198,456</u>

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 10 – LONG-TERM DEBT (CONTINUED)

Long-Term Debt. The terms and due dates of the District's long-term debt at September 30, 2024 and 2023 is as follows:

- Note Payable, Phase 3 (1): Note payable to bank due in semi-annual installments of \$130,454, at 3.35% interest rate, maturing on December 15, 2030.
- Note Payable, Phase 3 (2): Note payable to bank due in semi-annual installments of \$129,509, at 3.30% interest rate, maturing on June 15, 2031.
- Note Payable, 2015: Note payable to bank due in semi-annual installments of \$139,315, at 2.90% interest rate, maturing on February 12, 2025. Secured by personal property.
- Note Payable, 2006: Note payable to bank due in annual installments of \$253,108, variable interest rates ranging from 3.99% to 6.39%, maturing on January 30, 2026. Secured by personal property.
- Series 2016 Bond Payable: Bond payable to bank due in annual installments of various amounts, at 3.35% interest rate, due April 1, 2031.

Right-to-Use Leases and Subscriptions: The terms and due dates of the District's capital leases and subscriptions as of September 30, 2024 and 2023 are as follows:

- Stryker Laparoscope Lease – 4.05% right-to-use lease obligation commencing on October 1, 2019. Principal and interest is payable in monthly installments of \$3,547 through October 1, 2024, collateralized by the leased equipment.
- Siemens CT Scan Lease – 4.04% right-to-use lease obligation commencing on August 31, 2020. Principal and interest is payable in monthly installments of \$4,117 through August 31, 2027, collateralized by the leased equipment.
- Siemens X-ray Systems – 1.54% right-to-use lease obligation commencing on June 17, 2021. Principal and interest is payable in monthly installments of \$2,209 through May 16, 2028, collateralized by the leased equipment.
- Beckman Coulter Lab Equipment – 2.87% right-to-use lease obligation commencing on November 22, 2019. Principal and interest is payable in monthly installments of \$1,840 through October 21, 2024, collateralized by the leased equipment.
- Beckman Coulter Microscan – 8.50% right-to-use lease obligation. Principal and interest is payable in monthly installments of \$1,365 commencing April 24, 2024 and ending March 24, 2031, collateralized by leased equipment.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 10 – LONG-TERM DEBT (CONTINUED)

Note Payable, Phase 3 (1): This Public Property Finance Act Contract was entered to finance upgrades to the District’s physical plant and energy conservation. The note payable is secured by the District’s personal property. In accordance with the debt indenture, the following is required:

Payment Fund: The District shall establish a payment fund and apply the funds therein to the payment of payments as such payments come due. During 2024, the District maintained a payment fund in accordance with this debt indenture.

Budget: The District agrees to prior to adopting a budget for any ensuing fiscal year, it shall place in its proposed budget for such ensuing fiscal year an amount necessary to pay the note payable payments for such ensuing fiscal year. The final budget for each fiscal year shall set aside and appropriate out of Ad Valorem Taxes and other revenues and funds lawfully available an amount sufficient to pay the note payable payments. As of September 30, 2024, the District was in compliance with this debt indenture.

Note Payable, Phase 3 (2): This Public Property Finance Act Contract was entered to finance upgrades to the District’s physical plant and energy conservation. The note payable is secured by the District’s personal property. In accordance with the debt indenture, the following is required:

Payment Fund: The District shall establish a payment fund and apply the funds therein to the payment of payments as such payments come due. During 2024, the District maintained a payment fund in accordance with this debt indenture.

Budget: The District agrees to prior to adopting a budget for any ensuing fiscal year, it shall place in its proposed budget for such ensuing fiscal year an amount necessary to pay the note payable payments for such ensuing fiscal year. The final budget for each fiscal year shall set aside and appropriate out of Ad Valorem Taxes and other revenues and funds lawfully available an amount sufficient to pay the note payable payments. As of September 30, 2024, the District was in compliance with this debt indenture.

Note Payable, 2015: This Public Property Finance Act Contract was entered to finance upgrades to the District’s physical plant and energy conservation. The note payable is secured by the District’s personal property. In accordance with the debt indenture, the following is required:

Payment Fund: The District shall establish a payment fund and apply the funds therein to the payment of payments as such payments come due. During 2024, the District maintained a payment fund in accordance with this debt indenture.

Budget: The District agrees to prior to adopting a budget for any ensuing fiscal year, it shall place in its proposed budget for such ensuing fiscal year an amount necessary to pay the note payable payments for such ensuing fiscal year. The final budget for each fiscal year shall set aside and appropriate out of Ad Valorem Taxes and other revenues and funds lawfully available an amount sufficient to pay the note payable payments. As of September 30, 2024, the District was in compliance with this debt indenture.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 10 – LONG-TERM DEBT (CONTINUED)

Note Payable, 2006: This Public Property Finance Act Contract was entered to finance renovations to the District's emergency room. The note payable is secured by the District's personal property. In accordance with the debt indenture, the following is required:

Revenue Fund: All funds collected from day-to-day operations by the District shall be deposited into this account. The revenue fund shall be used to pay principal and interest on the note payable.

Additional Indebtedness: The District may incur additional parity debt so long as the District certifies to the lender (a) that it has had a positive cash flow from two of the District's three previous fiscal years and (b) that it has net revenues equal to a minimum debt service coverage ratio of 1.25 to 1.00 for the immediate preceding twelve months. The debt service coverage ratio will use the maximum annual principal and interest due under the note payable and the proposed additional parity debt. As of September 30, 2024, the District's debt service coverage ratio was and was in compliance with this debt indenture.

Audited Financial Statements: The District agrees to provide audited financial statements, prepared by a Certified Public Accountant, no later than eight months after and as of the end of each fiscal year. The 2023 audit was issued on March 18, 2024.

Series 2016 Bond Payable: This Revenue Bond agreement was entered to finance upgrades to the District's physical plant. The note payable is secured by the District's personal property. In accordance with the debt indenture, the following is required:

Payment Fund: The District shall establish a payment fund and apply the funds therein to the payment of payments as such payments come due. During 2024, the District maintained a payment fund in accordance with this debt indenture.

Pledged Revenues: The District agrees to collect enough pledged revenues in amount to satisfy the total amount due of principal and interest on the bonds. As well as any other obligation secured by the pledged revenues. As of September 30, 2024, the District was in compliance with this debt indenture.

Audited Financial Statements: The District agrees to provide audited financial statements, prepared by a Certified Public Accountant, no later than eight months after and as of the end of each fiscal year. The 2023 audit was issued on March 18, 2024.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 10 – LONG-TERM DEBT (CONTINUED)

Scheduled principal and interest repayments on right-to-use leases and subscriptions are as follows:

For the Year Ending September 30,	<u>Right-to-Use Lease Obligations</u>	
	<u>Principle</u>	<u>Interest</u>
2025	87,003	12,516
2026	82,900	9,391
2027	82,040	6,134
2028	30,233	3,818
2029	13,783	2,597
2030-2034	<u>22,991</u>	<u>1,578</u>
Total	<u>\$ 318,950</u>	<u>\$ 36,034</u>

Scheduled principal and interest repayments on long-term debt are as follows:

For the Year Ending September 30,	<u>Long-Term Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	968,782	180,274	1,149,056
2026	865,650	143,793	1,009,443
2027	649,288	107,549	756,837
2028	670,319	85,784	756,103
2029	692,854	63,315	756,169
2030-2034	<u>1,323,980</u>	<u>56,184</u>	<u>1,380,164</u>
Total	<u>\$ 5,170,873</u>	<u>\$ 636,899</u>	<u>\$ 5,807,772</u>

The District follows the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use. The amount of interest incurred in 2024 and 2023 was \$225,788 and \$256,913, respectively, all of which was charged to operations.

NOTE 11 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM

Uncompensated Care – The District participated in the Section 1115 Demonstration Waiver Program; a program designed to benefit rural community hospitals. This program is facilitated through the District providing an intergovernmental transfer whereby federal matching funds are provided to supplement the District for the shortfall in Medicaid funding. In connection with this program, the District provided intergovernmental transfers of \$333,029 and \$76,523, and received \$835,547 and \$222,414 for the years ended September 30, 2024 and 2023, respectively. The District recognized \$533,005 and \$134,734 in uncompensated care funds for the years ended September 30, 2024 and 2023, respectively. The respective revenue is included within net patient service revenue in the statements of revenues, expenses, and changes in net position.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 11 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM (CONTINUED)

Comprehensive Hospital Increase Reimbursement Program (CHIRP) – The District participated in the Comprehensive Hospital Increase Reimbursement Program (CHIRP), one of four directed payment programs (DPP) the Texas Health and Human Services (THHSC) submitted to the Centers for Medicare and Medicaid Services (CMS) for approval as part of the Delivery System Reform Incentive Payment (DSRIP) Transition Plan. CHIRP replaces the Uniform Hospital Rate Increase (UHRIP) program. In year 1, the program will include two components:

- Component 1, UHRIP component, which provides a uniform rate enhancement on all hospital inpatient and outpatient service claims.
- Component 2, Average Commercial Incentive Award (ACIA) Component, is a uniform percent rate increase for certain services based upon a percentage of the estimated average commercial reimbursement. Participating hospitals may opt into this component.

This program is facilitated through the District providing an intergovernmental transfer whereby federal matching funds are provided to supplement the District’s shortfall in Medicaid funding. In connection with this program, the District provided intergovernmental transfers of \$118,547 and \$64,499 for the years ended September 30, 2024 and 2023, respectively. Additionally, the District recorded prepaid CHIRP IGT as of September 30, 2024 and 2023 in the amount of \$63,295 and \$42,508, respectively.

Rural Access to Primary and Preventive Services (RAPPS) – The District participated in the Rural Access to Primary and Preventive Services (RAPPS) Program, one of four directed payment programs (DPP) the Texas Health and Human Services (HHSC) submitted to the Centers for Medicare and Medicaid Services (CMS) for approval as part of the Delivery System Reform Incentive Payment (DSRIP) Transition Plan. In year 1, the program will include two components:

- Component 1 provides a uniform dollar increase in the form of prospective, monthly payments to all participating RHCs to enhance structures that promote better access to primary and preventative services. The amount would vary by RHC class, and the structure measures would include reporting on electronic health record use, telemedicine / telehealth capabilities, and ensuring access to primary and preventative services.
- Component 2 will be a uniform percent rate increase for certain services based on achievement of quality metrics focused on preventative care and screening and management of chronic conditions.

This program is facilitated through the District providing an intergovernmental transfer whereby federal matching funds are provided to supplement the District’s shortfall in Medicaid funding. In connection with this program, the District provided intergovernmental transfers of \$116,256 and \$99,195 for the years ended September 30, 2024 and 2023, respectively. Additionally, the District recorded prepaid RAPPS IGT as of September 30, 2024 and 2023 in the amount of \$41,796 and \$50,435, respectively.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 12 – MEDICAID DISPROPORTIONATE SHARE

The Indigent Health Care and Treatment Act, passed by the 69th Texas Legislature in 1985, first apportioned funds to the Texas Department of Human Services (DHS) to provide assistance to hospitals providing a disproportionate share (DSH) of inpatient indigent health care. The State of Texas created a mechanism whereby intergovernmental transfers were made between selected district hospitals and county hospitals to generate additional federal matching funds. Hospitals participating in the Medicaid program that meet the conditions of participation and that serve a disproportionate share of low-income patients as defined by state law are eligible for additional reimbursement from the disproportionate share hospital fund. There are direct and implied expectations regarding the purposes of this funding.

The focus of the funds is to benefit the health care needs of the medically indigent, including recipient of Medicaid benefits, those eligible for Medicaid benefits, the uninsured poor, and others for whom the cost of medical and hospital care has exceeded their ability to pay. However, state and federal law offer considerable flexibility to recipient hospitals regarding specific use of the funds. The District recognized \$507,806 and \$626,141 in disproportionate share revenue for the years ending September 30, 2024 and 2023, respectively. The respective net revenue is included in net patient service revenue in the accompanying statements of revenues, expense, and changes in net position.

NOTE 13 - 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. 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 the estimate could change materially in the near term.

NOTE 14 – EMPLOYEE HEALTH CLAIMS

The District is partially self-insured for health claims of participating employees and dependents up to \$65,000 per individual. Commercial stop-loss insurance coverage is purchased for claims in excess of the individual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience; recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the District's estimate will change by a material amount in the near term.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 14 – EMPLOYEE HEALTH CLAIMS (CONTINUED)

Activity in the District’s accrued employee health claims liability during 2024 and 2023 is summarized as follows:

	<u>2024</u>	<u>2023</u>
Balance, Beginning of Year	\$ 290,592	\$ 616,227
Current Year Claims Incurred and Changes in Estimates for Claims Incurred in Prior Years	1,860,679	1,461,538
Claims and Expenses Paid	<u>(2,023,661)</u>	<u>(1,787,173)</u>
Balance, End of Year	<u>\$ 127,610</u>	<u>\$ 290,592</u>

NOTE 15 – EMPLOYEE BENEFITS

The District has a profit-sharing plan, known as the Ochiltree General Hospital Profit Sharing Plan (the “Plan”). Effective January 1, 2020, the District entered into a restatement agreement for the Plan which is administered by Mutual of Omaha Retirement Services. The Plan provides retirement benefits to plan members and their beneficiaries. Under the Plan, all full-time employees with one year of service are eligible to participate. All eligible employees may enter the Plan quarterly beginning on the first day of the calendar quarter after completion of one year of service. The District contributions to the Plan shall be discretionary, but not limited to profits. The employees shall become vested in the District’s contribution at the rates of 20% after the second year, 40% after the third year, 60% after the fourth year, 80% after the fifth year, and 100% after the sixth year. The number of plan members during fiscal years September 30, 2024 and 2023 were 145 and 134, respectively. Employees do not contribute to the plan. Pension expense is recorded for the amount for the District’s contributions. Contribution rates for the District expressed as a percentage of covered payrolls were 6% and 5% for 2024 and 2023, respectively. Contributions made by the District aggregated \$766,229 and \$680,169 during 2024 and 2023, respectively.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Litigation – The District is from time-to-time subject to claims and suits for other damages, including damages for personal injuries to patients and others, most of which are covered as to risk and amount. In the opinion of management, the ultimate resolution of any pending legal proceedings will not have a material effect on the District’s financial position or results of operations.

Leases - The District leases various equipment and facilities under operating leases expiring at various dates. Total rental expense, including operating leases, in 2024 and 2023 was \$290,438 and \$177,920, respectively.

In addition, the amount of outflows of resources recognized in the reporting period for variable payments and other payments, such as termination penalties and residual value guarantees, associated with but, not included within the long-term lease liabilities discussed in Footnote 10, in 2024 and 2023 was \$22,830 and \$29,913 respectively.

**OCHILTREE HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2024 AND 2023**

NOTE 17 – RELATED PARTY TRANSACTIONS

The District's deposit accounts amounting to approximately \$15 million were held at a local bank where a board of director member serves as an officer. This relationship has been fully disclosed under the District's conflict of interest policy.

NOTE 18 – FEDERAL FINANCIAL ASSISTANCE

COVID-19 in Healthcare Relief Grants ("CHRG") – The Texas Department of Health and Human Services Commission ("HHSC") received funding from the United States Department of Treasury to distribute to facilities in the state of Texas for the purpose of supporting their response to and recovery from the COVID-19 public health emergency. For the years ended September 30, 2024 and 2023, the District received \$-0- and \$492,461, respectively, in CHRG funds. The respective net revenue is included in CARES Act provider relief revenue in the accompanying statements of revenues, expense, and changes in net position.

NOTE 19 – SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2024, the date of the most recent statements of net position, have been evaluated for possible adjustment to the financial statements or disclosure is March 12, 2025, which is the date on which the financial statements were available to be issued.