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

## Independent Auditor's Reports and Financial Statements

September 30, 2025 and 2024

**Somervell County Hospital District d/b/a Glen Rose Medical Center**
**Contents**
**September 30, 2025 and 2024**

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# Independent Auditor's Report

Board of Directors
Somervell County Hospital District
d/b/a Glen Rose Medical Center
Glen Rose, Texas

## *Opinion*

We have audited the financial statements of Somervell County Hospital District d/b/a Glen Rose Medical Center (District), as of and for the years ended September 30, 2025 and 2024 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

## *Basis for Opinion*

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

## *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

In performing an audit in accordance with GAAS, we:

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

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

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Forvis Mazars, LLP

**Waco, Texas**
**March 27, 2026**

**Somervell County Hospital District d/b/a Glen Rose Medical Center**
**Balance Sheets**
**September 30, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | $ 2,019,055 | $ 6,066,345 |
| Patient accounts receivable, net of allowance; 2025 – $5,175,000, 2024 – $3,908,000 | 1,676,961 | 1,748,356 |
| Nursing facility accounts receivable, net of allowance; 2025 – $384,000, 2024 – $829,000 | 605,211 | 630,211 |
| Property taxes receivable, net | 70,519 | 64,710 |
| Estimated amounts due from third-party payors | 819,263 | 567,760 |
| Lease receivable, current | 283,923 | 271,650 |
| Supplies | 828,537 | 862,739 |
| Prepaid expenses and other | 544,591 | 298,527 |
| **Total Current Assets** | 6,848,060 | 10,510,298 |
| **Capital Assets, Net** | 20,653,899 | 17,292,335 |
| **Lease Assets, Net** | 2,249,872 | 510,510 |
| **Subscription Assets, Net** | 177,479 | 344,748 |
| **Goodwill** | 1,728,115 | - |
| **Lease Receivable** | 403,248 | 687,170 |
| **Other Assets** | 145,586 | 147,094 |
| **Total Assets** | $ 32,206,259 | $ 29,492,155 |

| | 2025 | 2024 |
|---|---|---|
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** | | |
| **Current Liabilities** | | |
| Current maturities of long-term debt | $ 1,440,685 | $ 771,112 |
| Current maturities of lease liabilities | 633,425 | 262,234 |
| Current maturities of subscription liabilities | 66,091 | 203,491 |
| Outstanding checks in excess of bank balance | - | 72,047 |
| Accounts payable | 2,304,893 | 1,560,095 |
| Accrued expenses | 1,505,947 | 1,208,607 |
| Unearned revenue | 350,000 | - |
| Estimated amounts due to third-party payors, current | 730,194 | - |
| **Total Current Liabilities** | 7,031,235 | 4,077,586 |
| **Estimated Amounts Due to Third-Party Payors** | 465,510 | 1,134,591 |
| **Long-Term Debt** | 13,785,991 | 11,064,294 |
| **Lease Liabilities** | 1,612,963 | 284,242 |
| **Subscription Liabilities** | 117,880 | 157,923 |
| **Total Liabilities** | 23,013,579 | 16,718,636 |
| **Deferred Inflows of Resources** | 614,473 | 877,819 |
| **Net Position** | | |
| Net investment in capital assets | 5,385,007 | 5,404,297 |
| Unrestricted | 3,193,200 | 6,491,403 |
| **Total Net Position** | 8,578,207 | 11,895,700 |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | $ 32,206,259 | $ 29,492,155 |

**Somervell County Hospital District d/b/a Glen Rose Medical Center**
**Statements of Revenues, Expenses and Changes in Net Position**
**Years Ended September 30, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **Operating Revenues** | | |
| Net patient service revenue, net of provision for uncollectible accounts; 2025 – $2,598,000, 2024 – $1,837,000 | $ 22,102,434 | $ 21,158,624 |
| Nursing facility resident revenue, net of provision for accounts; 2025 – $544,000, 2024 – $441,000 | 9,666,087 | 7,248,749 |
| Other | 811,379 | 746,006 |
| **Total Operating Revenues** | 32,579,900 | 29,153,379 |
| **Operating Expenses** | | |
| Salaries, wages, and employee benefits | 19,121,857 | 16,886,462 |
| Purchased services and professional fees | 4,023,927 | 4,520,008 |
| Supplies and other | 6,268,485 | 5,408,512 |
| Nursing facility management fees | 9,235,800 | 7,063,749 |
| Depreciation and amortization | 2,308,307 | 2,335,391 |
| **Total Operating Expenses** | 40,958,376 | 36,214,122 |
| **Operating Loss** | (8,378,476) | (7,060,743) |
| **Nonoperating Revenues (Expenses)** | | |
| Property taxes | 4,808,214 | 6,812,512 |
| Interest income | 271,110 | 487,862 |
| Interest expense | (675,968) | (645,621) |
| Noncapital grants and gifts | 510,618 | 11,341 |
| Other, net | 147,009 | (92,851) |
| **Total Nonoperating Revenues** | 5,060,983 | 6,573,243 |
| **Decrease in Net Position** | (3,317,493) | (487,500) |
| **Net Position, Beginning of Year** | 11,895,700 | 12,383,200 |
| **Net Position, End of Year** | $ 8,578,207 | $ 11,895,700 |

## Somervell County Hospital District d/b/a Glen Rose Medical Center
## Statements of Cash Flows
## Years Ended September 30, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Receipts from and on behalf of patients | $ 31,906,355 | $ 29,542,973 |
| Payments to suppliers and contractors | (19,184,729) | (17,384,652) |
| Payments to employees | (18,474,517) | (16,883,458) |
| Other receipts | 549,541 | 482,661 |
| **Net Cash Used in Operating Activities** | (5,203,350) | (4,242,476) |
| **Cash Flows From Noncapital Financing Activities** | | |
| Increase (decrease) in outstanding checks in excess of bank balance | (72,047) | 72,047 |
| Property taxes supporting operations | 3,870,767 | 5,464,758 |
| Proceeds from issuance of long-term debt | 700,000 | - |
| Noncapital gifts received | 510,618 | 11,341 |
| Other noncapital financing receipts (payments) | 147,009 | (92,851) |
| **Net Cash Provided by Noncapital Financing Activities** | 5,156,347 | 5,455,295 |
| **Cash Flows From Capital and Related Financing Activities** | | |
| Principal received on lease receivables | 271,649 | 258,866 |
| Interest received on lease receivables | 53,000 | 53,134 |
| Principal paid on lease liabilities | (547,527) | (607,708) |
| Interest paid on lease liabilities | (38,885) | (38,885) |
| Principal paid on subscription liabilities | (208,530) | (300,221) |
| Interest paid on subscription liabilities | (28,428) | (28,428) |
| Proceeds from issuance of long-term debt | 3,494,460 | - |
| Principal paid on long-term debt | (810,534) | (682,561) |
| Interest paid on long-term debt | (601,311) | (574,382) |
| Property taxes to acquire or retire debt for acquisitions of capital assets | 931,638 | 1,316,492 |
| Purchase of capital assets | (4,978,505) | (2,332,927) |
| **Net Cash Used in Capital and Related Financing Activities** | (2,462,973) | (2,936,620) |
| **Cash Flows From Investing Activities** | | |
| Interest income received on cash deposits | 219,018 | 435,770 |
| Purchase of physician practice | (1,756,332) | - |
| **Net Cash Provided by (Used in) Investing Activities** | (1,537,314) | 435,770 |
| **Decrease in Cash** | (4,047,290) | (1,288,031) |
| **Cash, Beginning of Year** | 6,066,345 | 7,354,376 |
| **Cash, End of Year** | $ 2,019,055 | $ 6,066,345 |

| | 2025 | 2024 |
|---|---|---|
| **Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities** | | |
| Operating loss | $ (8,378,476) | $ (7,060,743) |
| Depreciation and amortization | 2,308,307 | 2,335,391 |
| Provision for uncollectible accounts | 2,598,360 | 1,836,926 |
| Changes in operating assets and liabilities: | | |
| Patient accounts receivable | (2,501,965) | (1,880,065) |
| Estimated third-party payor settlements | (190,390) | 1,506,341 |
| Accounts payable and accrued liabilities | 1,435,422 | (749,081) |
| Deferred inflows of resources | (263,346) | (263,345) |
| Other assets and liabilities | (211,262) | 32,100 |
| **Net Cash Used in Operating Activities** | $ (5,203,350) | $ (4,242,476) |
| **Noncash Investing, Capital, and Financing Activities** | | |
| Lease obligations incurred for lease assets | $ 2,247,439 | $ 97,569 |
| Subscription obligations incurred for subscription assets | $ 31,087 | $ 203,604 |
| Capital asset purchases through notes payable and finance agreements | $ - | $ 1,168,473 |
| Capital asset purchases included in accounts payable | $ 39,208 | $ - |

## Note 1. Nature of Operations and Summary of Significant Accounting Policies

### *Nature of Operations and Reporting Entity*

Somervell County Hospital District d/b/a Glen Rose Medical Center (District), located in Glen Rose, Texas, was created pursuant to Chapter 286 of the Texas Health and Safety Code. The District is governed by a board of directors, elected by the citizens of the District. The District provides inpatient and outpatient services for residents of the District through its operations of Glen Rose Medical Center. The District also operates a local nursing facility.

Glen Rose Healthcare, Inc. (Corporation) is a Texas nonprofit health organization certified by the Texas State Board of Medical Examiners. The Corporation operates primarily for the purpose of providing physician services to the District's patients. The District is the sole corporate member of the Corporation and has the authority to exercise significant control over the financial operations of the Corporation. As such, the Corporation is presented as a blended component unit of the District. Separate financial statements of the Corporation are not available.

### *Basis of Accounting and Presentation*

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, property taxes, investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Property Taxes*

The District received approximately 13% and 19% of its financial support from property taxes in September 30, 2025 and 2024, respectively. For the years ended September 30, 2025 and 2024, 19% and 19%, respectively, of these funds were used to retire debt for capital acquisitions with the remaining portion used to support operations. Property taxes are levied by the District on October 1 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1, when the value is assessed. Property taxes become due and payable when levied on October 1. This is the date on which an enforceable legal claim arises, and the District records a receivable for the property tax assessment, less an allowance for uncollectible taxes. Property taxes are considered delinquent after January 31 of the following year.

The District is authorized to levy a tax on property not to exceed $0.75 per $100 valuation for the purpose of paying operating expenses and for debt service. The District's property tax rates were $0.0800 and $0.0877 for maintenance and operations and $0.0192 and $0.0210 for interest and sinking per $100 valuation in September 30, 2025 and 2024, respectively.

Revenue from property taxes is recognized in the year for which the taxes are levied. The District levies taxes in October of each year to support the next fiscal year's budgeted operations.

### *Risk Management*

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

### *Patient Accounts Receivable*

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients, and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

### *Supplies*

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

### *Interest Income*

Interest income includes interest earned on deposits and lease receivable.

### *Capital Assets*

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the District:

| | |
|---|---|
| Buildings and improvements | 5–40 years |
| Equipment | 3–25 years |

### *Lease Assets*

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

### *Subscription Assets*

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

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

The District evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, or subscription asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended September 30, 2025 and 2024.

### *Compensated Absences*

District policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

### *Deferred Inflows of Resources*

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

### *Net Position*

Net position of the District is classified in two components on its balance sheets. Net investment in capital assets, consist of capital, lease, and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase, use, or construction of those assets. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

### *Net Patient Service Revenue and Nursing Facility Revenue*

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue and nursing facility revenue are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

### *Charity Care*

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

The costs associated with the District’s charity care program were approximately $1,551,000 and $2,310,000 for 2025 and 2024, respectively. The cost of charity care is estimated by applying the overall ration of the District’s cost to charges to the gross charges related to services provided to patients qualifying for the District’s charity care program.

### *Income Taxes*

As an essential government function of the state of Texas, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

The Corporation is taxable for federal income tax purposes; however, due to continuing losses, no tax liabilities have been accrued.

## Note 2. Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

***Medicare.*** Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor.

***Medicaid.*** Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The District is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid administrative contractor.

Approximately 44% and 38% of the District's revenues are from participation in Medicaid and Medicare programs for the years ended September 30, 2025 and 2024, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

### *Supplemental Medicaid Funding Programs*

On December 12, 2011, the United States Department of Health and Human Services (HHS) approved a Medicaid Section 1115(a) demonstration project entitled *Texas Health Transformation Quality Improvement Program* (Waiver). The Waiver extended existing Medicaid managed care programs and established two funding pools that assist providers with uncompensated care (UC Pool) costs and promote health system transformation (DSRIP Pool).

On April 22, 2022, the Center for Medicare and Medicaid Services (CMS) approved an extension of the Waiver through September 30, 2030. The extension provides for the continuation of the UC Pool and an expansion of directed payment programs, which transitions participating hospitals away from the DSRIP program which ended on September 30, 2021. One of the new directed payment programs is the Comprehensive Hospital Increased Reimbursement Program (CHIRP). Under CHIRP, HHSC directs managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals. The CHIRP program began on September 1, 2021. CHIRP will require annual approval by CMS and has been approved through August 31, 2025.

Total revenue recognized from these programs, exclusive of CHIRP and UHRIP, was approximately a loss of $895,000 and loss of $86,000, for the years ended September 30, 2025 and 2024 (net of estimated payback discussed below), respectively, and is included as net patient service revenue in the statements of revenues, expenses and changes in net position. Amounts receivable under these programs was $0 and $0 at September 30, 2025 and 2024, respectively, which is included in the estimated amounts due from third-party payers in the balance sheets.

The funding from the UC Pool has historically been limited by a federally determined Hospital Specific Limit calculation and is subject to recoupment based on subsequent audit results. The District recorded an expected overpayment related to these audits of approximately $1,196,000 and $1,135,000 as of September 30, 2025 and 2024, respectively, and is included as estimated amounts due to third-party payers in the balance sheets.

The programs described above are subject to review and scrutiny by both the Texas Legislature and CMS, and the programs could be modified or terminated based on new legislation or regulation in future periods. Based on CMS's review, changes may be made to how future payments are made may be modified. Management is not currently able to estimate the impact of these reviews on it financial statements.

### *Nursing Facility Revenue*

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. These payment arrangements include:

***Medicare and Medicaid.*** Resident services rendered to Medicare and Medicaid program beneficiaries are paid at a per day basis based on level of care.

The District has also entered into payment agreements with certain commercial insurance carriers, and the basis for payment to the District under these agreements includes discounts from established charges and prospectively determined daily rates.

The District also participates in Quality Incentive Payment Program (QIPP). This program was designed to assist nursing facilities serving indigent patients by providing funding to support increased access to healthcare within the community. QIPP allows participating providers to receive additional reimbursement if they either reach certain national benchmarks or if they make quarterly improvements in up to four predetermined quality measures. Revenue recognized under this program (net of any intergovernmental transfer payments) was approximately $575,000 and $185,000 for the years ended September 30, 2025 and 2024, respectively, and is included in nursing facility resident revenue in the statements of revenues, expenses, and changes in net position.

## Note 3. Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At September 30, 2025 and 2024, the District's deposits were either insured or collateralized in accordance with state law.

## Note 4. Patient and Nursing Facility Accounts Receivable

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient and nursing facility accounts receivable consisted of the following at September 30:

| | 2025 | 2024 |
|---|---|---|
| Hospital and Corporation | | |
| Medicaid | $ 22,685 | $ 41,865 |
| Medicare | 508,000 | 594,774 |
| Other third-party payors | 1,167,833 | 1,380,900 |
| Patients | 5,153,190 | 3,638,626 |
| | 6,851,707 | 5,656,165 |
| Less allowance for uncollectible accounts | 5,174,746 | 3,907,809 |
| | $ 1,676,961 | $ 1,748,356 |

| | 2025 | 2024 |
|---|---|---|
| Nursing Facility | | |
| Medicaid | $ 513,771 | $ 776,992 |
| Medicare | 363,760 | 471,256 |
| Patients and other payors | 112,058 | 210,968 |
| | 989,589 | 1,459,216 |
| Less allowance for uncollectible accounts | 384,378 | 829,005 |
| | $ 605,211 | $ 630,211 |

## Note 5. Capital, Lease, and Subscription Assets

### *Capital Assets*

Capital assets activity for the years was as follows ended September 30:

| | 2025 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Land | $ 1,547,061 | $ - | $ - | $ - | $ 1,547,061 |
| Buildings and improvements | 21,232,540 | 467,350 | - | 746,039 | 22,445,929 |
| Equipment | 13,550,495 | 331,036 | - | 1,141,479 | 15,023,010 |
| Construction in progress | 1,945,469 | 4,219,327 | (82,492) | (1,887,518) | 4,194,786 |
| | 38,275,565 | 5,017,713 | (82,492) | - | 43,210,786 |
| Less accumulated depreciation | 20,983,230 | 1,573,657 | - | - | 22,556,887 |
| Capital assets, net | $ 17,292,335 | $ 3,444,056 | $ (82,492) | $ - | $ 20,653,899 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Land | $ 1,543,461 | $ 3,600 | $ - | $ - | $ 1,547,061 |
| Buildings and improvements | 20,545,949 | 686,591 | - | - | 21,232,540 |
| Equipment | 12,659,755 | 890,740 | - | - | 13,550,495 |
| Construction in progress | 25,000 | 1,920,469 | - | - | 1,945,469 |
| | 34,774,165 | 3,501,400 | - | - | 38,275,565 |
| Less accumulated depreciation | 19,545,555 | 1,437,675 | - | - | 20,983,230 |
| Capital assets, net | $ 15,228,610 | $ 2,063,725 | $ - | $ - | $ 17,292,335 |

Construction in progress as of September 30, 2025 includes energy efficiency upgrades which will be completed within fiscal year 2026. This project is being funded through State Energy Conservation Office Loan.

### *Lease Assets*

Lease assets activity for the years was as follows ended September 30:

| | 2025 | | | | |
|---|---|---|---|---|---|
| | **Beginning Balance** | **Additions** | **Disposals** | **Transfers** | **Ending Balance** |
| Buildings and improvements | $ 447,179 | $ 830,448 | $ (371,229) | $ - | $ 906,398 |
| Equipment | 1,538,915 | 1,416,991 | (1,070,917) | - | 1,884,989 |
| | 1,986,094 | 2,247,439 | (1,442,146) | - | 2,791,387 |
| Less accumulated depreciation | 1,475,584 | 508,077 | (1,442,146) | - | 541,515 |
| Lease assets, net | $ 510,510 | $ 1,739,362 | $ - | $ - | $ 2,249,872 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| | **Beginning Balance** | **Additions** | **Disposals** | **Transfers** | **Ending Balance** |
| Buildings and improvements | $ 447,179 | $ - | $ - | $ - | $ 447,179 |
| Equipment | 1,517,293 | 97,569 | (75,947) | - | 1,538,915 |
| | 1,964,475 | 97,569 | (75,950) | - | 1,986,094 |
| Less accumulated depreciation | 939,958 | 611,576 | (75,950) | - | 1,475,584 |
| Lease assets, net | $ 1,024,517 | $ (514,007) | $ - | $ - | $ 510,510 |

### *Subscription Assets*

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

| | 2025 | | | | |
|---|---|---|---|---|---|
| | **Beginning Balance** | **Additions** | **Disposals** | **Transfers** | **Ending Balance** |
| Subscription IT assets | $ 1,222,692 | $ 31,087 | $ (942,698) | $ - | $ 311,081 |
| Less accumulated amortization | 877,944 | 198,356 | (942,698) | - | 133,602 |
| Subscription assets, net | $ 344,748 | $ (167,269) | $ - | $ - | $ 177,479 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Subscription IT assets | $ 1,019,088 | $ 203,604 | $ - | $ - | $ 1,222,692 |
| Less accumulated amortization | 591,804 | 286,140 | - | - | 877,944 |
| Subscription assets, net | $ 427,284 | $ (82,536) | $ - | $ - | $ 344,748 |

## Note 6. Goodwill

In August 2025, the District acquired a physician specialty practice, resulting in the recognition of goodwill. Total consideration for the transaction was $1,650,000, consisting of $950,000 paid in cash at closing and a $700,000 promissory note payable to the seller. The promissory note bears interest and is payable in two equal principal installments due on August 1, 2026 and August 1, 2027.

The transaction was accounted for as a business combination, with the purchase price allocated to the identifiable assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The excess of the purchase price over the fair value of identifiable net assets resulted in the recognition of goodwill of $1,728,115. Goodwill represents expected future economic benefits arising from the acquisition and is not amortized, but is evaluated for impairment at least annually, or more frequently if indicators of impairment exist. As of year-end, no impairment of goodwill was identified.

## Note 7. Medical Malpractice Claims

The District is a unit of government covered by the Texas Tort Claims Acts which, by statute, limits its liability to $100,000 per person/$300,000 per occurrence. These limits coincide with the malpractice insurance coverage maintained by the District.

The District purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a healthcare provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the District's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

## Note 8. Long-Term Obligations

The following is a summary of long-term obligation transactions for the District for the years ended September 30:

| | 2025 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Bonds payable | | | | | |
| 2008 Series bonds | $ 9,370,000 | $ - | $ (470,000) | $ 8,900,000 | $ 495,000 |
| Bond discount | (102,204) | - | 7,344 | (94,860) | - |
| Notes payable | | | | | |
| Notes payable to bank | 2,084,755 | 4,194,460 | (177,944) | 6,101,271 | 789,424 |
| Finance agreements | 482,855 | - | (162,590) | 320,265 | 156,261 |
| Total long-term debt | 11,835,406 | 4,194,460 | (803,190) | 15,226,676 | 1,440,685 |
| Estimated amounts due to third-party payors | 1,134,591 | 61,113 | - | 1,195,704 | 730,194 |
| Total long-term obligations | $ 12,969,997 | $ 4,255,573 | $ (803,190) | $ 16,422,380 | $ 2,170,879 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Bonds payable | | | | | |
| 2008 Series bonds | $ 9,820,000 | $ - | $ (450,000) | $ 9,370,000 | $ 470,000 |
| Bond discount | (110,160) | - | 7,956 | (102,204) | - |
| Notes payable | | | | | |
| Notes payable to bank | 1,073,298 | 1,049,000 | (37,543) | 2,084,755 | 179,682 |
| Finance agreements | 558,400 | 119,473 | (195,018) | 482,855 | 121,430 |
| Total long-term debt | 11,341,538 | 1,168,473 | (674,605) | 11,835,406 | 771,112 |
| Estimated amounts due to third-party payors | - | 1,134,591 | - | 1,134,591 | - |
| Total long-term obligations | $ 11,341,538 | $ 2,303,064 | $ (674,605) | $ 12,969,997 | $ 771,112 |

### *General Obligation Bonds Payable – Series 2008*

The Series 2008 bonds consist of general obligation bonds in the original amount of $14,380,000 dated April 15, 2008, which bear interest at 4.00% to 5.00% payable on February 15th and August 15th of each year. Principal payments of varying amounts are due annually through 2038. The bonds are not subject to redemption prior to scheduled maturity. The bonds are a direct obligation of the District and are payable from the levy and collection of property taxes. The proceeds were used for the construction and equipping of a secure patient wing and renovations to the nursing home facility.

Bond requirements are as follows as of September 30, 2025:

| | Total | Principal | Interest |
|---|---|---|---|
| 2026 | $ 936,793 | $ 495,000 | $ 441,793 |
| 2027 | 936,418 | 520,000 | 416,418 |
| 2028 | 939,668 | 550,000 | 389,668 |
| 2029 | 936,184 | 575,000 | 361,184 |
| 2030 | 935,947 | 605,000 | 330,947 |
| 2031–2035 | 4,686,723 | 3,545,000 | 1,141,723 |
| 2036–2038 | 2,815,257 | 2,610,000 | 205,257 |
| | $ 12,186,990 | $ 8,900,000 | $ 3,286,990 |

### *Notes Payable*

During 2021, the District obtained a loan in the amount of $1,120,000 which is due in May 2042, with principal and interest at 4.5% payable monthly. The interest rate may change every five years based on prime rate plus 0.5%. The note is secured by certain capital assets.

During 2024, the District obtained a line of credit in the amount of $1,049,000 to fund the MRI project recorded in construction in progress at September 30, 2024. The line of credit is due in November 2029, with principal and interest at 7.25% payable monthly. As of September 30, 2025, the District had no outstanding balance on this line of credit.

During 2025, the District obtained a loan in the amount of $3,494,460 to fund the energy efficiency renovation project recorded in construction in progress at September 30, 2025.

Debt service requirements on the notes payable are as follows as of September 30, 2025:

| | Total | Principal | Interest |
|---|---|---|---|
| 2026 | $ 919,124 | $ 789,424 | $ 129,700 |
| 2027 | 900,563 | 800,967 | 99,596 |
| 2028 | 541,237 | 472,735 | 68,502 |
| 2029 | 546,406 | 495,929 | 50,477 |
| 2030 | 341,818 | 305,011 | 36,808 |
| 2031–2035 | 1,583,791 | 1,438,004 | 145,787 |
| 2036–2040 | 1,737,591 | 1,663,814 | 73,776 |
| 2041–2042 | 140,921 | 135,389 | 5,533 |
| | $ 6,711,450 | $ 6,101,271 | $ 610,179 |

### *Finance Agreements*

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

Debt service requirements on the finance agreements are as follows as of September 30, 2025:

| | Total | Principal | Interest |
|---|---|---|---|
| 2026 | $ 172,126 | $ 156,261 | $ 15,865 |
| 2027 | 156,205 | 149,143 | 7,062 |
| 2028 | 16,176 | 14,861 | 1,315 |
| | $ 344,507 | $ 320,265 | $ 24,242 |

### *Estimated Amounts Due to Third-Party Payers*

The District is obligated for cost report and supplemental Medicaid program settlements as discussed at Note 2. Payment requirements on the settlements are as follows as of September 30, 2025:

| | Total |
|---|---|
| 2026 | $ 730,194 |
| 2027 | 465,510 |
| | $ 1,195,704 |

## Note 9. Lease and Subscription Liabilities

### *Lease Liabilities*

Lease liability activity for the years was as follows ended September 30:

| | 2025 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Lease liabilities | | | | | |
| Buildings | $ 63,691 | $ 830,448 | $ (96,253) | $ 797,886 | $ 150,303 |
| Equipment | 482,785 | 1,416,991 | (451,274) | 1,448,502 | 483,122 |
| Total lease liabilities | $ 546,476 | $ 2,247,439 | $ (547,527) | $ 2,246,388 | $ 633,425 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Lease liabilities | | | | | |
| Buildings | $ 164,758 | $ - | $ (101,067) | $ 63,691 | $ 77,786 |
| Equipment | 895,887 | 93,539 | (506,641) | 482,785 | 184,448 |
| Total lease liabilities | $ 1,060,645 | $ 93,539 | $ (607,708) | $ 546,476 | $ 262,234 |

The District leases buildings and equipment, the terms of which expire in various years through 2030. The leases were measured based upon the contract terms at lease commencement. No leases were subject to variable payments based upon the use of the underlying asset.

The following is a schedule by year of payments under the leases as of September 30, 2025:

| | Total | Principal | Interest |
|---|---|---|---|
| 2026 | $ 742,219 | $ 633,425 | $ 108,795 |
| 2027 | 744,041 | 670,795 | 73,246 |
| 2028 | 448,069 | 405,496 | 42,573 |
| 2029 | 325,673 | 301,477 | 24,196 |
| 2030 | 242,422 | 235,195 | 7,227 |
| | $ 2,502,425 | $ 2,246,388 | $ 256,037 |

### *Subscription Liabilities*

Subscription liability activity for the years was as follows ended September 30:

| | 2025 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Subscription liabilities | $ 361,414 | $ 31,087 | $ (208,530) | $ 183,971 | $ 66,091 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Subscription liabilities | $ 458,031 | $ 203,604 | $ (300,221) | $ 361,414 | $ 203,491 |

The District has various subscription-based information technology arrangements, the terms of which expire in various years through 2029. The subscriptions were measured at the present value of subscription payments expected to be made during the agreement term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

During the years ended September 30, 2025 and 2024, the District recognized approximately $267,000 and $173,000, respectively, of subscription expense for variable payments not previously included in the measurement of the subscription liability.

The following is a schedule by year of payments under the SBITAs as of September 30, 2025:

| | Total | Principal | Interest |
|---|---|---|---|
| 2026 | $ 47,857 | $ 35,149 | $ 12,708 |
| 2027 | 76,076 | 67,869 | 8,207 |
| 2028 | 52,768 | 48,813 | 3,955 |
| 2029 | 33,230 | 32,140 | 1,090 |
| | $ 209,931 | $ 183,971 | $ 25,960 |

## Note 10. Pension Plan

The District sponsors a defined contribution plan to include all substantially all employees. The plan provides retirement benefits to plan members and their beneficiaries. The employee can contribute up to the maximum allowed under regulations, and the District matches the employee contributions up to 3% of base salary. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's board of directors. Employee contributions and employer matching contributions aggregated approximately, $397,000 and $441,000 or 3%, of covered salaries and $150,000 and $158,000, or 1%, of covered salaries during September 30, 2025 and 2024, respectively. Employees are immediately vested in their own contributions, District contributions, and earnings on those contributions.

## Note 11. Nursing Facility Operations

The District entered into a sublease and management agreement with a local nursing facility operator that resulted in the District becoming the legal operator of the facility. Under the management agreement, the manager provides all services necessary to operate the facility, including employees, supplies and other operating costs. The manager also provides all billing and collection services. All patient revenue from the facility is paid to the District. From these collections, the District pays the manager for all facility costs and the management fees pursuant to the agreement. The management agreement has an initial term of 16 months with annual renewal unless terminated by either party. The District is obligated to pay a base management fee of 5% of ordinary revenue with potential incentive and quality payments of 60% of net nursing facility QIPP income. However, District payments to the manager are generally limited to the amount of net patient revenue received from the facilities. At its option, the District may pay additional amounts to the manager above the amounts collected for patient revenue.

For the years ended September 30, 2025 and 2024, total revenues related to these nursing homes, including supplemental Medicaid funding as discussed in Note 2, were approximately $9,666,000 and $7,249,000, respectively, which is included as nursing facility resident revenue on the statements of revenues, expenses, and changes in net position. For the years ended September 30, 2025 and 2024, expenses related to these nursing homes were approximately $9,236,000 and $7,064,000, respectively, which is included as nursing facility management fees on the statements of revenues, expenses and changes in net position.

## Note 12. Lease Receivable and Revenue

The District leases the nursing facility to a third-party, the term of which expires in 2028. The lease was measured based upon the estimated rates at lease commencement. Revenue recognized under lease contracts during both years ended September 30, 2025 and 2024, was approximately $324,000 and $311,000, respectively, which includes both lease revenue and interest.

## Note 13. Combining Component Information

The following table includes combining balance sheet information for the District and its component unit as of September 30:

| | 2025 | | | |
|---|---|---|---|---|
| | Glen Rose Medical Center | Glen Rose Healthcare, Inc. | Eliminations | Total |
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash | $ 1,954,292 | $ 64,763 | $ - | $ 2,019,055 |
| Patient accounts receivable, net of allowance | 1,162,510 | 514,451 | - | 1,676,961 |
| Nursing facility accounts receivable, net of allowance | 605,211 | - | - | 605,211 |
| Property taxes receivable, net | 70,519 | - | - | 70,519 |
| Estimated amounts due from third-party payors | 819,263 | - | - | 819,263 |
| Lease receivable, current | 283,923 | - | - | 283,923 |
| Supplies | 750,963 | 77,574 | - | 828,537 |
| Prepaid expenses and other | 334,743 | 209,848 | - | 544,591 |
| Due from related parties | 254,298 | - | (254,298) | - |
| **Total Current Assets** | 6,235,722 | 866,636 | (254,298) | 6,848,060 |
| **Capital Assets, Net** | 20,628,158 | 25,741 | - | 20,653,899 |
| **Lease Assets, Net** | 1,850,406 | 399,466 | - | 2,249,872 |
| **Subscription Assets, Net** | 177,479 | - | - | 177,479 |
| **Goodwill** | - | 1,728,115 | - | 1,728,115 |
| **Lease Receivable** | 403,248 | - | - | 403,248 |
| **Other Assets** | 145,586 | - | - | 145,586 |
| **Total Assets** | $ 29,440,599 | $ 3,019,958 | $ (254,298) | $ 32,206,259 |

| | 2025 | | | |
|---|---|---|---|---|
| | Glen Rose Medical Center | Glen Rose Healthcare, Inc. | Eliminations | Total |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** | | | | |
| **Current Liabilities** | | | | |
| Current maturities of long-term debt | $ 1,090,685 | $ 350,000 | $ - | $ 1,440,685 |
| Current maturities of lease liabilities | 556,988 | 76,437 | - | 633,425 |
| Current maturities of subscription liabilities | 66,091 | - | - | 66,091 |
| Accounts payable | 2,284,971 | 19,922 | - | 2,304,893 |
| Accrued expenses | 1,035,135 | 470,812 | - | 1,505,947 |
| Unearned revenue | 350,000 | - | - | 350,000 |
| Estimated amounts due to third-party payors - current | 730,194 | - | - | 730,194 |
| Due to related parties | - | 254,298 | (254,298) | - |
| **Total Current Liabilities** | 6,114,064 | 1,171,469 | (254,298) | 7,031,235 |
| **Estimated Amounts Due to Third-Party Payors** | 465,510 | - | - | 465,510 |
| **Long-Term Debt** | 13,435,991 | 350,000 | - | 13,785,991 |
| **Lease Liabilities** | 1,295,728 | 317,235 | - | 1,612,963 |
| **Subscription Liabilities** | 117,880 | - | - | 117,880 |
| **Total Liabilities** | 21,429,173 | 1,838,704 | (254,298) | 23,013,579 |
| **Deferred Inflows of Resources** | 614,473 | - | - | 614,473 |
| **Net Position** | | | | |
| Net investment in capital assets | 5,353,472 | 31,535 | - | 5,385,007 |
| Unrestricted | 2,043,481 | 1,149,719 | | 3,193,200 |
| **Total Net Position** | 7,396,953 | 1,181,254 | - | 8,578,207 |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | $ 29,440,599 | $ 3,019,958 | $ (254,298) | $ 32,206,259 |

| | 2024 | | | |
|---|---|---|---|---|
| | **Glen Rose Medical Center** | **Glen Rose Healthcare, Inc.** | **Eliminations** | **Total** |
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash | $ 6,065,745 | $ 600 | $ - | $ 6,066,345 |
| Patient accounts receivable, net of allowance | 1,539,909 | 208,447 | - | 1,748,356 |
| Nursing facility accounts receivable, net of allowance | 630,211 | - | - | 630,211 |
| Property taxes receivable, net | 64,710 | - | - | 64,710 |
| Estimated amounts due from third-party payors | 567,760 | - | - | 567,760 |
| Lease receivable, current | 271,650 | - | - | 271,650 |
| Supplies | 759,952 | 102,787 | - | 862,739 |
| Prepaid expenses and other | 210,518 | 88,009 | - | 298,527 |
| Due from related parties | - | 1,106,209 | (1,106,209) | - |
| **Total Current Assets** | 10,110,455 | 1,506,052 | (1,106,209) | 10,510,298 |
| **Capital Assets, Net** | 17,276,225 | 16,110 | - | 17,292,335 |
| **Lease Assets, Net** | 510,510 | - | - | 510,510 |
| **Subscription Assets, Net** | 344,748 | - | - | 344,748 |
| **Lease Receivable** | 687,170 | - | - | 687,170 |
| **Other Assets** | 147,094 | - | - | 147,094 |
| **Total Assets** | $ 29,076,202 | $ 1,522,162 | $ (1,106,209) | $ 29,492,155 |

| | 2024 | | | |
|---|---|---|---|---|
| | Glen Rose Medical Center | Glen Rose Healthcare, Inc. | Eliminations | Total |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION** | | | | |
| **Current Liabilities** | | | | |
| Current maturities of long-term debt | $ 771,112 | $ - | $ - | $ 771,112 |
| Current maturities of lease liabilities | 262,234 | - | - | 262,234 |
| Current maturities of subscription liabilities | 203,491 | - | - | 203,491 |
| Outstanding checks in excess of bank balance | - | 72,047 | - | 72,047 |
| Accounts payable | 1,544,160 | 15,935 | - | 1,560,095 |
| Accrued expenses | 845,248 | 363,359 | - | 1,208,607 |
| Estimated amounts due to third-party payors - current | - | - | - | - |
| Due to related parties | 1,106,209 | - | (1,106,209) | - |
| **Total Current Liabilities** | 4,732,454 | 451,341 | (1,106,209) | 4,077,586 |
| **Estimated Amounts Due to Third-Party Payors** | 1,134,591 | - | - | 1,134,591 |
| **Long-Term Debt** | 11,064,294 | - | - | 11,064,294 |
| **Lease Liabilities** | 284,242 | - | - | 284,242 |
| **Subscription Liabilities** | 157,923 | - | - | 157,923 |
| **Total liabilities** | 17,373,504 | 451,341 | (1,106,209) | 16,718,636 |
| **Deferred Inflows of Resources** | 877,819 | - | - | 877,819 |
| **Net Position** | | | | |
| Net investment in capital assets | 5,388,187 | 16,110 | - | 5,404,297 |
| Unrestricted | 5,436,692 | 1,054,711 | - | 6,491,403 |
| **Total Net Position** | 10,824,879 | 1,070,821 | - | 11,895,700 |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | $ 29,076,202 | $ 1,522,162 | $ (1,106,209) | $ 29,492,155 |

The following table includes combining statements of revenues, expense, and changes in net position information for the District and its component unit for the years ended September 30:

| | 2025 | | |
|---|---|---|---|
| | Glen Rose Medical Center | Glen Rose Healthcare, Inc. | Total |
| **Operating Revenues** | | | |
| Net patient service revenue | $ 17,476,156 | $ 4,626,278 | $ 22,102,434 |
| Nursing facility resident revenue, net | 9,666,087 | - | 9,666,087 |
| Other | 773,787 | 37,592 | 811,379 |
| **Total Operating Revenues** | 27,916,030 | 4,663,870 | 32,579,900 |
| **Operating Expenses** | | | |
| Salaries, wages, and employee benefits | 12,922,373 | 6,199,484 | 19,121,857 |
| Purchased services and professional fees | 3,487,545 | 536,382 | 4,023,927 |
| Supplies and other | 5,789,073 | 479,412 | 6,268,485 |
| Nursing facility management fees | 9,235,800 | - | 9,235,800 |
| Depreciation and amortization | 2,263,939 | 44,368 | 2,308,307 |
| **Total Operating Expenses** | 33,698,730 | 7,259,646 | 40,958,376 |
| **Operating Loss** | (5,782,700) | (2,595,776) | (8,378,476) |
| **Nonoperating Revenues (Expenses)** | | | |
| Property taxes | 4,808,214 | - | 4,808,214 |
| Interest income | 268,190 | 2,920 | 271,110 |
| Interest expense | (673,930) | (2,038) | (675,968) |
| Noncapital grants and gifts | 510,618 | - | 510,618 |
| Donations from District (to Corporation) | (2,705,327) | 2,705,327 | - |
| Other, net | 147,009 | - | 147,009 |
| **Total Nonoperating Revenues, Net** | 2,354,774 | 2,706,209 | 5,060,983 |
| **Increase (Decrease) in Net Position** | (3,427,926) | 110,433 | (3,317,493) |
| **Net Position, Beginning of Year** | 10,824,879 | 1,070,821 | 11,895,700 |
| **Net Position, End of Year** | $ 7,396,953 | $ 1,181,254 | $ 8,578,207 |

| | 2024 | | |
|---|---|---|---|
| | **Glen Rose Medical Center** | **Glen Rose Healthcare, Inc.** | **Total** |
| **Operating Revenues** | | | |
| Net patient service revenue | $ 17,166,309 | 3,992,315 | $ 21,158,624 |
| Nursing facility resident revenue, net | 7,248,749 | - | 7,248,749 |
| Other | 615,213 | 130,793 | 746,006 |
| **Total Operating Revenues** | 25,030,271 | 4,123,108 | 29,153,379 |
| **Operating Expenses** | | | |
| Salaries, wages, and employee benefits | 12,670,445 | 4,216,017 | 16,886,462 |
| Purchased services and professional fees | 4,318,108 | 201,900 | 4,520,008 |
| Supplies and other | 5,121,584 | 286,928 | 5,408,512 |
| Nursing facility management fees | 7,063,749 | - | 7,063,749 |
| Depreciation and amortization | 2,289,071 | 46,320 | 2,335,391 |
| **Total Operating Expenses** | 31,462,957 | 4,751,165 | 36,214,122 |
| **Operating Loss** | (6,432,686) | (628,057) | (7,060,743) |
| **Nonoperating Revenues (Expenses)** | | | |
| Property taxes | 6,812,512 | - | 6,812,512 |
| Interest income | 480,164 | 7,698 | 487,862 |
| Interest expense | (645,621) | - | (645,621) |
| Noncapital grants and gifts | 11,341 | - | 11,341 |
| Donations from District (to Corporation) | (1,576,147) | 1,576,147 | - |
| Other, net | (92,851) | - | (92,851) |
| **Total Nonoperating Revenues, Net** | 4,989,398 | 1,583,845 | 6,573,243 |
| **Increase (Decrease) in Net Position** | (1,443,288) | 955,788 | (487,500) |
| **Net Position, Beginning of Year** | 12,268,167 | 115,033 | 12,383,200 |
| **Net Position, End of Year** | $ 10,824,879 | $ 1,070,821 | $ 11,895,700 |

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

| | 2025 | | |
|---|---|---|---|
| | Glen Rose Medical Center | Glen Rose Healthcare, Inc. | Total |
| Net Cash Used in Operating Activities | $ (2,360,752) | $ (2,842,598) | $ (5,203,350) |
| Net Cash Provided by Noncapital Financing Activities | 1,162,560 | 3,993,787 | 5,156,347 |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | (3,129,359) | 666,386 | (2,462,973) |
| Net Cash Provided by (Used in) Investing Activities | 216,098 | (1,753,412) | (1,537,314) |
| Decrease in Cash | (4,111,453) | 64,163 | (4,047,290) |
| Cash, Beginning of Year | 6,065,745 | 600 | 6,066,345 |
| Cash, End of Year | $ 1,954,292 | $ 64,763 | $ 2,019,055 |

| | 2024 | | |
|---|---|---|---|
| | Glen Rose Medical Center | Glen Rose Healthcare, Inc. | Total |
| Net Cash Provided Used in Operating Activities | $ (3,596,705) | $ (645,771) | $ (4,242,476) |
| Net Cash Provided by Noncapital Financing Activities | 4,913,310 | 541,985 | 5,455,295 |
| Net Cash Used in Capital and Related Financing Activities | (2,896,980) | (39,640) | (2,936,620) |
| Net Cash Provided by Investing Activities | 428,072 | 7,698 | 435,770 |
| Decrease in Cash | (1,152,303) | (135,728) | (1,288,031) |
| Cash, Beginning of Year | 7,218,048 | 136,328 | 7,354,376 |
| Cash, End of Year | $ 6,065,745 | $ 600 | $ 6,066,345 |

## Note 14. Change in Accounting Principle – GASB Statement No. 103, *Financial Reporting Model Improvements (GASB 103)*

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), improves the financial reporting model by standardizing the presentation for various matters within governmental financial statements. The purpose is to eliminate diversity in practice and improve comparability. Impacted areas include management's discussion and analysis, unusual or infrequent items, the definitions and presentation of operating and nonoperating revenues and expenses, the proprietary fund statements, presentation of major component units, and financial trends information within the statistical section of separately issued financial reports. While GASB 103 does not impact the timing of recognition and measurement of revenue, it could affect the presentation and geographical location of certain healthcare-specific revenues within the financial statements. The requirements of this Statement are effective for the District's fiscal years ending September 30, 2026, and all reporting periods thereafter. Changes are required to be made retroactively to the earliest period presented.

## Note 15. One Big Beautiful Act

On July 3, 2025, the U.S. Congress enacted the *One Big Beautiful Bill Act* (OBBBA), a comprehensive budget reconciliation law introducing significant changes to federal healthcare programs, tax policy, and energy-related incentives. The legislation includes substantial reductions in Medicaid funding, modifications to provider tax structures, and new eligibility and cost-sharing requirements for Medicaid beneficiaries. The OBBBA has not had a material impact on the financial results to date as many aspects of the legislation are effective for future periods. The District is currently evaluating what impact the OBBBA may have on the financial results, cash flows and financial position for future periods.