

**BOSQUE COUNTY HOSPITAL DISTRICT
CLIFTON, TEXAS**

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2025 AND 2024**



INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management
Bosque County Hospital District
Clifton, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bosque County Hospital District (the “District”), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Bosque County Hospital District’s statements of net position and the related statements of revenues, expenses and changes in net position and cash flows.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bosque County Hospital District, as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 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 judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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.

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

D & Co., L.L.P.
Lubbock, Texas
November 20, 2025

**BOSQUE COUNTY HOSPITAL DISTRICT
CLIFTON, TEXAS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2025 AND 2024**

BOSQUE COUNTY HOSPITAL DISTRICT
UNAUDITED
MANAGEMENT’S DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENTS

Our discussion and analysis of Bosque County Hospital District’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal years ended June 30, 2025 and 2024. Please read it in conjunction with the District’s financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The District’s net position increased by \$2,242,651, or 15.3%, in 2025 and increased by \$202,835, or 1.4%, in 2024.
- The District reported operating losses in 2025 and 2024 of \$4,670,812 and \$4,090,404, respectively.
- Non-operating revenues and expenses increased by \$2,620,224 in 2025 and increased by \$1,666,633 in 2024. This increase in 2025 is primarily due to an increase in Employee Retention Tax Credit and a foundation grant received, and the increase in 2024 is primarily due to an increase in insurance funds received.

USING THIS ANNUAL REPORT

The District’s financial statements consist of three statements: 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 financial 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.

**BOSQUE COUNTY HOSPITAL DISTRICT
UNAUDITED MANAGEMENT’S DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENT (CONTINUED)**

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 page 2.

Table 1: Assets, Liabilities, and Net Position

	<u>2025</u>	<u>2024 (Restated)</u>	<u>2023 (Restated)</u>
Assets:			
Current Assets	\$ 17,175,880	\$ 13,094,576	\$ 13,337,469
Capital Assets (net)	14,563,605	15,271,601	14,194,843
Other Non-Current Assets	<u>1,215,844</u>	<u>1,424,952</u>	<u>1,110,074</u>
Total Assets	<u>\$ 32,955,329</u>	<u>\$ 29,791,129</u>	<u>\$ 28,642,386</u>
Liabilities:			
Long-Term Debt Outstanding	\$ 11,905,331	\$ 11,482,465	\$ 11,289,999
Other Current and Non-Current	<u>4,138,066</u>	<u>3,639,383</u>	<u>2,885,941</u>
Total Liabilities	16,043,397	15,121,848	14,175,940
Net Position			
Net Investment in Capital Assets	2,658,274	3,789,136	2,904,844
Unrestricted	<u>14,253,658</u>	<u>10,880,145</u>	<u>11,561,602</u>
Total Net Position	<u>16,911,932</u>	<u>14,669,281</u>	<u>14,466,446</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 32,955,329</u>	<u>\$ 29,791,129</u>	<u>\$ 28,642,386</u>

**BOSQUE COUNTY HOSPITAL DISTRICT
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENT (CONTINUED)**

OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION

The District's net position increased by \$2,242,651, or 15.3%, in 2025 and increased by \$202,835, or 1.4%, in 2024. This change is made up of different components, as shown in **Table 2**.

Table 2: Operating Results and Changes in Net Position

	2025	2024 (Restated)	2023 (Restated)
Operating Revenues:			
Net Patient Service Revenue	\$ 27,986,861	\$ 26,417,902	\$ 26,648,419
Nursing Home Revenue	10,193,261	8,001,449	8,139,545
Delivery System Reform Incentive Program	-	-	628,981
Other Revenue	2,248,847	2,142,791	2,498,805
Total Operating Revenue	<u>40,428,969</u>	<u>36,562,142</u>	<u>37,915,750</u>
Operating Expenses:			
Salaries and Benefits	21,894,714	18,745,046	17,543,499
Other Operating Expenses	10,333,634	11,547,627	9,920,890
Nursing Home	10,193,261	8,001,449	8,139,545
Depreciation / Amortization	2,678,172	2,358,424	2,131,971
Total Operating Expenses	<u>45,099,781</u>	<u>40,652,546</u>	<u>37,735,905</u>
Operating Gain (Loss)	<u>(4,670,812)</u>	<u>(4,090,404)</u>	<u>179,845</u>
Nonoperating Revenues (Expenses):			
Property Tax Revenue	3,196,873	3,028,165	2,701,001
Noncapital Grants / Contributions	2,536,753	438,131	101,512
Provider Relief Fund Revenue	-	-	206,839
Employee Retention Tax Credit Revenue	1,088,777	-	-
Investment Income	544,852	301,853	152,986
Interest Expense	(282,446)	(278,886)	(269,681)
Insurance Proceeds	13,967	631,340	-
Other Nonoperating	-	3,985	-
Unrealized Gain (Loss) on Investments	19,337	26,321	-
Gain (Loss) from Discontinued Operations	(204,650)	142,330	(266,051)
Total Nonoperating Revenues	<u>6,913,463</u>	<u>4,293,239</u>	<u>2,626,606</u>
Excess of Revenues Over Expenses Before Transfer of Operations and Gain on Extinguishment of Debt	<u>2,242,651</u>	<u>202,835</u>	<u>2,806,451</u>
Increase in Net Position, as restated	<u>2,242,651</u>	<u>202,835</u>	<u>2,806,451</u>
Net Position, Beginning of Year as Originally Reported	14,669,281	14,687,446	11,868,995
Prior Period Adjustment	-	(221,000)	(209,000)
Net Position, Beginning of Year, as Restated	<u>14,669,281</u>	<u>14,466,446</u>	<u>11,659,995</u>
Net Position, End of Year	<u>\$ 16,911,932</u>	<u>\$ 14,669,281</u>	<u>\$ 14,466,446</u>

**BOSQUE COUNTY HOSPITAL DISTRICT
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENT (CONTINUED)**

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 reported an operating loss in 2025 of \$4,670,812 and an operating loss in 2024 of \$4,090,404. Changes in reimbursement rates, payment schedules and fluctuations in payments for inpatient and outpatient services, utilization by the medical staff, and increases in salaries, supplies, and purchased services have impacted the operating income for the District.

The primary components of the operating loss in 2025 are:

- Salaries and Wages increased by \$2,284,864 or 14.2%
- Employee Benefits increased by \$864,804 or 32.2%
- Depreciation and Amortization increased by \$319,748 or 13.6%

The primary components of the operating loss in 2024 are:

- Salaries and Benefits increased by \$1,008,907 or 6.3%
- Professional Fees and Purchased Services increased by \$914,847 or 24.6%
- Supplies and other expenses increased by \$957,179 or 15.0%

The future of net revenues is almost impossible to predict since the District relies on reimbursement from Medicare, Medicaid and other Third-Party payors, local population trends, economy, and other factors.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of tax revenues of \$3,196,873 and \$3,028,165 in 2025 and 2024, respectively, and non-capital grants and contributions. Noncapital grants and contributions were \$2,536,753 in 2025 and \$438,131 in 2024. Of the total contributions, \$2,000,000 and \$-0- were donations from Goodall-Witcher Healthcare Foundation in 2025 and 2024, respectively. In October 2023, a catastrophic flood occurred, causing damage to the ER and front entrance of the Hospital. As of June 30, 2025 and 2024, the insurance proceeds totaled \$13,967 and \$631,340, respectively.

THE DISTRICT'S CASH FLOWS

Changes in the District's cash flows are consistent with changes in operating income and losses and non-operating revenues and expenses previously discussed.

**BOSQUE COUNTY HOSPITAL DISTRICT
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENT (CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital and Lease Assets

As of June 30, 2025 and 2024, the District had \$14,563,605 and \$15,271,601 invested in capital and lease assets, net of accumulated depreciation and amortization, as detailed in Note 10 of the financial statements.

Debt

At June 30, 2025 and 2024, the District had \$11,905,331 and \$11,482,465 in debt outstanding as detailed in Note 11 of the financial statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide patients, suppliers, 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 Adam Willmann, President/CEO at Bosque County Hospital District, 101 Posey Avenue, Clifton, Texas 76634.

**BOSQUE COUNTY HOSPITAL DISTRICT
CLIFTON, TEXAS**

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2025 and 2024**

BOSQUE COUNTY HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2025 AND 2024

ASSETS:	<u>2025</u>	<u>2024</u> (Restated)
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,172,400	\$ 2,696,042
Short-Term Investments	6,453,301	3,275,190
Assets Whose Use is Limited	166,320	236,786
Patient Accounts Receivable, Net of Allowance	2,904,018	3,717,252
Accounts Receivable - Nursing Home	2,270,369	1,705,846
Estimated Third-Party Payor Settlements	82,644	476,057
Other Receivables	501,065	262,169
Inventory of Supplies	199,487	180,712
Prepaid and Other Current Assets	364,542	458,105
Property Taxes Receivable	<u>61,734</u>	<u>86,417</u>
Total Current Assets	17,175,880	13,094,576
LONG-TERM INVESTMENTS	1,215,844	1,166,899
CAPITAL ASSETS,		
Net of Accumulated Depreciation and Amortization	<u>14,563,605</u>	<u>15,271,601</u>
Total Capital Assets, Net	14,563,605	15,271,601
ASSETS OF DISCONTINUED OPERATIONS	<u>-</u>	<u>258,053</u>
Total Assets	<u>\$ 32,955,329</u>	<u>\$ 29,791,129</u>

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

BOSQUE COUNTY HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

AS OF JUNE 30, 2025 AND 2024

LIABILITIES AND NET POSITION:

	<u>2025</u>	<u>2024</u>
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	604,740	296,188
Current Portion of Right-to-Use Leases	1,660,900	1,526,607
Accounts Payable	653,403	804,078
Accounts Payable - Nursing Home	1,112,999	316,445
Accrued Payroll, Benefits, and Related Liabilities	2,246,262	2,075,597
Self Funded Health Insurance	41,861	80,230
Other Accrued Liabilities	<u>83,541</u>	<u>363,033</u>
Total Current Liabilities	6,403,706	5,462,178
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	4,217,434	2,629,536
Right-to-Use Leases, Net of Current Portion	<u>5,422,257</u>	<u>7,030,134</u>
Total Noncurrent Liabilities	<u>9,639,691</u>	<u>9,659,670</u>
Total Liabilities	16,043,397	15,121,848
NET POSITION		
Net Investment in Capital Assets	2,658,274	3,789,136
Unrestricted	<u>14,253,658</u>	<u>10,880,145</u>
Total Net Position	<u>16,911,932</u>	<u>14,669,281</u>
Total Liabilities and Net Position	<u>\$ 32,955,329</u>	<u>\$ 29,791,129</u>

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

BOSQUE COUNTY HOSPITAL DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

AS OF AND FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024 (Restated)
OPERATING REVENUES:		
Net Patient Service Revenue	\$ 27,986,861	\$ 26,417,902
Nursing Home Revenue	10,193,261	8,001,449
Other Revenue	2,248,847	2,142,791
Total Operating Revenues	40,428,969	36,562,142
OPERATING EXPENSES:		
Salaries and Wages	18,340,536	16,055,672
Employee Benefits	3,554,178	2,689,374
Professional Fees and Purchased Services	3,514,316	4,271,289
Supplies and Other	6,819,318	7,276,338
Nursing Home	10,193,261	8,001,449
Depreciation and Amortization	2,678,172	2,358,424
Total Operating Expenses	45,099,781	40,652,546
Operating Loss	(4,670,812)	(4,090,404)
NONOPERATING REVENUES (EXPENSES):		
Property Tax Revenue	3,196,873	3,028,165
Noncapital Grants and Contributions	2,536,753	438,131
Investment Income	544,852	301,853
Interest Expense	(282,446)	(278,886)
Insurance Proceeds	13,967	631,340
Other Nonoperating	-	3,985
Employee Retention Tax Credit Revenue	1,088,777	-
Unrealized Gain (Loss) on Investments	19,337	26,321
Gain (Loss) from Discontinued Operations	(204,650)	142,330
Total Nonoperating Revenues	6,913,463	4,293,239
Increase in Net Position	2,242,651	202,835
Net Position, Beginning Of Year as Originally Reported	14,669,281	14,687,446
Prior Period Adjustment	-	(221,000)
Net Position, Beginning of Year	14,669,281	14,466,446
Net Position, End of Year	\$ 16,911,932	\$ 14,669,281

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

BOSQUE COUNTY HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	\$ 38,544,017	\$ 32,592,025
Payments to Suppliers and Contractors	(19,792,721)	(19,368,757)
Payments to Employees	(21,762,418)	(18,414,574)
Other Receipts and Payments, net	2,009,951	2,077,426
Net Cash Provided (Used) by Operating Activities	(1,001,171)	(3,113,880)
CASH FLOW FROM DISCONTINUED OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	423,600	1,525,512
Payments to Suppliers and Contractors	(83,928)	(433,623)
Payments to Employees	(262,573)	(1,014,552)
Other Receipts and Payments, net	(23,696)	(71,646)
Net Cash Provided (Used) by Operating Activities	53,403	5,691
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	549,419	305,583
Purchase of Investments	(24,391,702)	(4,349,393)
Proceeds From Sale of Investments	21,164,646	6,147,250
Net Cash Provided (Used) by Investing Activities	(2,677,637)	2,103,440
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	2,131,657	1,826,583
Principal Payments on Long-Term Debt and Right-to-Use Asset Le	(1,797,760)	(1,634,117)
Interest Payments on Long-Term Debt and Right-to-Use Asset Leas	(282,446)	(278,886)
Insurance Proceeds	13,967	631,340
Purchase of Capital Assets	(1,881,207)	(3,416,042)
Proceeds from Sale of Capital Assets	-	7,181
Net Cash Used by Capital and Related Financing Activities	(1,815,789)	(2,863,941)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	3,221,556	2,954,418
Noncapital Grants and Contributions	2,536,753	438,131
Employee Retention Tax Credit Received	1,088,777	-
Other Nonoperating	-	3,985
Net Cash Provided by Noncapital Financing Activities	6,847,086	3,396,534
Net (Decrease) in Cash and Cash Equivalents	1,405,892	(472,156)
Cash and Cash Equivalents, Beginning of Year	2,932,828	3,404,984
Cash and Cash Equivalents, End of Year	\$ 4,338,720	\$ 2,932,828

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

BOSQUE COUNTY HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)

AS OF AND FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024 (Restated)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
Cash and cash equivalents presented under the following titles:		
Cash and Cash Equivalents	\$ 4,172,400	\$ 2,696,042
Assets Whose Use is Limited - Current	166,320	236,786
	\$ 4,338,720	\$ 2,932,828
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Loss	\$ (4,670,812)	\$ (4,090,404)
Adjustments to Reconcile Operating Loss to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	2,678,172	2,358,424
Provision for Bad Debts	3,855,535	1,905,382
(Increase) Decrease in:		
Accounts Receivable	(3,042,301)	(3,248,952)
Accounts Receivable - Nursing Home	(564,523)	(339,068)
Prepaid Expenses and Other Current Assets	(149,338)	(106,855)
Estimated Third-Party Payor Settlements	393,413	(345,849)
Increase (Decrease) in:		
Accounts Payable	(150,675)	40,506
Accounts Payable - Nursing Home	796,554	269,694
Accrued Salaries and Benefits Payable	170,665	285,242
Other Accrued Liabilities	(317,861)	158,000
Net Cash Provided (Used) by Operating Activities	\$ (1,001,171)	\$ (3,113,880)

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

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Bosque County Hospital District (the “District”) is a political subdivision created by and operating under the laws of the State of Texas. On November 26, 2018, the Bosque County Commissioners’ court passed a resolution accepting the election results of the voters of Bosque County, Texas which approve the formation of the Bosque County Hospital District, a taxing entity. On June 28, 2019, the Goodall-Witcher Hospital Authority (the “Authority”) entered into an asset transfer agreement with the District. Effective July 1, 2019, the Authority transferred all operations, assets, and liabilities to the District. As discussed in Note 15, the District entered into a lease agreement with Goodall-Witcher Healthcare Foundation (the “Foundation”), effective July 1, 2019.

Upon execution of the asset transfer agreement with the Authority and the lease agreement with the Foundation, the District began providing inpatient, outpatient, skilled nursing services, and emergency services to the residence of Bosque County. The District prepares its financial statements in accordance with generally accepted accounting principles. As detailed in Note 18, the District closed the Goodall-Witcher Nursing Facility on November 1, 2024.

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-September 30, 1989 FASB and AICPA Pronouncements*. The District has also elected to apply the provisions of Government Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Newly 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. The implementation of this pronouncement resulted in adjustments to beginning net position to reflect the cumulative effect of the change in accounting principle, as detailed in Note 2.

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. The implementation of this pronouncement resulted in adjustments to beginning net position to reflect the cumulative effect of the change in accounting principle, as detailed in Note 2.

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted 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. Implementation of the Statement had no effect on the District’s net position.

Pending Adoption of Recent Accounting Pronouncements:

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. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets and intangible right-to-use assets recognized should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. 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.

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.

Cash and Cash Equivalents - The District considers highly liquid investments with an original maturity of three months or less to be cash equivalents, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.

**BOSQUE COUNTY HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes – The property taxes are levied by the District on October 1 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1, when the value is assessed. Property taxes become due and payable when levied on October 1. This is the date on which an enforceable legal claim arises, and the District records a receivable for the property tax assessment, less an allowance for uncollectible taxes. Property taxes are considered delinquent after January 31 of the following year.

Patient Accounts Receivable - The allowance for estimated uncollectible patient accounts receivable is maintained at a level which, in management’s judgment, 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 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 using the First-In, First-Out (FIFO) method.

Assets Whose Use is Limited - Assets whose use is limited include assets set aside by the board of directors to be used for its designated purpose over which the board retains control and may at its discretion subsequently use for other purposes.

Capital Assets – Capital assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment life. 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 has elected to capitalize expenditures over \$5,000 and provide for depreciation of capital assets by the straight-line method at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life as follows:

Land Improvements	15 to 20 years
Building (Components)	5 to 40 years
Fixed Equipment	7 to 25 years
Major Moveable Equipment	3 to 20 years

Net Position – Net position of the District is classified in four 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. Restricted expendable net position, if any, is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by revenue bond indentures. Restricted nonexpendable net position equals the principal portion of permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets or restricted.

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Federal Income Taxes – The District is a governmental entity and is qualified as a tax-exempt organization; therefore, no expense has been provided for income taxes in the accompanying financial statements.

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; and employee health, dental, and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters, with the exception of employee health coverage for which the District is partially self-insured. Settled claims have not exceeded the commercial coverage during the year.

Charity Care – The District provides charity care to patients without financial means to pay for healthcare services that have been provided. Charity care is provided to all patients who present themselves for care at the Hospital without regard to race, creed, color, or national origin and who are classified as financially indigent or medically indigent according to the District’s eligibility system. To be eligible for charity care as financially indigent, a person’s income shall be at or below 400 percent of the federal poverty guidelines. The District uses the most current poverty income guidelines issued by the U.S. Department of Health and Human Services. To be eligible for charity care as medically indigent, a person’s medical or District bills after payment by third-party payors must exceed ten percent (10%) of the person’s annual gross income and who is unable to pay the remaining bill. Because the District does not pursue the collection of amounts determined to qualify as charity care, charity care is excluded from net patient revenue. The District has updated the charity care policy to include presumptive financial assistance in the event there is no evidence to support a patient’s eligibility for financial assistance.

Grants and Contributions - From time to time, the District receives grants from the state as well as 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.

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

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2025, the District implemented the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections*, and GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 100 establishes guidance for accounting and financial reporting for accounting changes and error corrections, including the presentation and disclosure requirements for each type of accounting change. GASB Statement No. 101 establishes a unified recognition and measurement model for all forms of compensated absences, including vacation, sick leave, and other paid leave benefits. Under the new guidance, a liability is recognized for leave that is attributable to services already rendered and that is both (a) accumulated and (b) expected to be paid either when taken or upon termination of employment.

The District previously recognized only vested paid time off (“PTO”) amounts. GASB 101 requires recognition of leave expected to be used or paid. The cumulative effect of applying GASB 101 resulted in a decrease in beginning net position of \$221,000. Implementation of GASB 101 required the District to include additional compensated absences, primarily sick time off (“STO”) expected to be used or paid in future periods, consistent with the probability-based recognition model in the new standard. The implementation of GASB Statement No. 100 did not result in additional financial impacts other than the required presentation and disclosure of this change in accounting principle. The resulting restatement of beginning net position is presented in the table below:

	<u>As of July 1, 2023</u>
Accrued Payroll, Benefits, and Related Liabilities, as previously reported	\$ 1,569,355
Adjustments:	
Recognition of sick time off accrual, resulting from the implementation of GASB No. 101	<u>221,000</u>
Accrued Payroll, Benefits, and Related Liabilities as adjusted	<u>\$ 1,790,355</u>
Net Position, as previously reported	\$ 14,687,446
Adjustments:	
Recognition of sick time off accrual, resulting from the implementation of GASB No. 101	<u>(221,000)</u>
Net Position, as adjusted	<u>\$ 14,466,446</u>

The District determined the compensated absences liability under GASB 101 using employee leave balances and historical payout and usage patterns. The District’s leave policies, as approved by the Board of Directors, remain unchanged; the adjustment reflects only the accounting and measurement changes required by the new standard.

**BOSQUE COUNTY HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 3 – RISKS AND UNCERTAINTIES

The Bosque County Hospital District (the “District”) operates a Critical Access Hospital in a rural Texas market and is subject to certain risks and uncertainties that may impact future financial results.

Payor Mix and Reimbursement - The District’s revenue is influenced by payor mix and reimbursement from Medicare, Medicaid, commercial insurers, and self-pay patients. The following percentages represent gross patient charges by major payor category:

	<u>2025</u>	<u>2024</u>
Medicare	21%	21%
Medicaid	1%	1%
Medicare Managed Care	27%	28%
Medicaid Managed Care	10%	11%
Commercial Payors	31%	28%
Self-Pay / Uninsured	9%	9%
Other	<u>1%</u>	<u>2%</u>
Total	<u><u>100%</u></u>	<u><u>100%</u></u>

Shifts in payor mix or reimbursement methodologies may affect operating results.

Texas Medicaid Programs – The District participates in Texas Medicaid supplemental and directed payment programs, including those under the Section 1115 Waiver (e.g., CHIRP, TIPPS, RAPPS). These programs are subject to annual approval, rate-setting changes, and payment timing uncertainties.

Staffing Constraints – The District faces ongoing shortages of physicians and nurses common to Texas rural hospitals and periodically relies on travel nurses and locum providers to maintain adequate staffing levels. Contract labor utilization and pricing may affect the District’s financial performance.

Texas Rural and Uninsured Population Risks – The District operates in a region with high uninsured rates and limited commercial insurance presence, contributing to elevated uncompensated care costs and financial pressure typical of Texas rural hospitals.

Property Tax Dependency – The District receives a portion of its funding from local ad valorem property taxes. Property tax revenue comprised approximately 8.5% and 8.7% of total revenues for the years ended June 30, 2025 and 2024, respectively. Total revenues include revenues from continuing operations as well as gross revenues of the Goodall-Witcher skilled nursing facility reported within discontinued operations, as disclosed in Note 18

Other Operational and Regulatory Risks – The District is subject to regulatory oversight, supply chain and pharmaceutical cost volatility, cybersecurity risks, and broader economic conditions that may adversely affect operations or financial position.

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 4 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Effective September 9, 2015, the District received approval from Centers for Medicare & Medicaid Services (CMS) for participation in the Medicare program as a critical access hospital (CAH). With the approval of the District as a CAH, its participation as a Sole Community Hospital was terminated effective September 8, 2015. A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid – Inpatient acute care services, rehabilitation services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services and distinct part unit psychiatric services are paid at prospectively determined per-diem rates that are based on the patient’s acuity.

Effective September 9, 2015, the District became a Critical Access Hospital. Thus, inpatient acute care services, certain inpatient non-acute 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>2025</u>	<u>2024</u>
Routine Patient Services	\$ 1,235,509	\$ 1,588,148
Ancillary Patient Services		
Inpatient	5,227,700	6,248,040
Outpatient	<u>49,426,993</u>	<u>44,599,533</u>
Gross Patient Service Revenue	55,890,202	52,435,721
Charity	(4,200,560)	(5,576,255)
Third-Party Contractual Adjustments	(21,962,086)	(20,197,227)
Provision for Bad Debts	(3,855,535)	(1,905,382)
Medicaid Disproportionate Share and Other Credits	<u>2,114,840</u>	<u>1,661,045</u>
Net Patient Service Revenue	<u>\$27,986,861</u>	<u>\$26,417,902</u>

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 4 - 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 cost reports are recorded in the financial statements as they are determined by the District. Estimated third-party payor settlements recorded in current assets at July 1, 2023 was \$130,208. Estimated third-party payor settlements recorded in current assets at June 30, 2025 and 2024 are \$82,644 and \$476,057, respectively.

Charity Care - The District provides care to patients who meet certain criteria under its charity care policy. Charity care represents services provided for which no revenue is recorded because the patients are deemed unable to pay. In accordance with GASB reporting requirements, such amounts are not recognized as revenue in the accompanying financial statements. The value of charity care provided by the District based upon its established rates, was \$4,200,560 and \$5,576,255 in 2025 and 2024, respectively. The District estimates the cost of providing charity care using a cost-to-charge ratio based on its financial and statistical data. The estimated cost of charity care was approximately \$2,600,000 and \$3,490,000 for the years ended June 30, 2025 and 2024, respectively.

NOTE 5 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM

Uncompensated Care - The District participates 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 \$1,227,582 and \$532,293, and received \$3,082,219 and \$1,392,002 for the years ended June 30, 2025 and 2024, respectively. The District recognized net revenue of \$1,854,638 and \$998,934 for the years ended June 30, 2025 and 2024, respectively. The respective revenue is included in net patient service revenue in the statements of revenues, expenses, and changes in net position.

NOTE 6 – NURSING HOME OPERATIONS

The District has entered into operations and transfer agreements with two skilled nursing facilities which transferred the operations and certain operating assets of each facility. The District has also received an assignment or transfer of the Medicare and Medicaid Provider agreements for each facility. In addition to the transfer agreement, the District has also entered into a lease agreement with each facility for the lease of real property and fixed assets and associated equipment that encompass the nursing homes' physical property. The lease terms are month to month, unless sooner terminated. The total rental expense paid to all facilities was \$268,800 for the years ended June 30, 2025 and 2024. Also, in connection with this transfer agreement, the District has recorded all patient revenue and the related accounts receivable. The District has recorded and \$10,193,261 and \$8,001,449 in patient related revenue for the years ended June 30, 2025 and 2024, respectively. These revenues are recorded as Nursing Home revenue on the statements of revenues and expenses and changes in net position. Each facility is managed by a third-party in which the District pays monthly and/or quarterly fees. These fees, including rental expense, totaled \$10,193,261 and \$8,001,449 for the years ended June 30, 2025 and 2024, respectively. These expenses are recorded in Nursing Home expenses on the statements of revenues, expenses, and changes in net position.

**BOSQUE COUNTY HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 6 – NURSING HOME OPERATIONS (CONTINUED)

Amounts due and unpaid as of June 30, 2025 and 2024 for these expenses are \$1,112,999 and \$316,445, respectively.

Quality Incentive Payment Program – During its 84th session, the Texas Legislature directed HHSC to transition to a new Quality Incentive Payment Program (QIPP) effective September 1, 2016, and HHSC implemented QIPP on September 1, 2017. QIPP requires participating facilities meeting certain qualifying criteria to submit projects to HHSC requesting additional funding as supported in the individual projects.

These projects are expected to improve quality and innovation in the provision of nursing facility services, including but not limited to payment incentives to establish culture change, small house models, staffing enhancements and outcome measures to improve the quality of care and life for nursing facility residents. A portion of the additional funding will be funded through intergovernmental transfer (IGT) payments from each participating provider. QIPP IGTs for a specific capitation rate period will be due to HHSC approximately six months prior to the beginning of the rate period.

During 2025, the District transferred \$489,921 to HHSC via an IGT for use as the state share of payments for the period covering March 1, 2025 through August 31, 2025. As of June 30, 2025, the District recorded a receivable of \$859,512 for the remaining payments to be received. The District recognized net revenue of \$283,870 for 2025. During 2024, the District transferred \$387,311 to HHSC via an IGT for use as the state share of payments for the period covering March 1, 2024 through August 31, 2024 and \$597,301 for the period covering September 1, 2024 through February 28, 2025. As of June 30, 2024 the District recorded a receivable of \$1,036,073 for the remaining payments to be received. The District recognized net revenue of \$387,344 for 2024.

NOTE 7 - DEPOSITS WITH FINANCIAL INSTITUTIONS

At June 30, 2025 and 2024, the carrying amount of the District’s deposits with financial institutions was \$10,792,021 and \$6,208,018 respectively. The bank balances are categorized as follows:

	<u>2025</u>	<u>2024</u>
Amount insured by the FDIC	\$ 7,210,195	\$ 4,024,084
Amount collateralized with securities held by the pledging financial institution's trust department in the District's name	5,426	3,381,987
Uncollateralized	<u>3,747,827</u>	<u>-</u>
Total Bank Balance	<u>\$10,963,448</u>	<u>\$ 7,406,071</u>

At year-end, deposits were not fully collateralized due to a bank error. The District subsequently corrected the collateral agreement to and obtained full collateralization.

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 8 – ASSETS WHOSE USE IS LIMITED AND RESTRICTED ASSETS

The components of assets whose use is limited and restricted assets are set forth in the following table. Investments are stated at fair value and are comprised of cash and certificates of deposit.

	<u>2025</u>	<u>2024</u>
Internally Designated for Health Insurance Claims:		
Cash and Cash Equivalents	\$ 1,203	\$ 864
Internally Designated for Nursing Home Operations:		
Cash and Cash Equivalents	<u>165,117</u>	<u>235,922</u>
Total Assets Whose Use is Limited and Restricted Assets	<u>\$ 166,320</u>	<u>\$ 236,786</u>

NOTE 9 – PATIENT ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Gross Accounts Receivable	\$ 7,586,460	\$ 9,017,992
Less Allowance for Bad Debts	(2,780,384)	(2,658,686)
Allowance for Contractuals	<u>(1,902,058)</u>	<u>(2,642,054)</u>
Accounts Receivable, Net of Allowance	<u>\$ 2,904,018</u>	<u>\$ 3,717,252</u>

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

	<u>2025</u>	<u>2024</u>
Medicare	14%	15%
Medicaid	1%	1%
Medicare Managed Care	25%	26%
Medicaid Managed Care	9%	7%
Commercial Payors	22%	23%
Self-Pay / Uninsured	26%	24%
Other	<u>3%</u>	<u>4%</u>
Total	<u>100%</u>	<u>100%</u>

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 10 – CAPITAL AND LEASE ASSETS

The following is a summary of capital and lease assets at cost less accumulated depreciation and amortization at June 30, 2025:

	Balance 06/30/24	Additions	Reclass/ Retirements	Balance 06/30/25
Land improvements	\$ 62,293	\$ 116,063	\$ -	\$ 178,356
Building and improvements	2,339,998	56,748	3,562,877	5,959,623
Equipment	5,924,388	312,727	843,913	7,081,028
Lease Assets - Building	15,010,300	88,969	-	15,099,269
Construction in progress	3,719,853	1,395,669	(4,406,790)	708,732
Totals at Historical Cost	<u>27,056,832</u>	<u>1,970,176</u>	<u>-</u>	<u>29,027,008</u>
Less Accumulated Depreciation and Amortization	<u>(11,785,231)</u>	<u>(2,678,172)</u>	<u>-</u>	<u>(14,463,403)</u>
Capital and Lease Assets, Net	<u>\$ 15,271,601</u>	<u>\$ (707,996)</u>	<u>\$ -</u>	<u>\$ 14,563,605</u>

The following is a summary of capital assets at cost less accumulated depreciation at June 30, 2024:

	Balance 06/30/23	Additions	Reclass/ Retirements	Balance 06/30/24
Land improvements	\$ 62,293	\$ -	\$ -	\$ 62,293
Building and improvements	2,008,260	331,738	-	2,339,998
Equipment	5,161,322	770,247	(7,181)	5,924,388
Lease Assets	15,010,300	-	-	15,010,300
Construction in progress	1,386,656	2,333,197	-	3,719,853
Totals at Historical Cost	<u>23,628,831</u>	<u>3,435,182</u>	<u>(7,181)</u>	<u>27,056,832</u>
Less Accumulated Depreciation and Amort	<u>(9,433,988)</u>	<u>(2,358,424)</u>	<u>7,181</u>	<u>(11,785,231)</u>
Capital and Lease Assets, Net	<u>\$ 14,194,843</u>	<u>\$ 1,076,758</u>	<u>\$ -</u>	<u>\$ 15,271,601</u>

Construction in Progress as of June 30, 2025 is composed of an MRI project and a 1st floor renovation project. The MRI project has an estimated cost of \$3,200,000 and an estimated completion date of January 1, 2026. The 1st floor renovation project has an estimated cost of \$2,900,000 and an estimated completion date of March 31, 2026.

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 11 – LONG-TERM DEBT

Following is a summary of long-term debt at June 30:

	Balance 06/30/24	Additions	Reductions	Balance 06/30/25	Due Within One Year
Long-Term Debt:					
SECO Loan	\$ 1,826,583	\$ 36,437	\$ -	\$ 1,863,020	\$ 116,485
First Security State Bank	1,003,489	-	(112,970)	890,519	115,804
Xray Equipment Loan	95,652	-	(69,788)	25,864	25,864
First Financial Bank - MRI	-	1,200,006	(30,039)	1,169,967	198,502
First Financial Bank - MRI Building	0	895,214	(22,410)	872,804	148,085
Total Long-Term Debt	\$ 2,925,724	\$ 2,131,657	\$ (235,207)	\$ 4,822,174	\$ 604,740
Lease Obligations:					
Hospital Building Lease	\$ 8,556,741	\$ -	\$ (1,526,607)	\$ 7,030,134	\$ 1,615,223
Whitney Clinic Lease	-	88,969	(35,946)	53,023	45,677
Total Leases	\$ 8,556,741	\$ 88,969	\$ (1,562,553)	\$ 7,083,157	\$ 1,660,900
Total Long-Term Debt and Leases	\$ 11,482,465	\$ 2,220,626	\$ (1,797,760)	\$ 11,905,331	\$ 2,265,640
	Balance 06/30/23	Additions	Reductions	Balance 06/30/24	Due Within One Year
Long-Term Debt:					
SECO Loan	\$ -	\$ 1,826,583	\$ -	\$ 1,826,583	\$ 114,207
First Security State Bank	1,111,367	-	(107,878)	1,003,489	111,771
Xray Equipment Loan	164,379	-	(68,727)	95,652	70,210
Total Long-Term Debt	\$ 1,275,746	\$ 1,826,583	\$ (176,605)	\$ 2,925,724	\$ 296,188
Lease Obligations:					
Building Lease	\$ 9,998,287	\$ -	\$ (1,441,546)	\$ 8,556,741	\$ 1,526,607
Surgical Table Lease	15,966	-	(15,966)	-	-
Total Leases	\$ 10,014,253	\$ -	\$ (1,457,512)	\$ 8,556,741	\$ 1,526,607
Total Long-Term Debt and Leases	\$ 11,289,999	\$ 1,826,583	\$ (1,634,117)	\$ 11,482,465	\$ 1,822,795

The amount of interest cost incurred was \$282,446 and \$278,886 in 2025 and 2024, respectively, all of which was charged to operations.

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 11 – LONG-TERM DEBT (CONTINUED)

Long-Term Debt: The terms and due dates of the District’s long-term debt obligations at June 30, 2025 is as follows:

- E3 Construction Loan: \$1,224,000 at 3.55% loan payable in monthly installments of \$12,132 through May 27, 2032, collateralized by Ad Valorem Taxes.
- Xray Equipment Loan: \$507,391 at 1.95% loan payable in monthly installments of \$5,970 through December 15, 2025, collateralized by Ad Valorem Taxes.
- SECO Loan: 2.00% loan payable to the State Energy Conservation Office, with principal and interest due on December 31, 2038. Disbursements for this loan are paid out periodically, upon the receipt of the District submitting reimbursement requests to the State Energy Conservation Office for the completion of a project with an estimated budget of \$2,070,372. The District received the first disbursement in October 2023 and the final disbursement at the completion of the project in May 2024. Principal and interest will be payable in monthly installments to be determined upon completion of the project at December 31, 2024. As of the date of the audit, the loan had not begun repayment.
- First Financial Bank - MRI: \$1,200,006 at 5.554% loan payable in monthly installments of \$23,047.03 through May 1, 2030.
- First Financial Bank – MRI Building: \$895,214 at 5.554% loan payable in monthly installments of \$17,193 through May 1, 2030.

Lease Obligations: The terms and due dates of the District’s lease obligations at June 30, 2025 is as follows:

- Surgical Table Lease: \$72,964 at 8.27% capital lease obligation payable in monthly installments of \$1,489 through June 4, 2024. The lease was paid in full in June 2024.
- Building Lease: \$15,010,300 right-to-use obligation lease payable in monthly installments of \$123,158 beginning July 1, 2019, with 3% annual payment escalation through the term of the lease, expiring June 30, 2029.
- Whitney Clinic Lease: \$88,969 at 8.3% right-to-use obligation lease payable in monthly installments of \$4,036 beginning September 1, 2024, expiring August 31, 2026.

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 11 – LONG-TERM DEBT (CONTINUED)

The future maturities of long-term debt and capital obligations are as follows:

For the Year Ending	<u>Long-Term Debt</u>		<u>Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30,				
2026	604,740	169,484	1,660,900	152,214
2027	637,543	141,113	1,715,666	110,183
2028	666,989	111,718	1,803,649	68,501
2029	697,934	105,302	1,902,942	24,580
2030	690,217	50,317	-	-
2031-2035	939,515	102,937	-	-
2036-2040	585,236	24,260	-	-
Total	<u>\$ 4,822,174</u>	<u>\$ 705,131</u>	<u>\$ 7,083,157</u>	<u>\$ 355,478</u>

Subscription-Based Information Technology Arrangements (SBITAs) – The District evaluated its information technology agreements in accordance with GASB Statement No. 96, Subscription-Based Information Technology Arrangements, and determined that no arrangements meet the definition of a material SBITA as of June 30, 2025 or 2024. Accordingly, no SBITA assets or related subscription liabilities have been recognized.

NOTE 12 – EMPLOYEE HEALTH CLAIMS

The District is partially self-insured for health claims of participating employees and dependents up to \$40,000 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 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Balance, Beginning of Period	\$ 80,230	\$ 35,000
Current Year Claims Incurred and Changes in Estimates for Claims Incurred in Prior Years	2,051,004	1,374,075
Claims and Expenses Paid	<u>(2,089,373)</u>	<u>(1,328,845)</u>
Balance, End of Period	<u>\$ 41,861</u>	<u>\$ 80,230</u>

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 13 - MEDICAL MALPRACTICE CLAIMS

The District has joined together with other providers of health care services to form the Texas Hospital Insurance Exchange, a risk pool (the “Pool”) currently operating as a common risk management and insurance program for its members. The District purchases medical malpractice insurance from the Pool under a claim-made policy. The District pays an annual premium to the Pool for its torts insurance coverage. The Pool’s governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts.

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. It is reasonably possible that the estimate could change materially in the near term; however, no accrual for medical malpractice claims have been made in the accompanying financial statements.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Litigation –The District, from time to time, may be subject to claims and suits for 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 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 2025 and 2024 was \$500,786 and \$284,287, respectively.

NOTE 15 - RETIREMENT PLAN

The District has a defined contribution pension plan also known as a Section 457 Plan. This plan covers substantially all employees meeting the plan requirements. Employee contributions to the plan are discretionary. The District Board annually determines the amount if any, of the District’s contributions to the 457 Plan. During 2025 and 2024, the District made contributions of \$287,649 and \$262,888, respectively, and employee contributions were \$545,747 and \$510,217, respectively.

NOTE 16 - NONCAPITAL GRANTS AND CONTRIBUTIONS

The District recognized \$2,536,753 and \$438,131 of noncapital grants and contributions for 2025 and 2024, respectively. Of the total contributions, \$2,000,000- and \$-0- were donations from Goodall-Witcher Healthcare Foundation for 2025 and 2024, respectively.

**BOSQUE COUNTY HOSPITAL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 17 – EMPLOYEE RETENTION TAX CREDIT

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. It contained numerous provisions, including the Employee Retention Tax Credit (ERTC), which provides refundable tax credit applied to certain payroll taxes. The credit is based on wages paid to employees by employers when their business was: 1) fully or partially suspended to compliance with a COVID-19 government order during 2020 or the first 3 quarters of 2021, 2) experienced a significant decline in gross receipts during 2020 or the first 3 quarters 2021, or 3) qualified as a recovery start-up business for the third or fourth quarters of 2021. For the years ended June 30, 2025 and 2024, the District received \$1,088,777 and \$-0-, respectively.

NOTE 18 – DISCONTINUED OPERATIONS

During November 2024, the District approved the discontinuation of Goodall-Witcher Nursing Facility. The discontinuation was the result of a decrease in utilization and repurposing the facilities for other service lines. In accordance with the provisions of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, the results of operations for the discontinued activity are reported separately in the statements of revenues, expenses, and changes in net position.

The assets associated with discontinued operations as of June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
CURRENT ASSETS		
Accounts Receivable - Nursing Home	\$ -	\$ 140,231
Prepaid and Other Current Assets	<u>-</u>	<u>117,822</u>
Total Current Assets	<u>-</u>	<u>258,053</u>
Total Assets	<u>\$ -</u>	<u>\$ 258,053</u>

Liabilities associated with discontinued operations were \$-0- as of June 30, 2025 and 2024.

**BOSQUE COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

NOTE 18 – DISCONTINUED OPERATIONS (CONTINUED)

The gain (loss) from discontinued operations are as follows:

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES:		
Nursing Home Revenue	\$ 165,547	\$ 1,662,151
OPERATING EXPENSES:		
Salaries and Wages	262,573	1,014,552
Employee Benefits	23,696	71,646
Professional Fees and Purchased Services	69,262	356,574
Supplies and Other	<u>14,666</u>	<u>77,049</u>
Total Operating Expenses	<u>370,197</u>	<u>1,519,821</u>
Gain (Loss) from Discontinued Operations	<u>\$ (204,650)</u>	<u>\$ 142,330</u>

Management does not anticipate that the discontinuation of this service line will have a significant impact on the District’s ability to continue providing essential healthcare services to the community.

NOTE 19 – SUBSEQUENT EVENTS

In August 2025, the District was awarded grants from the Texas Health and Human Services Commission in the amounts of \$250,000 for the Rural Hospital Debt Reduction Grant Program and \$250,000 for the Rural Hospital Labor and Delivery Grant Program.

The date to which events occurring after June 30, 2025, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is November 20, 2025, which is the date on which the financial statements were available to be issued.