




**North Wheeler County
Hospital District
d/b/a Parkview Hospital**

**Independent Auditor's Report
and Financial Statements**

May 31, 2024 and 2023



**North Wheeler County Hospital District
d/b/a Parkview Hospital
Contents
May 31, 2024 and 2023**

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis 3

Financial Statements

 Balance Sheets 7

 Statements of Revenues, Expenses and Changes in Net Position 9

 Statements of Cash Flows 10

 Notes to Financial Statements 12

Independent Auditor's Report

Board of Directors
North Wheeler County Hospital District
d/b/a Parkview Hospital
Wheeler, Texas

Opinion

We have audited the financial statements of North Wheeler County Hospital District d/b/a Parkview Hospital (District), as of and for the years ended May 31, 2024 and 2023, 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 May 31, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 entity'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.

Forvis Mazars, LLP

**Waco, Texas
October 18, 2024**

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Management's Discussion and Analysis
Years Ended May 31, 2024 and 2023**

Introduction

This management's discussion and analysis of the financial performance of North Wheeler County Hospital District d/b/a Parkview Hospital (District) provides an overview of the District's financial activities for the years ended May 31, 2024 and 2023. It should be read in conjunction with the accompanying financial statements of the District.

Financial Highlights

- Cash and cash equivalents increased by \$5,319,039 in 2024, or 29%, and increased in 2023 by \$1,895,355, or 11%.
- The District's net position increased by \$3,753,367, or 15%, in 2024 and increased by \$713,193, or 3%, in 2023.
- The District reported operating losses in both 2024 and 2023 of \$3,025,707 and \$5,024,030, respectively. The operating loss in 2024 decreased by \$1,998,323, or 40%, over the operating loss reported in 2023. The operating loss in 2023 increased by \$286,002, or 6%, from the operating loss reported in 2022.
- Net nonoperating revenues increased by \$1,041,851, or 18%, in 2024 compared to 2023, and decreased by \$2,731,118, or 32%, in 2023 compared to 2022.

Using This Annual Report

The District's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

One of the most important questions asked about any District's finances is "Is the District as a whole better or worse off as a result of the year's activities?" The Balance Sheet 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. Using the accrual basis of accounting means that 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 it. The District's total net position—the difference between assets and liabilities—is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors should also be considered to assess the overall financial health of the District.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of 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 and cash equivalents during the reporting period.

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Management's Discussion and Analysis (Continued)
Years Ended May 31, 2024 and 2023**

The District's Net Position

The District's net position is the difference between its assets and liabilities reported in the balance sheets. The District's net position increased by \$3,753,367, or 15%, in 2024, and increase by \$713,193, or 3%, in 2023, as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets			
Cash and cash equivalents	\$ 23,753,806	\$ 18,434,767	\$ 16,539,412
Patient accounts receivable, net	1,148,797	1,345,229	749,259
Other current assets	775,586	1,123,004	2,939,119
Capital assets, net	9,839,079	10,741,212	10,808,982
Other noncurrent assets	937,904	1,253,976	1,232,160
	<u>\$ 36,455,172</u>	<u>\$ 32,898,188</u>	<u>\$ 32,268,932</u>
Liabilities			
Long-term debt, noncurrent portion	\$ 5,634,420	\$ 6,102,219	\$ 6,559,703
Other current and noncurrent liabilities	1,496,152	1,224,736	851,189
	<u>7,130,572</u>	<u>7,326,955</u>	<u>7,410,892</u>
Net Position			
Net investment in capital assets	3,774,659	4,223,993	3,849,279
Unrestricted	25,549,941	21,347,240	21,008,761
	<u>29,324,600</u>	<u>25,571,233</u>	<u>24,858,040</u>
	<u>\$ 36,455,172</u>	<u>\$ 32,898,188</u>	<u>\$ 32,268,932</u>

A significant change in the District's assets in 2024 is primarily related to the \$5,319,039 increase in cash and cash equivalents. A significant change in the District's assets in 2023 is primarily related to the \$2,059,000 decrease in property taxes receivable related to settlement of disputed appraisal values.

Operating Results and Changes in the District's Net Position

In 2024, the District's net position increased by \$3,753,367 as shown in Table 2. This increase is made up of several different components and represents an increase of \$3,040,174, or 426%, compared with the increase in net position for 2023 of \$713,193. The District's 2023 change in net position decreased by \$3,017,120, or 81%, compared to 2022.

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Management's Discussion and Analysis (Continued)
Years Ended May 31, 2024 and 2023**

Table 2: Operating Results and Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Revenues			
Net patient service revenue	\$ 7,601,607	\$ 5,415,801	\$ 5,884,098
Other revenues	263,221	269,545	91,663
Total operating revenues	<u>7,864,828</u>	<u>5,685,346</u>	<u>5,975,761</u>
Operating Expenses			
Salaries and wages and employee benefits	6,325,595	6,322,827	6,501,675
Purchased services and professional fees	1,600,538	1,300,853	1,343,744
Depreciation and amortization	960,978	889,793	932,641
Supplies and other operating expenses	<u>2,003,424</u>	<u>2,195,903</u>	<u>1,935,729</u>
Total operating expenses	<u>10,890,535</u>	<u>10,709,376</u>	<u>10,713,789</u>
Operating Loss	<u>(3,025,707)</u>	<u>(5,024,030)</u>	<u>(4,738,028)</u>
Nonoperating Revenues (Expenses)			
Property taxes	5,516,710	5,291,269	5,242,673
Investment income	1,073,938	318,822	141,003
Noncapital grants and gifts	350,922	330,560	3,271,425
Interest expense	(231,535)	(240,315)	(247,862)
Loss on disposal of capital assets	-	(36,091)	-
Other nonoperating revenues and expenses	<u>69,039</u>	<u>72,978</u>	<u>61,102</u>
Total nonoperating revenues	<u>6,779,074</u>	<u>5,737,223</u>	<u>8,468,341</u>
Increase in Net Position	<u>\$ 3,753,367</u>	<u>\$ 713,193</u>	<u>\$ 3,730,313</u>

Operating Losses

The first component of the overall change in the District's net position is its operating income or loss —generally, the difference between net patient service revenue and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the District has reported an operating loss. This is consistent with the District's recent operating history as the District was formed and is operated primarily to serve residents of Wheeler, Texas, and the surrounding area. The District levies property taxes to provide sufficient resources to enable the facility to serve lower income and other residents.

The operating loss for 2024 decreased by \$1,998,323, or 40%, as compared to 2023. The primary component of the reduced operating loss is:

- An increase in net patient service revenue of \$2,185,806, or 40%, due to increased inpatient utilization.

The operating loss for 2023 increased by \$286,002, or 6%, as compared to 2022. The primary component of the increased operating loss is:

- A decrease in net patient service revenue of \$468,297, or 8%, due to decreased inpatient utilization.

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Management's Discussion and Analysis (Continued)
Years Ended May 31, 2024 and 2023**

Nonoperating Revenues and Expenses

In 2024 and 2023, nonoperating revenues and expenses consisted primarily of property taxes levied by the District and investment income. Historically, tax collections have fluctuated each year based on changes in the assessed valuation of the property in the District and the changes in tax rates. Property tax revenues increased in 2024 by \$225,441, or 4%, and increased in 2023 by \$48,596, or 1% due to primarily to increased rates. Investment income increased in 2024 by \$755,116, or 237%, and in 2023 by \$177,819, or 126% due primarily to positive interest rate trends.

The District's Cash Flows

The District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2024 and 2023, as discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At May 31, 2024 and 2023, the District had \$9,839,079 and \$10,741,212, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements. In 2024 and 2023, the District purchased \$58,845 and \$878,247, respectively, of new capital assets.

Debt

At May 31, 2024 and 2023, the District had \$6,064,420 and \$6,517,219, respectively, in revenue bonds outstanding.

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. Questions about this report and requests for additional financial information should be directed to the District Business Administration by telephoning 806.826.5581.

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Balance Sheets
May 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 23,753,806	\$ 18,434,767
Patient accounts receivable, net of allowance; 2024 - \$1,623,000, 2023 - \$1,660,000	1,148,797	1,345,229
Property taxes receivable, net	250,450	182,564
Estimated amounts due from third-party payers	150,009	387,058
Supplies	184,655	196,569
Other	93,072	112,700
Prepaid expenses	97,400	244,113
Total current assets	<u>25,678,189</u>	<u>20,903,000</u>
Noncurrent Certificates of Deposit	825,683	1,140,783
Capital Assets, Net	9,839,079	10,741,212
Other Assets	<u>112,221</u>	<u>113,193</u>
Total assets	<u>\$ 36,455,172</u>	<u>\$ 32,898,188</u>

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Balance Sheets (Continued)
May 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	\$ 430,000	\$ 415,000
Accounts payable	152,277	160,465
Accrued expenses	344,458	335,569
Estimated amounts due to third-party payers	443,331	205,972
Estimated self-insurance costs	126,086	107,730
	<u>1,496,152</u>	<u>1,224,736</u>
Long-term Debt	<u>5,634,420</u>	<u>6,102,219</u>
	<u>7,130,572</u>	<u>7,326,955</u>
Net Position		
Net investment in capital assets	3,774,659	4,223,993
Unrestricted	25,549,941	21,347,240
	<u>29,324,600</u>	<u>25,571,233</u>
	<u>\$ 36,455,172</u>	<u>\$ 32,898,188</u>

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Statements of Revenues, Expenses and Changes in Net Position
Years Ended May 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2024 - \$93,000, 2023 - \$470,000	\$ 7,601,607	\$ 5,415,801
Other revenue	263,221	269,545
Total operating revenues	<u>7,864,828</u>	<u>5,685,346</u>
Operating Expenses		
Salaries and wages	5,368,020	5,264,762
Employee benefits	957,575	1,058,065
Purchased services and professional fees	1,600,538	1,300,853
Supplies and other operating expenses	2,003,424	2,195,903
Depreciation and amortization	960,978	889,793
Total operating expenses	<u>10,890,535</u>	<u>10,709,376</u>
Operating Loss	<u>(3,025,707)</u>	<u>(5,024,030)</u>
Nonoperating Revenues (Expenses)		
Property taxes	5,516,710	5,291,269
Investment income	1,073,938	318,822
Interest expense	(231,535)	(240,315)
Noncapital grants and gifts	350,922	330,560
Loss on disposal of capital assets	-	(36,091)
Tobacco settlement	69,039	72,978
Total nonoperating revenues	<u>6,779,074</u>	<u>5,737,223</u>
Increase in Net Position	3,753,367	713,193
Net Position, Beginning of Year	<u>25,571,233</u>	<u>24,858,040</u>
Net Position, End of Year	<u>\$ 29,324,600</u>	<u>\$ 25,571,233</u>

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Statements of Cash Flows
Years Ended May 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	\$ 8,272,447	\$ 4,747,799
Payments to suppliers and contractors	(3,452,551)	(3,265,309)
Payments to employees	(6,298,350)	(6,260,930)
Other receipts	282,849	239,023
	<u>(1,195,605)</u>	<u>(4,539,417)</u>
Net cash used in operating activities		
Cash Flows from Noncapital Financing Activities		
Property taxes supporting operations	4,747,829	6,581,121
Noncapital grants and gifts	350,922	255,560
Other noncapital financing receipts	69,039	72,978
	<u>5,167,790</u>	<u>6,909,659</u>
Net cash provided by noncapital financing activities		
Cash Flows from Capital and Related Financing Activities		
Property taxes supporting capital activities	700,995	769,521
Principal paid on long-term debt	(415,000)	(400,000)
Interest paid on long-term debt	(269,334)	(282,845)
Proceeds from disposal of capital assets	-	20,133
Purchase of capital assets	(58,845)	(878,247)
	<u>(42,184)</u>	<u>(771,438)</u>
Net cash used in capital and related financing activities		
Cash Flows from Investing Activities		
Interest on deposits	1,046,456	296,551
Proceeds from disposition of certificates of deposits	342,582	-
	<u>1,389,038</u>	<u>296,551</u>
Net cash provided by investing activities		
Increase in Cash and Cash Equivalents	5,319,039	1,895,355
Cash and Cash Equivalents, Beginning of Year	<u>18,434,767</u>	<u>16,539,412</u>
Cash and Cash Equivalents, End of Year	<u>\$ 23,753,806</u>	<u>\$ 18,434,767</u>

North Wheeler County Hospital District
d/b/a Parkview Hospital
Statements of Cash Flows (Continued)
Years Ended May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Loss to		
Net Cash Used in Operating Activities		
Operating loss	\$ (3,025,707)	\$ (5,024,030)
Depreciation and amortization	960,978	889,793
Provision for uncollectible accounts	93,371	470,215
Changes in operating assets and liabilities:		
Patient accounts receivable	103,061	(1,066,185)
Accounts payable and accrued liabilities	701	144,134
Estimated third-party payer settlements	474,408	(72,032)
Other assets and liabilities	197,583	118,688
	<u>197,583</u>	<u>118,688</u>
Net cash used in operating activities	<u>\$ (1,195,605)</u>	<u>\$ (4,539,417)</u>

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

Nature of Operations and Reporting Entity

North Wheeler County Hospital District d/b/a Parkview Hospital (the District), located in Wheeler, Texas, is a political subdivision created by, and operating under, the laws of the state of Texas. Operations consist of a critical access hospital administered through a five-member board of directors elected by qualified voters of the District. The District is a taxing district with property taxes levied on real property within the hospital district. The District provides inpatient, outpatient, and emergency care services to patients in the northern half of Wheeler County. The District also operates a home health agency, rural health clinic and an assisted living facility in the same geographic area.

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 and outflows of resources, if any, from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from nonexchange transactions (principally federal and state grants and property taxes) 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 purpose 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

According to the articles of incorporation, the District is authorized to levy a tax on property not to exceed \$.75 per \$100 valuation for the purpose of paying operating expenses and for debt service. Taxes for fiscal year 2024 and 2023 were levied on property within the District having an assessed property valuation of approximately \$1.4 billion and \$1.3 billion, respectively.

The District received approximately 37% in 2024 and 45% in 2023 of its financial support from property taxes. These funds were used to support operations and debt service.

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.

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Notes to Financial Statements
May 31, 2024 and 2023**

The District's property tax rate was \$0.390422 and \$0.424696 per \$100 valuation and property tax revenue totaled \$5,516,710 and \$5,291,269 for 2024 and 2023, respectively.

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 other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2024 and 2023, cash equivalents consisted primarily of money market accounts with brokers.

Investments and Investment Income

Investments in non-negotiable certificates of deposit are carried at amortized cost. Investment income consists of interest income from certificates of deposit and cash and cash equivalents.

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 net realizable value.

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:

Land improvements	8 – 20 years
Building improvements	5 – 50 years
Equipment	3 – 20 years
Computer software	3 – 5 years

Capital Asset Impairment

The District evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No impairment was recognized during the years ended May 31, 2024 and 2023.

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Notes to Financial Statements
May 31, 2024 and 2023**

Compensated Absences

District policies permit employees to accumulate vacation 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. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date and are included as accrued expenses on the balance sheet.

Net Position

Net position of the District is classified in two components. Net investment in capital assets, consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is net position that does not meet the definition of net investment in capital assets.

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. Net patient service revenue is 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.

Income Taxes

The District is a political subdivision under the laws of the state of Texas, and therefore, it is exempt from federal income tax pursuant to Section 115 of the Internal Revenue Code.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 presentation. The reclassifications had no effect on the changes in financial position.

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. The District is certified as a Critical Access Hospital (CAH) by Medicare. As a CAH, the District is reimbursed for substantially all inpatient and outpatient services to Medicare beneficiaries based on reasonable costs. Additionally, as a CAH, the District's licensed beds are limited to 25, and the acute average length of stay may not exceed 96 hours. The District is reimbursed for substantially all 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.

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Notes to Financial Statements
May 31, 2024 and 2023**

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. Certain Medicaid beneficiaries may be covered by managed care plans, whose payments are generally based on per diem or prospective rates. 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 62% and 77% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended May 31, 2024 and 2023, 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

In response to the growing number of uninsured patients and the rising cost of health care, the Texas Legislature established a Texas Medicaid Disproportionate Share Program (DSH Program) that was designed to assist those facilities serving the majority of the indigent patients by providing funds supporting increased access to health care within the community. This program allows the Texas Department of Health and Human Services (HHSC) to levy assessments from certain hospitals, use the assessed funds to obtain federal matching funds, and then redistribute the total funds to those facilities serving a disproportionate share of indigent patients in the state of Texas.

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

The Waiver was originally effective from December 12, 2011 to September 30, 2016 and extended through December 2017 as the HHSC and the Centers for Medicare and Medicaid Services (CMS) negotiated a longer-term extension. On December 21, 2017, HHSC received an approved extension from CMS for the period of January 1, 2018 through September 30, 2022. Among other changes, the approved plan required a change in the methodology used to allocate UC funds and a phase out of the DSRIP program over the five-year period.

On April 22, 2022, CMS approved an extension of the Waiver through September 30, 2030. The extension provides for the continuation of the UC Pool. The DSRIP program ended on September 30, 2021 and was not extended under the Waiver extension. CMS has approved an expansion of directed payment programs, which transitions participating hospital away from the DSRIP program, which are discussed more fully below.

Comprehensive Hospital Increased Reimbursement Program (CHIRP) is a new directed payment program, which adds a quality component to the existing Uniform Hospital Rate Increase Program (UHRIP). Participating hospitals may opt into this second component. Under UHRIP and 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 UHRIP program transitioned on August 31, 2021, and the CHIRP program began on September 1, 2021. CHIRP will require annual approval by CMS and has been approved through August 31, 2025. Revenue from UHRIP and CHIRP are recognized as a component of net patient service revenue in the statements of revenues, expenses and changes in net position.

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Notes to Financial Statements
May 31, 2024 and 2023**

Total revenue recognized through the Texas Medicaid supplemental funding programs (exclusive of UHRIP and CHIRP) was approximately \$568,000 and \$357,000, net of the estimated repayment discussed below for the years ended May 31, 2024 and 2023, respectively, and is included in net patient service revenue within operating revenues in the statements of revenues, expenses and changes in net position.

The funding from the UC Pool has historically been limited by a federally determined Hospital Specific Limit calculation as is subject to recoupment based on subsequent audit results. The District has recorded an expected overpayment related to these audits of approximately \$0 and \$14,000 for the years ended May 31, 2024 and 2023, respectively, which is included in estimated amounts due to third-party payers on the balance sheets.

These programs are subject to ongoing review by both the Texas legislature and CMS and the funding is subject to recoupment based on future audits. The historical funding is not necessarily representative of funding the District will receive in future years. As a results, it is reasonably possible that recorded estimates could change materially in the near term.

Note 3. Deposits and Investments

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; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Texas; bonds of any city, county, school district or special road district of the state of Texas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At May 31, 2024 and 2023, none of the District's bank balances of \$24,618,903 and \$19,692,936, respectively, were exposed to custodial credit risk.

Investments

At May 31, 2024 and 2023, the District held investments in money market mutual funds which are presented as cash equivalents as they have an average weighted maturity of 90 days or less.

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Notes to Financial Statements
May 31, 2024 and 2023**

Summary of Carrying Values

The carrying values of deposits are included in the balance sheets as follows:

	<u>2024</u>	<u>2023</u>
Carrying value:		
Deposits	\$ 24,570,860	\$ 19,568,827
Investments	8,629	6,723
	<u>\$ 24,579,489</u>	<u>\$ 19,575,550</u>
Included in the following balance sheets captions:		
Cash and cash equivalents	\$ 23,753,806	\$ 18,434,767
Noncurrent certificates of deposit	825,683	1,140,783
	<u>\$ 24,579,489</u>	<u>\$ 19,575,550</u>

Note 4. Patient 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 accounts receivable at May 31 consisted of:

	<u>2024</u>	<u>2023</u>
Medicare	\$ 1,904,902	\$ 1,700,209
Medicaid	63,278	86,510
Other third-party payers	283,487	527,155
Patients	520,409	690,870
	<u>2,772,076</u>	<u>3,004,744</u>
Less allowance for uncollectible accounts	<u>(1,623,279)</u>	<u>(1,659,515)</u>
	<u>\$ 1,148,797</u>	<u>\$ 1,345,229</u>

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Notes to Financial Statements
May 31, 2024 and 2023**

Note 5. Capital Assets

Capital assets activity for the years ended May 31 was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 17,420	\$ -	\$ -	\$ -	\$ 17,420
Land improvements	304,526	-	-	-	304,526
Buildings and improvements	12,039,555	17,781	-	-	12,057,336
Equipment	3,961,901	41,064	-	-	4,002,965
	<u>16,323,402</u>	<u>58,845</u>	<u>-</u>	<u>-</u>	<u>16,382,247</u>
Less accumulated depreciation:					
Land improvements	182,451	15,662	-	-	198,113
Buildings and improvements	3,265,994	471,091	-	-	3,737,085
Equipment	2,133,745	474,225	-	-	2,607,970
	<u>5,582,190</u>	<u>960,978</u>	<u>-</u>	<u>-</u>	<u>6,543,168</u>
Capital assets, net	<u>\$ 10,741,212</u>	<u>\$ (902,133)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,839,079</u>

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 17,420	\$ -	\$ -	\$ -	\$ 17,420
Land improvements	307,226	-	(2,700)	-	304,526
Buildings and improvements	12,066,549	32,237	(59,231)	-	12,039,555
Equipment	4,698,587	846,010	(1,582,696)	-	3,961,901
	<u>17,089,782</u>	<u>878,247</u>	<u>(1,644,627)</u>	<u>-</u>	<u>16,323,402</u>
Less accumulated depreciation:					
Land improvements	168,716	16,435	(2,700)	-	182,451
Buildings and improvements	2,853,546	471,679	(59,231)	-	3,265,994
Equipment	3,258,538	401,679	(1,526,472)	-	2,133,745
	<u>6,280,800</u>	<u>889,793</u>	<u>(1,588,403)</u>	<u>-</u>	<u>5,582,190</u>
Capital assets, net	<u>\$ 10,808,982</u>	<u>\$ (11,546)</u>	<u>\$ (56,224)</u>	<u>\$ -</u>	<u>\$ 10,741,212</u>

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Notes to Financial Statements
May 31, 2024 and 2023**

Note 6. Accrued Expenses

Accrued expenses included in current liabilities at May 31 consisted of:

	<u>2024</u>	<u>2023</u>
Payable for employees (including payroll taxes and benefits)	\$ 261,991	\$ 247,770
Accrued interest payable	82,467	87,799
	<u>\$ 344,458</u>	<u>\$ 335,569</u>

Note 7. Long-term Debt Obligations

The following is a summary of long-term debt transactions for the District for the years ended May 31:

	<u>2024</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term debt:					
Revenue bonds payable:					
Series 2015	\$ 6,295,000	\$ -	\$ (415,000)	\$ 5,880,000	\$ 430,000
Bond premium	222,219	-	(37,799)	184,420	-
	<u>\$ 6,517,219</u>	<u>\$ -</u>	<u>\$ (452,799)</u>	<u>\$ 6,064,420</u>	<u>\$ 430,000</u>
Total long-term obligations					
	<u>\$ 6,517,219</u>	<u>\$ -</u>	<u>\$ (452,799)</u>	<u>\$ 6,064,420</u>	<u>\$ 430,000</u>
	<u>2023</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-term debt:					
Revenue bonds payable:					
Series 2015	\$ 6,695,000	\$ -	\$ (400,000)	\$ 6,295,000	\$ 415,000
Bond premium	264,703	-	(42,484)	222,219	-
	<u>\$ 6,959,703</u>	<u>\$ -</u>	<u>\$ (442,484)</u>	<u>\$ 6,517,219</u>	<u>\$ 415,000</u>
Total long-term obligations					
	<u>\$ 6,959,703</u>	<u>\$ -</u>	<u>\$ (442,484)</u>	<u>\$ 6,517,219</u>	<u>\$ 415,000</u>

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Notes to Financial Statements
May 31, 2024 and 2023**

Revenue Bonds Payable – Series 2015

The Series 2015 revenue bonds payable consist of hospital limited tax and revenue bonds (Bonds) in the original amount of \$9,225,000 dated March 30, 2015, which bear interest at 3.00% to 4.50%. The Bonds are payable in annual principal installments ranging from \$330,000 to \$660,000 through February 1, 2035, with interest due semi-annually. Proceeds from the issuance of these bonds were used for new construction and renovation of the hospital facility. The Bonds are secured by property tax revenues of the District and the assets restricted under the bond indenture agreement.

The debt service requirements for the Bonds as of May 31, 2024, are as follows:

May 31,	Total to be Paid	Principal	Interest
2025	\$ 685,400	\$ 430,000	\$ 255,400
2026	688,200	450,000	238,200
2027	685,200	465,000	220,200
2028	686,600	485,000	201,600
2029	685,988	505,000	180,988
2030-2034	3,434,225	2,885,000	549,225
2035	689,700	660,000	29,700
	<u>\$ 7,555,313</u>	<u>\$ 5,880,000</u>	<u>\$ 1,675,313</u>

Bond Premium

With the issuance of the bonds, the District recorded an aggregate original issue re-offering premium of \$663,667. The amount of bond premium that is amortizable each year was determined using the yield to maturity on the bonds based on the initial offering price. The District recorded a reduction in interest expense of \$37,799 and \$42,484 for the years ended 2024 and 2023, respectively, related to the amortization of the bond premium. The bond premium amount will be amortized over the life of the bonds using the interest method.

Note 8. Employee Health Claims

Substantially all of the District's employees and their dependents are eligible to participate in the District's employee health insurance plan. The District is self-insured for health claims of participating employees and dependents up to \$35,000 per individual. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount.

A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors.

**North Wheeler County Hospital District
d/b/a Parkview Hospital
Notes to Financial Statements
May 31, 2024 and 2023**

Activity in the District's accrued employee health claims liability during 2024, 2023, and 2022 is summarized as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 107,730	\$ 70,987	\$ 70,987
Current year claims incurred and changes in estimates for claims incurred in prior years	705,792	861,306	1,106,824
Claims and expenses paid	<u>(687,436)</u>	<u>(824,563)</u>	<u>(1,106,824)</u>
Balance, end of year	<u>\$ 126,086</u>	<u>\$ 107,730</u>	<u>\$ 70,987</u>

Note 9. 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.

Charges excluded from revenue under the District's charity care policy were approximately \$751,000 and \$1,353,000 for 2024 and 2023, respectively. The cost of charity care is approximately \$1,100,000 and \$1,653,000 for 2024 and 2023, respectively, which is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 10. Contingencies

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

Note 11. Ambulance Proceeds

On February 24, 2020, the District entered into an agreement with Wheeler County designating the District as a recipient of subsidy funds for the provision of Emergency Medical Services to the County. For both the years ended May 31, 2024 and 2023, the District recognized revenue of \$300,000, which is included in noncapital grants and gifts on the statements of revenues, expenses and changes in net position, and a receivable of \$75,000 for both the years ended May 31, 2024 and 2023, which is included in prepaid and other on the balance sheets. For both the years ended May 31, 2024 and 2023, costs for providing ambulance services were approximately \$802,000 and \$885,000 which includes direct expenses of approximately \$567,000 and \$632,000 and allocated overhead costs of approximately \$235,000 and \$253,000, respectively.