

**HARDEMAN COUNTY HOSPITAL DISTRICT  
QUANAHA, TEXAS**

**AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2024 AND 2023**



## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management  
Hardeman County Hospital District  
Quanah, Texas

### **Opinion**

We have audited the accompanying financial statements of the business-type activities of Hardeman County Hospital District (the “District”), as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the 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 respective financial position of the business-type activities of the District as of December 31, 2024 and 2023, and the respective changes in financial position and, where its applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 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., L.L.P.  
Lubbock, Texas  
May 16, 2025

**HARDEMAN COUNTY HOSPITAL DISTRICT  
QUANAH, TEXAS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2024 AND 2023**

**HARDEMAN COUNTY HOSPITAL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2024 AND 2023  
(Unaudited)**

Our discussion and analysis of Hardeman County Hospital District’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal years ended December 31, 2024 and 2023. Please read it in conjunction with the District’s financial statements, which begin on page 1.

**FINANCIAL HIGHLIGHTS**

- The District’s net position reflects a \$76,777, or 0.7%, increase in 2024 over 2023.
- Net patient service revenue decreased \$192,477, or 1.9%, in 2024 over 2023.
- The District reported operating losses of \$1,561,119 in 2024 and \$1,392,855 in 2023.
- Total operating expenses decreased \$34,278, or 0.3%, in 2024 over 2023.

**USING THIS ANNUAL REPORT**

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

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

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

These two statements report the District’s net position and changes in them. You can think of the District’s net position—the difference between assets, liabilities, and deferred inflows of resources — 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.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2024 AND 2023  
(Unaudited)**

**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, liabilities, and deferred inflows of resources reported in the Statement of Net Position on page 1. The District’s net position increased by \$76,777 and \$575,160 in 2024 and 2023, respectively, as shown in **Table 1**.

**Table 1: Assets, Liabilities, Deferred Inflows of Resources, and Net Position**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets:			
Current Assets	\$ 11,328,072	\$ 10,390,382	\$ 10,001,381
Capital and Lease Assets, Net	1,204,702	1,506,208	1,760,418
Total Assets	<u>\$ 12,532,774</u>	<u>\$ 11,896,590</u>	<u>\$ 11,761,799</u>
Liabilities:			
Long-Term Debt Outstanding	\$ 103,005	\$ 148,773	\$ 219,558
Other Current and Non-Current	1,354,372	932,165	1,301,749
Total Liabilities	<u>1,457,377</u>	<u>1,080,938</u>	<u>1,521,307</u>
Deferred Inflows of Resources	<u>182,968</u>	<u>-</u>	<u>-</u>
Net Position:			
Net Investment in Capital Assets	1,101,697	1,357,435	1,540,860
Unrestricted	9,790,732	9,458,217	8,699,632
Total Net Position	<u>10,892,429</u>	<u>10,815,652</u>	<u>10,240,492</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 12,532,774</u>	<u>\$ 11,896,590</u>	<u>\$ 11,761,799</u>

**HARDEMAN COUNTY HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2024 AND 2023  
(Unaudited)**

**OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION**

In 2024 and 2023, the District's net position increased by \$76,777 and \$575,160, respectively.

**Table 2: Operating Results and Changes in Net Position**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES:</b>			
Net Patient Service Revenue	\$ 10,139,717	\$ 10,332,194	\$ 10,114,449
Other Operating Revenue	<u>47,962</u>	<u>58,027</u>	<u>68,083</u>
Total Operating Revenues	10,187,679	10,390,221	10,182,532
<b>OPERATING EXPENSES:</b>			
Salaries, Wages, and Benefits	6,700,624	6,123,601	5,680,690
Other Operating Expenses	4,690,073	5,304,028	5,412,908
Depreciation and Amortization	<u>358,101</u>	<u>355,447</u>	<u>307,578</u>
Total Operating Expenses	<u>11,748,798</u>	<u>11,783,076</u>	<u>11,401,176</u>
Operating Loss	(1,561,119)	(1,392,855)	(1,218,644)
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Property Tax Revenue	1,201,236	1,205,147	1,189,127
Community Benefit Support	285,278	283,376	284,511
Intergovernmental Transfer Expense	-	-	(53,500)
Noncapital Grants and Contributions	33,935	36,698	33,992
Federal Financial Assistance	27,032	366,246	773,113
Other	<u>90,415</u>	<u>76,548</u>	<u>13,876</u>
Total Nonoperating Revenues (Expenses)	<u>1,637,896</u>	<u>1,968,015</u>	<u>2,241,119</u>
Increase in Net Position	76,777	575,160	1,022,475
Net Position, Beginning of Year	<u>10,815,652</u>	<u>10,240,492</u>	<u>9,218,017</u>
Net Position, End of Year	<u>\$ 10,892,429</u>	<u>\$ 10,815,652</u>	<u>\$ 10,240,492</u>

**HARDEMAN COUNTY HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2024 AND 2023  
(Unaudited)**

**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 revenue and the expenses incurred to perform those services. In 2024, the District reported an operating loss of \$1,561,119, which is an unfavorable increase of \$168,264, or 12.1%, from the reported operating loss in 2023 of \$1,392,855. Changes in reimbursement rates, payment schedules and fluctuations in payments for inpatient and outpatient services, utilization by the medical staff, and other factors have impacted the operating losses from year to year.

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

- Net patient service revenue decreased \$192,477, or 1.9%, in 2024
- Salaries, wages, and benefits expense increased \$577,023, or 9.4%, in 2024
- Professional fees and purchased services decreased \$619,686, or 27.2%, in 2024

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

- Net patient service revenue increased \$217,745, or 2.2%, in 2023
- Salaries, wages, and benefits expense increased \$442,911, or 7.8%, in 2023
- Supplies and other expense increased \$226,201, or 8.1% in 2023

**Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of property taxes levied by the District, community benefit support revenue, noncapital grants and contributions, and federal financial assistance. The District's property tax revenue decreased by \$3,911, or 0.3%, in 2024 and increased by \$16,020, or 1.3%, in 2023. During 2024 and 2023, the District recognized \$27,032 and \$366,246, respectively, in federal financial assistance revenue.

**Grants and Contributions**

The District receives operating grants from various sources for specific programs. Noncapital grants and contributions received during 2024 and 2023 were \$33,935 and \$36,698, respectively.

**THE DISTRICT'S CASH FLOWS**

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

**HARDEMAN COUNTY HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
DECEMBER 31, 2024 AND 2023  
(Unaudited)**

**CAPITAL AND LEASE ASSETS AND DEBT ADMINISTRATION**

**Capital and Lease Assets**

At the end of 2024 and 2023, the District had \$1,101,466 and \$1,358,728, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 8 of the financial statements. The District acquired capital assets in the amount of \$56,594 and \$101,237 in 2024 and 2023, respectively.

At the end of 2024 and 2023, the District had \$103,236 and \$147,480, respectively, invested in leased assets, net of accumulated amortization, as detailed in Note 8 of the financial statements.

**Debt**

At the end of 2024 and 2023, the District had long-term debt and lease liabilities of \$103,005 and \$148,773, respectively, as detailed in Note 9 of the financial statements. The District made payments totaling \$45,768 and \$70,785 in 2024 and 2023, respectively.

**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 administration at Hardeman County Hospital District, 402 Mercer Street, Quanah, Texas 79252.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
QUANAH, TEXAS**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2024 AND 2023**

# HARDEMAN COUNTY HOSPITAL DISTRICT

## STATEMENTS OF NET POSITION

DECEMBER 31, 2024 AND 2023

ASSETS:	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 8,877,384	\$ 7,817,678
Short-Term Investments	10,994	10,464
Assets Whose Use is Limited	51,744	54,024
Patient Accounts Receivable, Net of Allowances	1,552,174	1,205,583
Estimated Third-Party Payor Settlements	-	489,628
Inventory of Supplies	310,581	278,540
Property Taxes Receivable, Net of Allowance	480,814	453,489
Prepaid Expenses and Other Current Assets	<u>44,381</u>	<u>80,976</u>
Total Current Assets	11,328,072	10,390,382
CAPITAL AND LEASE ASSETS, NET		
	<u>1,204,702</u>	<u>1,506,208</u>
Total Assets	<u>\$ 12,532,774</u>	<u>\$ 11,896,590</u>

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

**HARDEMAN COUNTY HOSPITAL DISTRICT**

**STATEMENTS OF NET POSITION**

**DECEMBER 31, 2024 AND 2023**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,  
AND NET POSITION:**

	<u>2024</u>	<u>2023</u>
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	\$ 44,633	\$ 44,039
Accounts Payable	211,959	249,916
Estimated Third-Party Payor Settlements	456,464	-
Accrued Payroll, Benefits and Related Liabilities	588,740	586,936
Other Accrued Liabilities	97,209	95,313
Total Current Liabilities	<u>1,399,005</u>	<u>976,204</u>
<b>LONG-TERM DEBT</b>		
Net of Current Portion	<u>58,372</u>	<u>104,734</u>
Total Liabilities	1,457,377	1,080,938
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Federal Financial Assistance	182,968	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,101,697	1,357,435
Unrestricted	<u>9,790,732</u>	<u>9,458,217</u>
Total Net Position	<u>10,892,429</u>	<u>10,815,652</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 12,532,774</u>	<u>\$ 11,896,590</u>

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

**HARDEMAN COUNTY HOSPITAL DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
<b>OPERATING REVENUES:</b>		
Net Patient Service Revenue	\$ 10,139,717	\$ 10,332,194
Other Operating Revenue	47,962	58,027
Total Operating Revenue	10,187,679	10,390,221
 <b>OPERATING EXPENSES:</b>		
Salaries and Wages	5,583,303	5,215,907
Employee Benefits	1,117,321	907,694
Professional Fees and Purchased Services	1,656,337	2,276,023
Supplies and Other	3,033,736	3,028,005
Depreciation and Amortization	358,101	355,447
Total Operating Expenses	11,748,798	11,783,076
Operating Loss	(1,561,119)	(1,392,855)
 <b>NONOPERATING REVENUES (EXPENSES):</b>		
Property Tax Revenue	1,201,236	1,205,147
Community Benefit Support	285,278	283,376
Noncapital Grants and Contributions	33,935	36,698
Interest Income	67,958	60,093
Interest Expense	(4,157)	(2,996)
Federal Financial Assistance	27,032	366,246
Other Nonoperating Revenue	26,614	19,451
Total Nonoperating Revenues (Expenses)	1,637,896	1,968,015
Increase in Net Position	76,777	575,160
Net Position, Beginning of the Year	10,815,652	10,240,492
Net Position, End of Year	\$ 10,892,429	\$ 10,815,652

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

# HARDEMAN COUNTY HOSPITAL DISTRICT

## STATEMENTS OF CASH FLOWS

### FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts From and on Behalf of Patients	\$ 10,920,152	\$ 9,881,594
Other Receipts and Payments, Net	100,410	231,951
Payments to Suppliers and Contractors	(4,486,716)	(5,199,220)
Payments to Employees	<u>(6,698,820)</u>	<u>(6,050,359)</u>
Net Cash Used by Operating Activities	(164,974)	(1,136,034)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment Earnings	67,958	60,093
Purchase of Investments	<u>3,827</u>	<u>(3,942)</u>
Net Cash Provided by Investing Activities	71,785	56,151
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal Payments on Long-Term Debt	(45,768)	(70,785)
Interest Payments on Long-Term Debt	(4,157)	(2,996)
Purchase of Capital Assets	<u>(56,595)</u>	<u>(101,237)</u>
Net Cash Used by Capital and Related Financing Activities	(106,520)	(175,018)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property Taxes	1,173,911	1,365,586
Noncapital Grants and Contributions	33,935	36,698
Tobacco Proceeds	26,614	19,451
Federal Financial Assistance	<u>27,032</u>	<u>366,246</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,261,492</u>	<u>1,787,981</u>
Net Increase in Cash and Cash Equivalents	1,061,783	533,080
Cash and Cash Equivalents, Beginning of Year	<u>7,850,771</u>	<u>7,317,691</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,912,554</u>	<u>\$ 7,850,771</u>

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

**HARDEMAN COUNTY HOSPITAL DISTRICT**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:</b>		
Cash and Cash Equivalents Presented Under the Following Titles:		
Cash and Cash Equivalents	\$ 8,877,384	\$ 7,817,678
Assets Whose Use is Limited - Current	35,170	33,093
Total Cash and Cash Equivalents	\$ 8,912,554	\$ 7,850,771
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating Loss	\$ (1,561,119)	\$ (1,392,855)
Adjustments to Reconcile Operating Loss to Net Cash Flows		
Used by Operating Activities:		
Depreciation and Amortization	358,101	355,447
Provision for Bad Debts	628,341	499,276
Indigent Care Support	285,278	283,376
(Increase) Decrease in:		
Patient Accounts Receivable, Net of Allowances	(974,932)	(765,699)
Estimated Third-Party Payor Settlements	489,628	66,632
Inventory of Supplies	(32,041)	22,986
Prepaid Expenses and Other Current Assets	36,595	164,387
Increase (Decrease) in:		
Accounts Payable	(37,957)	(193,990)
Estimated Third-Party Payor Settlements	456,464	-
Accrued Payroll, Benefits and Related Liabilities	1,804	73,242
Other Accrued Liabilities	1,896	(248,836)
Deferred Inflows of Resources	182,968	-
Net Cash Used by Operating Activities	\$ (164,974)	\$ (1,136,034)

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

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** – Hardeman County Hospital District (the “District”), an acute care hospital located in Quanah, Texas, is a political subdivision created and operating under the laws of the State of Texas. The District is governed by a seven-member Board of Directors (the Board) elected by the citizens of the District. The District primarily earns revenues by providing inpatient, outpatient, and emergency services to residents of Quanah, Texas.

Hardeman County Memorial Hospital Foundation, Inc. (“Foundation”) is a Texas 501(c)(3) not-for-profit health organization established to support the mission and purpose of the District. The District is composed of a Board of Directors selected from Hardeman County, Texas and was established to support the mission and purpose of the District. The Foundation is a separate, legal entity but is financially integrated with the District and is reported as a blended component unit of the District.

**Enterprise Fund Accounting** – The District uses enterprise fund accounting. Revenues and expenses are recognized on an 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 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*.

**Use of Estimates** – The preparation of the 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 end 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.

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

**Short-Term Investments** – The District’s investments consist of certificates of deposits which are reported at fair value and mature within the next fiscal year.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 contractual adjustments are generally determined by applying historical percentages to financial classes within patient accounts receivable. The allowances are increased by provision for bad debt expenses and contractual adjustments, and reduced by write-offs, net of recoveries.

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

**Capital Assets** – Capital assets are carried 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 at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life. 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 those 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 50 years
Fixed Equipment	7 to 25 years
Major Moveable Equipment	3 to 20 years

**Lease Assets** – Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset in service. Lease assets are amortized on a straight-line method over the shorter of the lease term or the useful life of the underlying asset.

**Deferred Inflows of Resources** – Transactions not meeting the definition of a liability that results in the consumption or acquisition of net position in one period that is applicable to future periods, are reported as deferred inflows of resources.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position** – Net position of the District is classified in two components: net investment in capital assets and unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets, net of related debt or restricted expendable.

**Operating Revenues and Expenses** – For purposes of display, the District’s statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating 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, and intergovernmental transfers received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**Federal Income Taxes** – The District is a political subdivision under the laws of the State of Texas, and therefore, is exempt from federal and state income taxes pursuant to Section 115 of the Internal Revenue Code and a similar provision of state law.

The Foundation is a not-for-profit corporation and is qualified as a tax-exempt organization; therefore, no expense has been provided for income taxes in the accompanying financial statements. The Foundation is required to file the IRS form 990.

**Charity 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 Hardeman County, Texas residency, number of household members, other benefits received, and other pertinent information. The District applies Federal Poverty Guidelines to determine patient eligibility and performs an application review every six months after approval. Because the District does not pursue the collection of amounts determined to qualify as charity care, charity care is excluded from net patient service revenue.

**Property Taxes** – The District levies taxes as provided under state law on properties within the District. These taxes are collected by the Hardeman County Appraisal District and are remitted to the District when received. The District’s taxes are levied and become collectible from October 1 to January 31 of the succeeding year. The taxes are based on the assessed values listed as of prior to January 1, which is the due date a lien attaches to the taxable property. Property tax revenues are recognized when they become available. Allowances are provided for delinquent taxes.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**Risk Management** – The District is exposed to various risks of loss from torts; theft of and damage to assets, 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.

**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. Implementation of this Statement had no effect on the District’s net position.

**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. Implementation of this Statement had no effect on the District’s net position.

**Pending Adoption of Recent Accounting Pronouncements:**

**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.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pending Adoption of Recent Accounting Pronouncements (Continued):**

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

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

**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. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. A summary of the payment arrangements with major third-party payors follows:

**Medicare and Medicaid** – The District is a Critical Access Hospital (CAH). 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 a tentative rate 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.

**Charity Care** – The value of charity care provided by the District based upon its established rates, was \$1,087,705 in 2024 and \$896,843 in 2023. ASU 2010-23 requires charity care to be disclosed on a cost basis. The District utilizes the cost to charge ratios, as calculated based on its most recent cost reports, to determine the total cost. The District’s cost of providing charity care was estimated at \$1,002,965 and \$953,308 for the years ended December 31, 2024 and 2023, respectively.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 2 – NET PATIENT SERVICE REVENUE (CONTINUED)**

**Estimated Third-Party Payor Settlements** – Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Anticipated final settlement amounts from current and prior years’ cost reports are recorded in the financial statements as they are determined by the District. Estimated third-party payor settlements recorded in current assets (liabilities) at December 31, 2024 and 2023 are \$(456,464) and \$489,628, respectively.

Net patient service revenue is comprised as follows:

	<u>2024</u>	<u>2023</u>
Routine Patient Services	\$ 787,906	\$ 665,209
Ancillary Patient Services		
Inpatient	727,647	652,525
Outpatient	<u>11,657,964</u>	<u>10,643,090</u>
Gross Patient Service Revenue	13,173,517	11,960,824
Charity	(1,087,705)	(896,843)
Third-Party Contractual Adjustments	(1,713,706)	(830,034)
Provision for Bad Debts	(628,341)	(499,276)
Medicaid Supplemental Payments and Other Credits	<u>395,952</u>	<u>597,523</u>
Net Patient Service Revenue	<u>\$ 10,139,717</u>	<u>\$ 10,332,194</u>

**NOTE 3 – SHORT-TERM INVESTMENTS**

The District’s short-term investments are reported at fair value and consist of money market accounts and certificates of deposit. The certificates of deposit mature within the next fiscal year.

**NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS**

At December 31, 2024 and 2023, the carrying amount of the District’s deposits with financial institutions was \$8,940,122 and \$7,882,166, respectively, and the bank balance was \$8,973,281 and \$7,942,075, respectively. The bank balances are categorized as follows:

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)**

	<u>2024</u>	<u>2023</u>
Amount Insured by the FDIC	\$ 260,994	\$ 260,464
Amount Collateralized with Securities Held by the Pledging Financial Institution in the District's Name	<u>8,712,287</u>	<u>7,681,611</u>
Total Bank Balance	<u>\$ 8,973,281</u>	<u>\$ 7,942,075</u>

**NOTE 5 – ASSETS WHOSE USE IS LIMITED**

The components of assets whose use is limited are set forth in the following table:

	<u>2024</u>	<u>2023</u>
<b>Assets Limited as to use - Current</b>		
Internally Designated for Capital Equipment:		
Certificates of Deposit - Short Term	\$ 16,574	\$ 20,931
Internally Designated for Debt Service:		
Cash & Equivalents	<u>35,170</u>	<u>33,093</u>
Total Assets Whose Use is Limited - Current	<u>\$ 51,744</u>	<u>\$ 54,024</u>

**NOTE 6 – PATIENT ACCOUNTS RECEIVABLE**

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Patient accounts receivable consist of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Gross Patient Accounts Receivable	\$ 2,897,424	\$ 2,432,356
Less: Allowance for Bad Debts	(792,489)	(693,136)
Allowance for Contractual Adjustments	<u>(552,761)</u>	<u>(533,637)</u>
Patient Accounts Receivable, Net of Allowances	<u>\$ 1,552,174</u>	<u>\$ 1,205,583</u>

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 6 – PATIENT ACCOUNTS RECEIVABLE (CONTINUED)**

**Concentration of Credit Risk** – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Medicare	16%	18%
Medicaid	2%	3%
Other Third-Party Payors	55%	50%
Patients	<u>27%</u>	<u>29%</u>
Total	<u>100%</u>	<u>100%</u>

**NOTE 7 – PROPERTY TAXES RECEIVABLE**

Property taxes are levied by the District on October 1 of each year and become delinquent as of February 1 of the following year. Property taxes are reported as revenues in the period for which they are levied. Property tax revenue net of related expenses for 2024 and 2023 was \$1,201,236 and \$1,205,147, respectively. At December 31, 2024 and 2023, the balance of property taxes receivable and its related allowance for uncollectible taxes are as follows:

	<u>2024</u>	<u>2023</u>
Property Taxes Receivable	\$ 535,498	\$ 510,180
Allowance for Uncollectable Property Taxes	<u>(54,684)</u>	<u>(56,691)</u>
Net Property Taxes Receivable	<u>\$ 480,814</u>	<u>\$ 453,489</u>

**HARDEMAN COUNTY HOSPITAL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 8 – CAPITAL AND LEASE ASSETS**

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

	Balance 12/31/2023	Additions	Transfers/ Retirements	Balance 12/31/2024
<b>Capital and Lease Assets:</b>				
Land	\$ 73,726	\$ -	\$ -	\$ 73,726
Buildings and Improvements	3,449,449	17,297	-	3,466,746
Equipment	4,714,520	39,297	(11,705)	4,742,112
Lease Asset - Equipment	221,220	-	-	221,220
Total Capital and Lease Assets	8,458,915	56,594	(11,705)	8,503,804
Accumulated Depreciation and Amortization	(6,952,707)	(358,100)	11,705	(7,299,102)
Capital and Lease Assets, Net	<u>\$ 1,506,208</u>	<u>\$ (301,506)</u>	<u>\$ -</u>	<u>\$ 1,204,702</u>
	Balance 12/31/2022	Additions	Transfers/ Retirements	Balance 12/31/2023
<b>Capital and Lease Assets:</b>				
Land	\$ 73,726	\$ -	\$ -	\$ 73,726
Construction in Progress	54,000	-	(54,000)	-
Building and Improvements	3,361,131	34,318	54,000	3,449,449
Equipment	4,647,601	66,919	-	4,714,520
Lease Asset - Equipment	221,220	-	-	221,220
Total Capital and Lease Assets	8,357,678	101,237	-	8,458,915
Accumulated Depreciation and Amortization	(6,597,260)	(355,447)	-	(6,952,707)
Capital and Lease Assets, Net	<u>\$ 1,760,418</u>	<u>\$ (254,210)</u>	<u>\$ -</u>	<u>\$ 1,506,208</u>

Depreciation expense for the years ended December 31, 2024 and 2023 totaled \$358,101 and \$355,447, respectively.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 9 – LONG-TERM DEBT AND LEASE LIABILITIES**

Following is a summary of long-term debt and lease liabilities at December 31, 2024 and 2023:

	<u>Balance</u> <u>12/31/2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2024</u>	<u>Due Within</u> <u>One Year</u>
Lease Liabilities:					
Lease Equipment:					
Pyxis Lease	\$ 148,773	\$ -	\$ (45,768)	\$ 103,005	\$ 44,633
	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2023</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable:					
Note Payable #1	\$ 28,831	\$ -	\$ (28,831)	\$ -	\$ -
Lease Liabilities:					
Lease Equipment:					
Pyxis Lease	190,727	-	(41,954)	148,773	44,039
Total Notes Payable and Lease Liabilities	<u>\$ 219,558</u>	<u>\$ -</u>	<u>\$ (70,785)</u>	<u>\$ 148,773</u>	<u>\$ 44,039</u>

The terms and due dates of the District’s long-term debt and lease liabilities at December 31, 2024 and 2023 are as follows:

- Note Payable #1 – Note payable to CPSI, bearing no interest, due in 84 monthly installments of \$8,031, collateralized by equipment. Note Payable #1 was paid in full in fiscal year 2023.
- Pyxis Lease – Lease obligation bearing interest at 1.34%, due in 60 monthly installments of \$3,814, collateralized by leased equipment, matures on May 5, 2027.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 9 – LONG-TERM DEBT AND LEASE LIABILITIES (CONTINUED)**

Following is a schedule of maturities for lease liabilities for each of the next five years:

For the Year Ending December 31,	Lease Liabilities		
	Principal	Interest	Total
2025	\$ 44,633	\$ 1,135	\$ 45,768
2026	45,235	533	45,768
2027	13,137	43	13,180
Total	<u>\$ 103,005</u>	<u>\$ 1,711</u>	<u>\$ 104,716</u>

The amount of interest cost incurred in 2024 and 2023 was \$4,157 and \$2,996, respectively, all of which was charged to operations.

**NOTE 10 – MEDICAID DISPROPORTIONATE SHARE**

The Indigent Health Care and Treatment Act, passed by the 69<sup>th</sup> 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 governmental transfers were made between selected district 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 indirect 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 recipients 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 funds. In connection with this program, the District provided intergovernmental transfers of \$3,252 and \$104,038 and received \$9,855 and \$299,056 for the years ended December 31, 2024 and 2023, respectively. The District recognized revenue of \$6,603 and \$195,018 for the years ended December 31, 2024 and 2023, respectively. The respective net revenue is included in net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position.

**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.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 11 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM (CONTINUED)**

**Uncompensated Care (Continued)** – In connection with this program, the District provided intergovernmental transfers of \$258,275 and \$229,247 and received \$647,624 and \$631,752 for the years ended December 31, 2024 and 2023, respectively. The District recognized net revenue of \$389,349 and \$402,505 for the years ended December 31, 2024 and 2023, respectively. The respective net revenue is included in net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position.

**Indigent Care Affiliation Agreement** – Under the Section 1115 Demonstration Waiver Program, the District is part of an indigent care affiliation agreement with the Service Organization of North Texas, a non-profit corporation, and affiliated hospitals. This agreement is intended to increase funding for the Medicaid population and to access federal funding for the indigent population. Under this program, the District transfers certain governmental funds to the State of Texas. The Service Organization of North Texas then provides care to the Medicaid and non-Medicaid indigent in the region and surrounding communities. These services were valued at \$285,278 and \$283,376 as of December 31, 2024 and 2023, respectively.

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

- Component 1, UHRIP component, which provides a uniform rate enhancement on all hospital inpatient and outpatient service claims.
- Component 2, Average Commercial Incentive Award Component, which 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 \$111,741 and \$23,175 for the years ended December 31, 2024 and 2023, respectively.

**Rural Access to Primary and Preventive Services** – The District participated in the Rural Access to Primary and Preventive Services (“RAPPS”) Program, one of four directed payment programs the Texas Health and Human Services submitted to the Centers for Medicare and Medicaid Services for approval as part of the Delivery System Reform Incentive Payment Transition Plan.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 11 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM (CONTINUED)**

**Rural Access to Primary and Preventive Services (Continued) –**

In year 1, the program will include two components:

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

This program is facilitated through the District providing an intergovernmental transfer whereby federal matching funds are provided to supplement the District's shortfall in Medicaid funding. In connection with this program, the District provided intergovernmental transfers of \$36,411 and \$48,136 for the years ended December 31, 2024 and 2023, respectively. The District recognized net revenue of \$24,466 and \$52,123 for the years ended December 31, 2024 and 2023, respectively. The respective net revenue is included within net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

The District, from time to time, conducts business with organizations or persons that are affiliated with board members. This is often a result of a limited number of vendors in smaller communities. During 2024 and 2023, the District maintained certain funds and held debt with a bank where a board member is an employee. The Board member abstains from voting on all items relating to the bank. The District has a conflict-of-interest policy and the board member has fully disclosed this relationship.

**NOTE 13 – PENSION PLAN**

**Retirement Plan** – On August 1, 1986, the District Board of Directors adopted the defined contribution deferred compensation plan and is designed to comply with Section 457(b). It has been amended and restated effective January 1, 2009. The Plan covers substantially all employees who complete 1,000 hours of service during twelve consecutive months of employment. The funding rate of District contributions to the Plan is 4% of employee compensation. A participant becomes 33% vested in the District's contributions after one year, and an additional 33% vesting occurs each year thereafter until 100% vested in three years. The employee contributions to the plan during the years ended December 31, 2024 and 2023 were \$126,316 and \$116,207, respectively. Employer contributions to the plan were \$60,460 and \$55,116 for the years ended December 31, 2024 and 2023.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

**Litigation** – The District is a unit of government covered by the Texas Tort Claims Acts which, by statute, limits its liability to \$100,000 per person/\$300,000 per occurrence. These limits coincide with the malpractice insurance coverage maintained by the District. The District, from time to time, may be subject to claims and suits for other damages as well. In the opinion of management, the ultimate resolution of the above types of legal proceedings will not have a material effect on the District’s financial position or results of operations.

**NOTE 15 – 340B DRUG PROGRAM**

The District participates in the 340B “Drug Discount Program” which enables qualifying healthcare providers to purchase drugs from pharmaceutical suppliers at a substantial discount. Pharmacy revenue is recognized as pharmaceuticals are dispensed. The 340B Drug Pricing Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs. The District earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions for qualified patients. The District has a network of participating pharmacies that dispense pharmaceuticals to its patients under a contract arrangement with the District.

Reported 340B revenue for the year ended December 31, 2024 and 2023 of \$-0- and \$620,601, respectively, consists of reimbursements from the network of participating pharmacies, net of the initial purchase price of the drugs and is included in net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position. At December 31, 2024 and 2023, the District recorded a 340B drug program receivable of \$-0- and \$7,310, respectively. The receivable is included in prepaid expenses and other current assets in the accompanying statements of net position.

**NOTE 16 – FEDERAL FINANCIAL ASSISTANCE**

**Rural Health Clinic COVID-19 Testing and Mitigation Program (RHCCTM)** – In March 2021, the United States Congress passed the American Rescue Plan (“ARP”) Act (P.L. 117-2). The ARP Act appropriated additional funds to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. These funds were distributed by the Health Resources and Services Administration (“HRSA”) through the RHCCTM program. The RHCCTM program provides assistance for maintaining and increasing the range of mitigation activities in local communities and grant revenue is recognized as qualifying expenditures are incurred over the grant period. For the years ended December 31, 2024 and 2023, the District recognized \$-0- and \$104,053, respectively, in RHCCTM program revenue.

**Coronavirus State and Local Fiscal Recovery Funds (SLFRF)** – The Texas Department of Health and Human Services Commission (“HHSC”) received funding from the United States Department of the 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. The funding was distributed in two Tiers under the Rural Hospital COVID-19 In Healthcare Relief Grant program (RH-CHRG). For the years ended December 31, 2024 and 2023, the District recognized \$-0- and \$262,193, respectively, in SLFRF revenue.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2024 AND 2023**

**NOTE 16 – FEDERAL FINANCIAL ASSISTANCE (CONTINUED)**

**Rural Hospital Stabilization Grant** – The Texas Department of Health and Human Services Commission (“HHSC”) received funding from the United States Department of the Treasury to distribute to facilities in the state of Texas to foster financial stabilization. The District was awarded Stabilization Grant funds in the amount of \$175,000 and \$-0- for the years ended December 31, 2024 and 2023, respectively. For the years ended December 31, 2024 and 2023, the District recognized \$27,032 and \$-0-, respectively, in Stabilization Grant revenue.

**NOTE 17 – SUBSEQUENT EVENTS**

The date to which events occurring after December 31, 2024, the date of the most recent statements of net position, have been evaluated for possible adjustment to the financial statements or disclosure is May 16, 2025, which is the date on which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**



## INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Board of Directors and Management  
Hardeman County Hospital District  
Quanah, Texas

We have audited the financial statements of Hardeman County Hospital District as of and for the years ended December 31, 2024 and 2023, and our report thereon dated May 16, 2025, which expressed an unmodified opinion on those financial statements, appears at the beginning of this report. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other financial information on pages 23 through 26 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads 'D &amp; Co., LLP'.

D & Co., L.L.P.  
Lubbock, Texas  
May 16, 2025

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NET PATIENT SERVICE REVENUE  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Routine Services:		
Routine Services	\$ 787,906	\$ 665,209
Ancillary and Other Services		
Inpatient:		
Radiology and Nuclear Medicine	40,480	48,196
Laboratory	176,953	165,435
Respiratory Therapy	45,012	45,166
Physical Therapy	108,058	99,828
Speech Therapy	8,634	11,199
Electrocardiology	1,760	1,360
Central Supply	10,688	7,521
Pharmacy	304,391	272,695
Emergency	29,340	320
Observation	2,331	805
Total Inpatient Ancillary Services	<u>727,647</u>	<u>652,525</u>
Outpatient:		
Radiology and Nuclear Medicine	1,539,952	1,403,791
Laboratory	2,462,167	1,917,622
Respiratory Therapy	19,414	24,707
Physical Therapy	1,135,451	1,106,963
Speech Therapy	152,116	157,589
Electrocardiology	46,720	47,120
Central Supply	48,288	40,640
Pharmacy	2,818,770	1,799,203
Geri-Psych	973,525	1,087,882
Foard County Rural Health Clinic	240,802	217,809
Hardeman County Rural Health Clinic	1,019,849	1,040,164
Emergency Room	1,165,553	1,133,877
Observation	41,951	45,122
340B Revenue	(6,594)	620,601
Total Outpatient Ancillary Services	<u>11,657,964</u>	<u>10,643,090</u>
Gross Patient Revenue	<u>\$13,173,517</u>	<u>\$11,960,824</u>

See independent auditor's report on other financial information.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
NET PATIENT SERVICE REVENUE AND OTHER OPERATING REVENUE  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Gross Patient Revenue	\$ 13,173,517	\$ 11,960,824
Deductions from Revenue:		
Charity	(1,087,705)	(896,843)
Third-Party Contractual Adjustments	(1,713,706)	(830,034)
Provision for Bad Debts	(628,341)	(499,276)
Medicaid Supplemental Payments and Other Credits	<u>395,952</u>	<u>597,523</u>
Total Deductions from Revenue	<u>(3,033,800)</u>	<u>(1,628,630)</u>
Net Patient Service Revenue	<u>\$ 10,139,717</u>	<u>\$ 10,332,194</u>
Other Operating Revenue:		
Sale of Non-Patient Meals	\$ 24,087	\$ 30,468
Medical Records	1,766	1,637
Miscellaneous	<u>22,109</u>	<u>25,922</u>
Total Other Operating Revenue	<u>\$ 47,962</u>	<u>\$ 58,027</u>

See independent auditor's report on other financial information.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Routine Services:		
Routine Services	\$ 1,781,417	\$ 1,729,870
Ancillary Services:		
Radiology and Nuclear Medicine	434,603	413,400
Laboratory	878,257	919,332
Respiratory Therapy	30,102	29,941
Physical Therapy	802,470	766,156
Speech Therapy	98,630	92,173
Medical Supplies Charged to Patients	119,612	114,547
Drugs Charged to Patients	1,085,115	1,522,667
Geri Psych	354,488	350,700
Foard County Rural Health Clinic	218,569	196,745
Hardeman County Rural Health Clinic	1,267,026	1,190,664
Emergency	809,587	877,053
Ambulance	823	4,406
Total Ancillary Services	<u>6,099,282</u>	<u>6,477,784</u>
General Services:		
Operation and Plant	285,871	358,793
Laundry and Linen	25,251	30,188
Housekeeping	183,110	182,526
Dietary	217,975	213,760
Total General Services	<u>712,207</u>	<u>785,267</u>

See independent auditor's report on other financial information.

**HARDEMAN COUNTY HOSPITAL DISTRICT  
OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Administrative Services:		
Salaries and Wages	601,582	523,668
Other Operating	83,061	75,697
Employee Benefits	1,118,815	911,512
Supplies	35,607	27,986
Medical Records	147,371	140,190
Rental Expense	4,519	3,367
Contracted and Purchased Services	91,329	70,486
Travel and Education	9,612	10,051
Insurance	162,538	123,287
Legal and Accounting Fees	76,608	60,763
Utilities	32,442	13,316
Advertising	13,486	12,674
Physician Recruitment	22,040	44,410
Repairs and Maintenance	385,707	387,197
Dues and Subscriptions	669	12,370
Collection Fees	6,747	5,423
Miscellaneous	5,658	12,311
Total Administrative Services	<u>2,797,791</u>	<u>2,434,708</u>
Depreciation	<u>358,101</u>	<u>355,447</u>
Total Operating Expenses	<u><u>\$11,748,798</u></u>	<u><u>\$11,783,076</u></u>

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