OCHILTREE HOSPITAL DISTRICT
PERRYTON, TEXAS

FOR THE YEARS ENDED
SEPTEMBER 30, 2023 AND 2022

D & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2023 and 2022, 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, 2023 and 2022, and the respective changes in its 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the 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.

D&CO, LLP

D & Co., LLP
Lubbock, Texas
March 18, 2024

OCHILTREE HOSPITAL DISTRICT
PERRYTON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED
SEPTEMBER 30, 2023 AND 2022

OCHILTREE HOSPITAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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, 2023 and 2022. 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 $2,354,853 or 5.5% in 2023 and $6,353,517 or 17.5% in 2022.
- Net patient service revenue increased by $644,474 or 3.1% in 2023 and increased by $1,998,492 or 10.5% in 2022.
- The District reported an operating loss of $5,549,398 in 2023 compared to an operating loss of $4,003,993 in 2022. The operating loss was an unfavorable increase of $1,545,405 or 38.6% over the operating loss reported in 2022.
- Total operating expenses increased in 2023 by $2,155,986 or 8.5% in comparison to the increase of $755,486 or 3.1% in 2022.

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 access the overall health of the District.

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 $2,354,853 or 5.5% in 2023 and $6,353,517 or 17.5% in 2022, as shown in **Table 1**.

Table 1: Assets, Liabilities, and Net Position

	2023	2022	2021 (Restated)
Assets:			
Current Assets	$ 20,854,706	$ 24,147,655	$ 25,419,518
Capital Assets (net)	32,892,645	28,797,411	24,473,095
Restricted Assets	10,000	10,000	10,000
Other Non-Current Assets	270,261	246,618	258,037
Total Assets	54,027,612	53,201,684	50,160,650
Liabilities and Deferred Inflows of Resources:			
Long-Term Debt Outstanding	$ 6,609,825	$ 7,761,678	$ 8,885,099
Other Current and Non-Current Liabilites	2,315,512	2,692,584	2,753,933
Total Liabilities	8,925,337	10,454,262	11,639,032
Deferred Inflows of Resources	-	-	2,127,713
Total Liabilities and Deferred Inflows of Resources	8,925,337	10,454,262	13,766,745
Net Position:			
Net Investment in Capital Assets	26,282,820	21,035,733	15,587,996
Restricted	10,000	10,000	10,000
Unrestricted	18,809,455	21,701,689	20,795,909
Total Net Position	45,102,275	42,747,422	36,393,905
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 54,027,612	$ 53,201,684	$ 50,160,650

Total assets increased $825,928 or 1.6% in 2023 and increased $3,041,034 or 6.1% in 2022, primarily due to the increase in capital assets from multiple construction projects. Total liabilities decreased $1,528,925 or 14.6% in 2023 and $1,184,770 or 10.2% in 2022.

OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION

In 2023 and 2022, the District's net position increased by $2,354,853 or 5.5% and $6,353,517 or 17.5%, respectively.

Table 2: Operating Results and Changes in Net Position

	2023	2022	2021 (Restated)
Operating Revenues:			
Net Patient Service Revenue	$ 21,607,926	$ 20,963,452	$ 18,964,960
Other Operating Revenue	408,890	442,783	579,666
Total Operating Revenue	22,016,816	21,406,235	19,544,626
Operating Expenses:			
Salaries and Benefits	15,751,255	14,033,449	14,018,812
Other Operating Expenses	9,851,676	9,726,600	9,029,512
Depreciation / Amortization	1,963,283	1,650,179	1,606,418
Total Operating Expenses	27,566,214	25,410,228	24,654,742
Operating Loss	(5,549,398)	(4,003,993)	(5,110,116)
Nonoperating Revenues and Expenses:			
Property Taxes	6,084,656	6,080,151	6,061,639
Noncapital Grants / Contributions	145,755	7,864	19,631
Investment Income	1,007,002	320,933	152,255
Interest Expense	(256,913)	(235,293)	(387,453)
Tobacco Settlement Revenue	112,867	116,804	110,669
Gain on Extinguishment of Debt	-	-	1,772,496
CARES Act Provider Relief Revenue	492,461	1,147,926	408,508
Other Nonoperating	205,532	196,461	158,352
Gain (Loss) on Disposal of Assets	46,023	(6,009)	(146)
Total Nonoperating Revenues (Expenses)	7,837,383	7,628,837	8,295,951
Excess Of Revenues over Expenses Before Capital Grants and Contributions	2,287,985	3,624,844	3,185,835
Capital Grants and Contributions	66,868	2,728,673	145,738
Increase in Net Position as Restated for 2021	2,354,853	6,353,517	3,331,573
Net Position, Beginning of Year	42,747,422	36,393,905	33,062,332
Net Position, End of Year	$ 45,102,275	$ 42,747,422	$ 36,393,905

Operating Income (Loss)

The first component of the overall change in the District's net position is its operating income (loss) – generally, the difference between net patient service revenues and the expenses incurred to perform those services. The District has reported an operating loss in 2023 of $5,549,398 and an operating loss in 2022 of $4,003,993.

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

The primary components of the decrease in operating loss for 2022 are:

- Increase in net patient revenue of $1,998,492 or 10.5% over 2021
- Decrease in other operating revenues of $136,883 or 23.6% over 2021

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 gain on extinguishment of debt.

Grants, Contributions, and Endowments

The District receives both capital and operating grants from various sources for specific purposes. Noncapital grants and contributions received during 2023 and 2022 were $145,755 and $7,864, respectively. Capital grants and contributions received during 2023 and 2022 were $66,868 and $2,728,673, respectively. Capital grants and contributions consist primarily of grant funds in 2022 from OGH Foundation to reimburse costs of construction.

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 ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2023 and 2022, the District had $32,892,645 and $28,797,411, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 9 of the financial statements. The District acquired capital assets in the amount of $6,472,590 and $5,984,075 in 2023 and 2022, respectively.

Debt

At September 30, 2023 and 2022, the District had $6,609,825 and $7,761,678, respectively, in long-term debt outstanding, as detailed in Note 10 of the financial statements. During 2023 and 2022, the District made payments of $1,151,853 and $1,123,421, respectively, on outstanding debt.

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

FOR THE YEARS ENDED
SEPTEMBER 30, 2023 AND 2022

OCHILTREE HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2023 AND 2022

ASSETS:	2023	2022
CURRENT ASSETS		
Cash and Cash Equivalents	16,394,802	19,454,791
Short-Term Investments	32,546	33,483
Assets Whose Use is Limited	344,491	296,108
Patient Accounts Receivable, Net	2,756,589	2,142,069
Estimated Third-Party Payor Settlements	132,927	181,534
Inventory of Supplies	512,298	511,156
Prepaid and Other Current Assets	584,073	1,449,571
Property Taxes Receivable	96,980	78,943
Total Current Assets	20,854,706	24,147,655
ASSETS RESTRICTED FOR GRANT PROJECTS	10,000	10,000
CAPITAL ASSETS,		
Land	156,637	171,637
Construction-in-Progress	5,498,823	4,936,195
Depreciable Capital Assets, Net	27,237,185	23,689,579
Net of Accumulated Depreciation and Amortization	32,892,645	28,797,411
OTHER ASSETS	270,261	246,618
Total Assets	$ 54,027,612	$ 53,201,684

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

OCHILTREE HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2023 AND 2022

LIABILITIES AND NET POSITION:	2023	2022
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 1,198,456	$ 1,155,082
Accounts Payable	824,685	909,380
Accrued Payroll, Benefits, and Related Liabilities	933,837	747,865
Other Accrued Liabilities	266,398	419,112
Self Funded Health Insurance	290,592	616,227
Total Current Liabilities	3,513,968	3,847,666
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	5,411,369	6,606,596
Total Liabilities	8,925,337	10,454,262
NET POSITION		
Net Investment in Capital Assets	26,282,820	21,035,733
Restricted:		
Expendable Grant Projects	10,000	10,000
Unrestricted	18,809,455	21,701,689
Total Net Position	45,102,275	42,747,422
Total Liabilities and Net Position	$ 54,027,612	$ 53,201,684

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, 2023 AND 2022

	2023	2022
OPERATING REVENUES:		
Net Patient Service Revenue	$ 21,607,926	$ 20,963,452
Delivery System Reform Incentive Revenue	-	215,409
Other Operating Revenue	408,890	227,374
Total Operating Revenues	22,016,816	21,406,235
OPERATING EXPENSES:		
Salaries and Wages	12,379,939	11,319,130
Employee Benefits	3,371,316	2,714,319
Professional Fees and Purchased Services	4,316,196	4,705,838
Supplies and Other	5,535,480	5,020,762
Depreciation and Amortization	1,963,283	1,650,179
Total Operating Expenses	27,566,214	25,410,228
Operating Loss	(5,549,398)	(4,003,993)
NONOPERATING REVENUES (EXPENSES):		
Property Tax Revenue	6,084,656	6,080,151
Noncapital Grants and Contributions	145,755	7,864
Investment Income	1,007,002	320,933
Interest Expense	(256,913)	(235,293)
Tobacco Settlement Revenue	112,867	116,804
CARES Act Provider Relief Revenue	492,461	1,147,926
Other Non Operating	205,532	190,452
Gain (Loss) on Disposal of Assets	46,023	-
Total Nonoperating Revenues (Expenses)	7,837,383	7,628,837
Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Contributions	2,287,985	3,624,844
Capital Grants and Contributions	66,868	2,728,673
Increase (Decrease) in Net Position	2,354,853	6,353,517
Net Position, Beginning of Year	42,747,422	36,393,905
Net Position, End of Year	$ 45,102,275	$ 42,747,422

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

OCHILTREE HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from and on Behalf of Patients	$ 20,983,075	$ 19,184,924
Payments to Suppliers and Contractors	(9,961,466)	(9,452,542)
Payments to Employees	(15,127,488)	(14,051,486)
Other Receipts and Payments, net	417,492	416,262
Net Cash Used in Operating Activities	(3,688,387)	(3,902,842)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Earnings	1,007,002	320,933
Purchase of Investments	937	(4,033,483)
Proceeds From Sale of Investments	-	4,000,000
Net Cash Provided by Investing Activities	1,007,939	287,450
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital Grants and Contributions	66,868	2,728,673
Principal Payments on Long-Term Debt and Notes Payable	(1,151,853)	(1,123,421)
Interest Payments on Long-Term Debt and Notes Payable	(256,913)	(302,323)
Proceeds from Sale of Capital Assets	460,097	-
Purchase of Capital Assets	(6,472,591)	(5,984,075)
Net Cash Used in Capital and Related Financing Activities	(7,354,392)	(4,681,146)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Property Tax Revenues	6,066,619	6,053,614
Noncapital Grants and Contributions	145,755	7,864
COVID-19 Federal Financial Assistance	492,461	968,653
Proceeds from Tobacco Settlement	-	110,669
Other Nonoperating	318,399	206,167
Net Cash Provided by Noncapital Financing Activities	7,023,234	7,346,967
Net Decrease in Cash and Cash Equivalents	(3,011,606)	(949,571)
Cash and Cash Equivalents, Beginning of Year	19,750,899	20,700,470
Cash and Cash Equivalents, End of Year	$ 16,739,293	$ 19,750,899

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, 2023 AND 2022

	2023	2022
RECONCILIATION OF CASH AND EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
Cash and Equivalents Presented Under the Following Titles:		
Cash and Cash Equivalents	$ 16,394,802	$ 19,454,791
Assets Whose Use is Limited - Current	344,491	296,108
	$ 16,739,293	$ 19,750,899
RECONCILIATION OF NET INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (5,549,398)	$ (4,003,993)
Adjustments to Reconcile Operating Loss to Net Cash Flows Used in Operating Activities:		
Depreciation and Amortization	1,963,283	1,650,179
Provision for Bad Debts	926,165	1,497,571
(Increase) Decrease in:		
Accounts Receivable	(1,540,685)	(596,706)
Prepaid Expenses and Other Current Assets	864,356	(337,019)
Estimated Third-Party Payor Settlements	48,607	(397,926)
Other Prepaids, Deferrals, and Accruals, Net	(23,643)	11,419
Increase (Decrease) in:		
Accounts Payable	(84,695)	271,657
Accrued Salaries and Benefits Payable	185,972	(11,983)
Other Accrued Liabilities	(478,349)	(37,601)
Deferred Inflow of Resources	-	(1,948,440)
Net Cash Used in Operating Activities	$ (3,688,387)	$ (3,902,842)

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

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.

During 2018 Management signed a certificate of formation which established the OCHD Local Government Corporation No. 1 (LGC No.1) and also made changes to the District's organizational structure. Management passed ownership of the Home Health/Hospice and assisted living facility from the District to the LGC No. 1. During 2020 the District consolidated the LGC No. 1 back into the District resulting in a single organizational structure as it was previous to 2018.

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. 96 – In May 2020, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Statement is effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. Implementation of the Statement had no effect on the District's net position.

GASB Statement No. 99 – In April 2022, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 99 – Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements (Continued):

GASB Statement No. 99 (Continued):

- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.
- Terminology used in Statement No. 53 to refer to resource flows statement.

Implementation of the Statement had no effect on the District's net position.

Pending Adoption of Recent 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. The Statement is effective for fiscal years beginning after June 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. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pending Adoption of Recent Accounting Pronouncements (Continued):

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.

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, 2023 and 2022, 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 uncollectables and contractuals are generally determined by applying historical percentages to financial classes within accounts receivable. The allowances are increased by a 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued) – 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

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 20% of its financial support from property taxes in 2023 and 2022, 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Indigent Care (Continued) – 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.

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.

NOTE 2 - NET PATIENT SERVICE REVENUE (CONTINUED)

Net patient service revenue is comprised as follows:

	2023	2022
Routine Patient Services	$ 2,863,288	$ 3,584,976
Ancillary Patient Services		
Inpatient	4,450,564	5,707,391
Outpatient	33,675,100	29,078,753
Gross Patient Service Revenue	40,988,952	38,371,120
Charity	(2,020,533)	(1,708,519)
Third-Party Contractual Adjustments	(17,227,984)	(15,536,600)
Provision for Bad Debts	(926,165)	(1,497,571)
Medicaid Supplemental Payments & Other Credits	793,656	1,335,022
Net Patient Service Revenue	$ 21,607,926	$ 20,963,452

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, 2023 and 2022 are $132,927 and $181,534, 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 $2,020,533 in 2023 and $1,708,519 in 2022. 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 $1,153,450 and $1,141,653 for the years ended September 30, 2023 and 2022, 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, 2023 and 2022, the District's investments were $16,242,546 and $19,243,483, respectively.

NOTE 3 – INVESTMENTS (CONTINUED)

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.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2023 and 2022, the carrying amount of the District's deposits with financial institutions was $16,771,839 and $19,784,382, respectively, and the bank balance was $17,148,660 and $20,309,387, respectively. The bank balance is categorized as follows:

	2023	2022
Amount Insured by the FDIC	$ 509,145	$ 502,537
Amount Collateralized with Securities Held by the Pledging Financial Institution's Trust Department in the District's name	$16,639,515	19,806,850
Total Bank Balance	$17,148,660	$20,309,387

NOTE 5 – ASSETS WHOSE USE IS LIMITED

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

	2023	2022
Internally Designated for Health Insurance Claims:		
Cash and Cash Equivalents	266,075	215,903
Internally Designated for Hospice Operations:		
Cash and Cash Equivalents	13,826	18,701
Internally Designated for Employee Benefits:		
Cash and Cash Equivalents	17,488	19,897
Internally Designated for Memorial Donations:		
Cash and Cash Equivalents	8,794	8,372
Internally Designated for Assisted Living Facility Rent Deposits:		
Cash and Cash Equivalents	38,308	33,235
Total Assets Whose Use is Limited	$ 344,491	$ 296,108

NOTE 6 – RESTRICTED ASSETS

The Composition of restricted assets as of September 30, 2023 and 2022 is set forth in the following table:

	2023	2022
Restricted for Grant Projects	$ 10,000	$ 10,000

NOTE 7 – PATIENT ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30, 2023 and 2022:

	2023	2022
Gross Accounts Receivable	$ 7,393,171	$ 6,783,525
Less Allowance for Bad Debts	(2,974,649)	(3,407,207)
Allowance for Contractuals	(1,661,933)	(1,234,249)
Accounts Receivable, Net of Allowance	$ 2,756,589	$ 2,142,069

NOTE 7 – PATIENT ACCOUNTS RECEIVABLE (CONTINUED)

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, 2023 and 2022 is as follows:

	2023	2022
Medicare	22%	17%
Medicaid	7%	6%
Other Third-Party Payors	32%	29%
Patients	39%	48%
Total	100%	100%

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 2023 and 2022 was $6,084,656 and $6,080,151, respectively. The tax rates for September 30, 2023 and 2022 were $0.439 and $0.550, respectively. As of September 30, 2023 and 2022, the balance of property taxes receivable and its related allowance for uncollectible taxes are as follows:

	2023	2022
Taxes Receivable	$ 296,026	$ 245,435
Less: Allowance for Uncollectible Taxes	(199,046)	(166,492)
Taxes Receivable, Net of Allowance	$ 96,980	$ 78,943

NOTE 9 – CAPITAL ASSETS

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

	Balance 09/30/22	Additions	Reclass/ Retirements	Balance 09/30/23
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	4,936,195	5,583,398	(5,020,770)	5,498,823
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	(7,784,011)	(494,552)	-	(8,278,563)
Total Accumulated Depreciation	(18,598,635)	(1,823,176)	247,157	(20,174,654)
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	(311,306)	(140,106)	-	(451,412)
Total Lease Assets, Net of Accumulated Depreciation	439,461	(140,106)	-	299,355
Total Capital Assets, Net	$ 28,797,411	$ 4,509,308	$ (414,074)	$ 32,892,645

Construction in progress at September 30, 2023 and 2022 includes amounts related to the Seasons renovation, Main Street Clinic, radiology and surgical center construction, and a new physician clinic. The main street clinic was completed in October 2022 at a completion cost of approximately $225,000. The seasons remodel was completed in April 2023 for an approximate cost of $563,000. 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 remaining in CIP is approximately $2.5 million and is expected to be completed at an estimated cost of $4 million with an estimated completion in fiscal year 2024. The remaining amount in CIP is associated with a new physicians' clinic that is estimated to be completed in fiscal year 2025.

NOTE 9 – CAPITAL ASSETS (CONTINUED)

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

	Balance 09/30/21	Additions	Reclass/ Retirements	Balance 09/30/22
Land	$ 171,637	$ -	$ -	$ 171,637
Land Improvements	55,117	-	-	55,117
Building And Improvements	31,832,998	11,832	969,659	32,814,489
Equipment	8,410,514	597,681	(29,048)	8,979,147
Construction in Progress	531,292	5,374,562	(969,659)	4,936,195
Totals at Historical Cost	41,001,558	5,984,075	(29,048)	46,956,585
Less Accumulated Depreciation for:				
Land Improvements	(12,780)	(3,675)	-	(16,455)
Building and Improvements	(9,724,153)	(1,074,016)	-	(10,798,169)
Equipment	(7,371,097)	(412,914)	-	(7,784,011)
Total Accumulated Depreciation	(17,108,030)	(1,490,605)	-	(18,598,635)
Total Capital Assets, Net of Accumulated Depreciation	23,893,528	4,493,470	(29,048)	28,357,950
Lease Assets:				
Right-to-Use Lease Assets	750,767	-	-	750,767
Less Accumulated Amortization for:				
Right-to-Use Lease Assets	(171,200)	(140,106)	-	(311,306)
Total Lease Assets, Net of Accumulated Depreciation	579,567	(140,106)	-	439,461
Total Capital Assets, Net	$ 24,473,095	$ 4,353,364	$ -	$ 28,797,411

Total depreciation and amortization expense for 2023 and 2022, was $1,963,283 and $1,650,179, respectively.

NOTE 10 – LONG-TERM DEBT

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

	Balance 09/30/22	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	7,266,923	-	(1,028,502)	6,238,421	1,067,487
Right-to-Use Lease Obligations					
Stryker Laproscope	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	494,755	-	(123,351)	371,404	130,969
Total Long-Term Debt and Right-to-Use Lease Obligations	$ 7,761,678	$ -	$ (1,151,853)	$ 6,609,825	$ 1,198,456

	Balance 09/30/21	Additions	Reductions	Balance 09/30/22	Due Within One Year
Long-Term Debt:					
Series 2016	$ 1,982,000	$ -	$ (170,000)	$ 1,812,000	$ 176,000
Note Payable, Phase 3 (1)	2,112,800	-	(211,653)	1,901,147	198,366
Note Payable, Phase 3 (2)	2,198,684	-	(182,194)	2,016,490	194,520
Note Payable, 2015	919,744	-	(253,188)	666,556	261,158
Note Payable, 2006	1,057,722	-	(186,992)	870,730	198,399
Total Long-Term Debt	8,270,950	-	(1,004,027)	7,266,923	1,028,443
Right-to-Use Lease Obligations					
Stryker Laproscope	123,191	-	(36,771)	86,420	39,864
Siemens CT Scan	256,543	-	(38,090)	218,453	41,283
Siemens X-ray System	167,651	-	(24,103)	143,548	24,465
Beckman Coulter Lab Equipment	66,764	-	(20,430)	46,334	21,027
Total Right-to-Use Lease Obligations	614,149	-	(119,394)	494,755	126,639
Total Long-Term Debt and Capital Lease Obligations	$ 8,885,099	$ -	$ (1,123,421)	$ 7,761,678	$ 1,155,082

NOTE 10 – LONG-TERM DEBT (CONTINUED)

Long-Term Debt. The terms and due dates of the District's long-term debt at September 30, 2023 and 2022 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: The terms and due dates of the District's capital leases as of September 30, 2023 and 2022 are as follows:

- Stryker Laproscope 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.

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 2023, 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, 2023, 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 2023, 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, 2023, 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 2023, 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, 2023, the District was in compliance with this debt indenture.

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, 2023, 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 2022 audit was issued on March 20, 2023.

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 2023, 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, 2023, 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 2022 audit was issued on March 20, 2023.

NOTE 10 – LONG-TERM DEBT (CONTINUED)

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

	Long-Term Debt			Right-to-Use Lease Obligations	
For the Year Ending	Principal	Interest	Total	Principle	Interest
September 30,					
2024	1,067,487	220,981	1,288,468	130,969	9,586
2025	968,782	180,274	1,149,056	77,180	5,958
2026	865,650	143,793	1,009,443	72,209	3,702
2027	649,288	107,549	756,837	70,405	1,389
2028	670,319	85,784	756,103	20,641	102
2029-2032	2,016,895	205,283	2,222,178	-	-
Total	$ 6,238,421	$ 943,664	$ 7,182,085	$ 371,404	$ 20,737

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 2023 and 2022 was $256,913 and $235,293, 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 $76,523 and $390,084, and received $222,414 and $1,206,413 for the years ended September 30, 2023 and 2022, respectively. The District recognized $134,734 and $806,760 in uncompensated care funds for the years ended September 30, 2023 and 2022, respectively. The respective revenue is included within net patient service revenue in the statements of revenues, expenses, and changes in net position.

Delivery System Reform Incentive Program – As part of the Section 1115 Demonstration Waiver Program, the District is eligible to receive incentive payments through the Delivery System Reform Incentive Payment Program (DSRIP). This incentive program is designed to improve the experience of care, improve the health of populations, and containing costs. In connection with this program, the District provided intergovernmental transfers of $-0- and $106,097, and received $-0- and $321,506 for the years ended September 30, 2023 and 2022, respectively. The District recognized $-0- and $215,409 in DSRIP funds for the years ended September 30, 2023 and 2022, respectively. The respective revenue is included within other operating revenue in the statements of revenues, expenses, and changes in net position.

NOTE 11 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM (CONTINUED)

Uniform Hospital Rate Increase Program (UHRIP) – The District participated in the Uniform Hospital Rate Increase Program ("UHRIP"), a program designed to direct a Medicaid managed care organization ("MCO") to provide a uniform percentage rate increase to hospitals in the MCO's network in a participating service delivery area for the provision of inpatient services, outpatient services, or both. The State of Texas determines eligibility for rate increases by service delivery area and class of hospital.

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 $-0- and $99,016 for the years ended September 30, 2023 and 2022, respectively.

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 unform rate enhancement on all hospital inpatient and outpatient service claims.
- Component 2, Average Commercial Inventive 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 $64,499 and $50,883 for the years ended September 30, 2023 and 2022, respectively. Additionally, the District recorded prepaid CHIRP IGT as of September 30, 2023 and 2022 in the amount of $42,508 and $16,240, 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.

NOTE 11 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM (CONTINUED)

Rural Access to Primary and Preventive Services (RAPPS) (Continued)

- 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 $99,195 and $71,822 for the years ended September 30, 2023 and 2022, respectively. Additionally, the District recorded prepaid RAPPS IGT as of September 30, 2023 and 2022 in the amount of $50,435 and $37,135, respectively.

Hospital Augmented Reimbursement Program (HARP) – The District participated in the Hospital Augmented Reimbursement Program (HARP), a statewide supplemental program providing Medicaid payments to hospitals for inpatient and outpatient services that serve Texas Medicaid fee-for-service (FFS) patients. The program serves as a financial transition for providers historically participating in the Delivery System Reform Incentive Payment program. HARP will provide additional funding to hospitals to assist in offsetting the cost hospitals incur while providing Medicaid services. Subject to CMS approval, eligible participants in Federal Fiscal Year 2022 include non-state government-owned and operated hospitals and private hospitals. The public HARP SPA was approved for non-state government-owned and operated hospitals on August 31, 2022. During 2023 and 2022, the District provided $-0- and $39,993, respectively, via intergovernmental transfer. As of September 30, 2023 and 2022, the District recorded a receivable of $-0- and $121,192, respectively, which is included in other receivables in the statements of net position.

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 $626,141 and $530,588 in disproportionate share revenue for the years ending September 30, 2023 and 2022, 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.

Activity in the District's accrued employee health claims liability during 2023 and 2022 is summarized as follows:

	2023	2022
Balance, Beginning of Year	$ 616,227	$ 411,000
Current Year Claims Incurred and Changes in Estimates for Claims Incurred in Prior Years	1,461,538	1,275,621
Claims and Expenses Paid	(1,787,173)	(1,070,394)
Balance, End of Year	$ 290,592	$ 616,227

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, 2023 and 2022 were 134 and 116, respectively. Employees do not contribute to the plan.

NOTE 15 – EMPLOYEE BENEFITS (CONTINUED)

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 5% and 5% for 2023 and 2022, respectively. Contributions made by the District aggregated $680,169 and $578,195 during 2023 and 2022, 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 2023 and 2022 was $177,920 and $60,128, 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 2023 and 2022 was $29,913 and $16,198 respectively.

NOTE 17 – RELATED PARTY TRANSACTIONS

The District's deposit accounts amounting to approximately $17.1 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 – CARES ACT PROVIDER RELIEF FUNDS

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act (P.L. 116-136), American Rescue Plan ("ARP") Act (P.L. 117-2), and the Coronavirus Response and Relief Supplemental Appropriations Act (P.L. 116-123) appropriated funds to reimburse eligible healthcare providers for healthcare related expenses or lost revenues attributable to coronavirus. These funds were distributed by the Health Resources and Services Administration ("HRSA") through the Provider Relief Fund ("PRF") program. The District received relief funds through Targeted Distribution stimulus payments, allocations for Skilled Nursing Facilities (SNFs) and Rural Health Clinic Testing payments. Recipients of these funds agreed to Terms and Conditions, which require compliance with reporting requirements as specified by the Secretary of Health and Human Services in program instructions.

NOTE 18 – CARES ACT PROVIDER RELIEF FUNDS (CONTINUED)

- **Targeted Distributions** – By accepting the Relief Funds, the District must maintain compliance with the Secretary's terms and conditions, including but not limited to, using the Relief Funds to prevent, prepare for, and respond to coronavirus, and shall reimburse the District only for health care related expenses or lost revenues that are attributable to coronavirus. The District's commitment to full compliance with all terms and conditions is material to the Secretary's decision to disburse these funds. Non-compliance with any terms and conditions is grounds for the secretary to recoup some or all of the payment made from the Relief Fund. The District received stimulus funds in the amount of $-0- and $416,290 for the years ended September 30, 2023 and 2022, respectively.

In accordance with the Department of Health and Human Services Post-Payment Notice of Reporting Requirements released June 11, 2021, the recipients must submit their use of PRF payments by reporting healthcare related expenses attributable to coronavirus that another source has not reimbursed then applying actual patient care lost revenues to the remaining funds. The period of availability of funds is based on the date the payment is received as follows:

Period	Payment Received Period	Period of Availability for Eligible Expenses	Period of Availability for Lost Revenues
1	April 10, 2020 through June 30, 2020	January 1, 2020 through June 30, 2021	January 1, 2020 through June 30, 2021
2	July 1, 2020 through December 31, 2020	January 1, 2020 through December 31, 2021	January 1, 2020 through December 31, 2021
3	January 1, 2021 through June 30, 2021	January 1, 2020 through June 30, 2022	January 1, 2020 through June 30, 2022
4	July 1, 2021 through December 31, 2021	January 1, 2020 through December 31, 2022	January 1, 2020 through December 31, 2022
5	January 1, 2022 through June 30, 2022	January 1, 2020 through June 30, 2023	January 1, 2020 through June 30, 2023
6	July 1, 2022 through December 31, 2022	January 1, 2020 through December 31, 2023	January 1, 2020 through June 30, 2023
7	January 1, 2023 through June 30, 2023	January 1, 2020 through June 30, 2024	January 1, 2020 through June 30, 2023
8	July 1, 2023 through December 31, 2023	January 1, 2020 through December 31, 2024	January 1, 2020 through June 30, 2023
9	January 1, 2024 through June 30, 2024	January 1, 2020 through June 30, 2025	January 1, 2020 through June 30, 2023

If recipients do not expend PRF funds in full by these deadlines toward expenses attributable to COVID-19 but not reimbursed by other sources, and/or lost revenues, the funds may become subject to recoupment.

NOTE 18 – CARES ACT PROVIDER RELIEF FUNDS (CONTINUED)

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, 2023 and 2022, the District received $492,461 and $250,000, 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 – MEDICARE ACCELERATED PAYMENT PROGRAM

On March 28, 2020, Centers for Medicare and Medicaid Services (CMS) expanded the existing Accelerated and Advance Payments Program (AAP) to a broader group of Medicare Part A providers and Part B Suppliers. An accelerated or advance payment is a payment intended to provide necessary funds when there is a disruption in claims submission and/or claims processing. CMS can also offer these payments in circumstances such as national emergencies, or natural disasters in order to accelerate cash flow to the impacted health care providers and suppliers. The passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) on March 27, 2020, amended the existing Accelerated Payments Program to provide additional benefits and flexibilities.

The Continuing Appropriations Act, 2021 and Other Extensions Act (P.L. 116-159), enacted on October 1, 2020, amended the repayment terms for all providers who requested and received accelerated and advance payments during the COVID-19 Public Health Emergency. Beginning one year from the date the payment was issued and continuing for 11 months, Medicare payments owed to providers and suppliers will be recouped at a rate of 25%. After 11 months ended, Medicare payments owed to the providers and suppliers will be recouped at a rate of 50% for another six months. After six months end, a letter for any remaining balance of the accelerated or advance payments will be issued. As of September 30, 2023 and 2022, the District received $-0- in Medicare Accelerated Advance Payments. Repayments were to begin one year from the date the accelerated or advance payment was issued. During 2023 and 2022, respectively, the District repaid $-0- and $1,948,440. The District's remaining Medicare Accelerated Advance Repayments outstanding are $-0-, as of September 30, 2023 and 2022, which are recorded within deferred inflows of resources in the statements of net position.

NOTE 20 – SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2023, the date of the most recent statements of net position, have been evaluated for possible adjustment to the financial statements or disclosure is March 18, 2024, which is the date on which the financial statements were available to be issued.