PARKER COUNTY HOSPITAL DISTRICT

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Parker County Hospital District
Financial Report

Table of Contents

	Page
Principal Officials	1
Financial Section	
Independent Auditor's Report	3
Management's Discussion and Analysis	6
Basic Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet - Governmental Fund	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund to the Statement of Activities	19
Statement of Net Position - Enterprise Funds	20
Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Funds	21
Statement of Cash Flows - Enterprise Funds	22
Notes to the Basic Financial Statements	
Notes to the Financial Statements	24
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	49
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	50
Schedule of Employer Pension Contributions and Related Ratios	51
Overall Compliance and Internal Controls	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	53

Parker County Hospital District
Principal Officials

Board of Directors

Dianna French, President

Michael Carter, Vice President

Debbie Barnett

Eric Floyd, M.D.

Sharon Hayes

Chad Lee

Justin Lisle

District Officials

Randy Bacus, Chief Executive Officer

Judy Harris, Controller

FINANCIAL SECTION

SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Parker County Hospital District
Weatherford, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Parker County Hospital District (the District), as of and for the year ended September 30, 2025, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Parker County Hospital District as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in net pension liability (asset) and related ratios, and the schedule of employer pension contributions and related ratios on pages 6-13 and 49-51 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of principal officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Snow Garrett Williams

Snow Garrett Williams
May 26, 2026

Parker County Hospital District
Management's Discussion and Analysis

The management's discussion and analysis (MD&A) of the Parker County Hospital District (the District) provides an overview of the District's financial activities for the fiscal year ended September 30, 2025. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at the close of fiscal year 2025 by $69,579,794 (*net position*). Of this amount, $22,162,342 represents unrestricted net position and $410,959 represents restricted net position. As required by GASB 34, net position also reflects $47,006,493 that is net investment in capital assets.
- In contrast to the government-wide statements, the governmental funds statements report a fund balance at year-end of $72,002,327, of which $49,493,599, or 69% represents unassigned fund balance, $410,959 represents restricted fund balance, $524,129 represents non-spendable fund balance, and $21,573,640 represents assigned fund balance.
- The enterprise fund statements report a net position of $-0- at year-end, of which $7,777,974 represents net investment in capital assets and negative $7,777,974 represents unrestricted net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business. Both are prepared using the economic resource focus and the accrual basis of accounting, meaning that all current year revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, including capital assets and long-term obligations. The difference between the two is reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how net position changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The Statement of Net Position and the Statement of Activities divide the District's activities into two types:

Governmental activities – Most of the District's basic services are reported here, including general government, outreach, and medical assistance. The majority of financing for these activities is provided by general property taxes.

Business-type activities – Activities for which the District charges a fee to customers to pay most or all costs of a service it provides are reported here. The District's business-type activities include its emergency medical services, clinic services, and nursing home services.

The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds. The District does not have any fiduciary funds.

***Governmental funds*.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for future spending. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is classified as a major fund. In addition, the other governmental fund is presented separately as a nonmajor fund.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule (original versus final) has been provided in this report for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 17 through 19 of this report.

Proprietary funds. When the District charges customers for services it provides, the activities are generally reported in proprietary funds. The District maintains one type of proprietary fund: enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its emergency medical services, clinic services, and nursing home services. These services are primarily provided to outside or non-governmental customers.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Emergency and Clinical Services Fund and the Nursing Home Fund, which are considered to be major proprietary funds of the District.

The proprietary fund financial statements can be found on pages 20 through 22 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison information and information related to pension benefits. The required supplementary information can be found on pages 49 through 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $69,579,794 as of September 30, 2025.

Parker County Hospital District's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 97,749,933	$ 79,276,692	$ 4,865,423	$ 16,247,651	$102,615,356	$ 95,524,343
Capital assets, net of depreciation/amortization	39,415,939	43,098,072	66,690,303	33,780,790	106,106,242	76,878,862
Total assets	137,165,872	122,374,764	71,555,726	50,028,441	208,721,598	172,403,205
Deferred outflows of resources	311,406	283,866	1,520,396	1,385,930	1,831,802	1,669,796
Long-term liabilities	617,425	629,078	60,383,137	26,838,005	61,000,562	27,467,083
Other liabilities	344,906	858,096	12,692,985	11,084,393	13,037,891	11,942,489
Total liabilities	962,331	1,487,174	73,076,122	37,922,398	74,038,453	39,409,572
Deferred inflows of resources	66,935,153	70,109,942	-	-	66,935,153	70,109,942
Net position:						
Net investment in capital assets	39,228,519	42,776,605	7,777,974	8,113,244	47,006,493	50,889,849
Restricted	410,959	-	-	-	410,959	-
Unrestricted	29,940,316	8,284,909	(7,777,974)	5,378,729	22,162,342	13,663,638
Total net position	$ 69,579,794	$ 51,061,514	$ -	$ 13,491,973	$ 69,579,794	$ 64,553,487

Net investment in capital assets (e.g., land, construction in progress, buildings and improvements, hospital building and equipment, furniture and equipment, and right-of-use assets) represents $47,006,493 or 68% of total net position. The District uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. An additional 0.6% of the District's net position, $410,959, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the District's net position of $22,162,342, which represents unrestricted net position, may be used to meet the District's ongoing obligations to citizens and creditors.

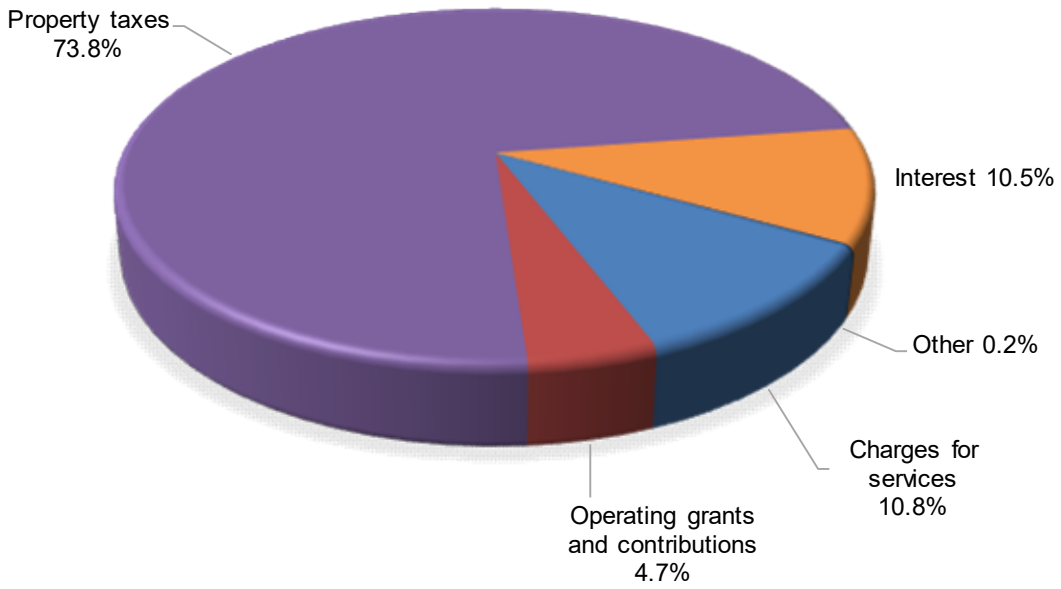
The District's total net position increased by $5,026,307 during the current fiscal year. The District's governmental activities increased net position by $18,518,280. The total cost of all governmental activities this year was $15,226,884. The District's business-type activities decreased net position by $13,491,973. The total cost of all business-type activities for fiscal year 2025 was $87,167,808.

Parker County Hospital District's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 3,657,890	$ 3,639,901	$ 64,570,673	$ 55,524,668	$ 68,228,563	$ 59,164,569
Operating grants and contributions	1,580,708	752,543	9,081,884	5,618,342	10,662,592	6,370,885
General revenues:						
Property taxes	24,882,333	23,847,157	-	-	24,882,333	23,847,157
Interest income	3,538,821	3,928,196	-	-	3,538,821	3,928,196
Other	55,276	13,035	-	-	55,276	13,035
Insurance proceeds	-	-	46,737	10,947	46,737	10,947
Gain (loss) on disposal of assets	-	(190)	6,677	(65,531)	6,677	(65,721)
Total revenues	33,715,028	32,180,642	73,705,971	61,088,426	107,420,999	93,269,068
Expenses:						
General government	9,036,362	8,217,900	-	-	9,036,362	8,217,900
Outreach	3,806,979	3,675,006	-	-	3,806,979	3,675,006
Medical assistance	2,377,382	1,125,005	-	-	2,377,382	1,125,005
Interest and fiscal charges	6,161	-	-	-	6,161	-
Emergency medical services	-	-	22,376,062	19,862,776	22,376,062	19,862,776
Clinic	-	-	4,615,081	4,146,895	4,615,081	4,146,895
Nursing home services	-	-	60,176,665	49,507,146	60,176,665	49,507,146
Total expenses	15,226,884	13,017,911	87,167,808	73,516,817	102,394,692	86,534,728
Change in net position before transfers	18,488,144	19,162,731	(13,461,837)	(12,428,391)	5,026,307	6,734,340
Transfers, net	30,136	(21,526,337)	(30,136)	21,526,337	-	-
Total transfers	30,136	(21,526,337)	(30,136)	21,526,337	-	-
Change in net position	18,518,280	(2,363,606)	(13,491,973)	9,097,946	5,026,307	6,734,340
Net position, beginning of year	51,061,514	53,425,120	13,491,973	4,394,027	64,553,487	57,819,147
Net position, end of year	$ 69,579,794	$ 51,061,514	$ -	$ 13,491,973	$ 69,579,794	$ 64,553,487

Governmental activities. Governmental activities increased the District's net position by $18,518,280. Key elements of this increase were primarily the result of a decrease in transfers out, offset by an increase in operating grants and contributions.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Business-type activities. Business-type activities decreased the District's net position by $13,491,973. This is the result of a decrease in transfers in, offset by increases in charges for service and operating grants and contributions, and increased emergency medical services expenses and nursing home expenses.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds are to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported an ending fund balance of $72,002,327, an increase of $20,202,448 from the prior year's ending fund balance. $49,493,599 or approximately 69% of the fund balance represents unassigned fund balance, which is available for spending at the District's discretion. Additionally, the District reported $410,959 as restricted fund balance and $21,573,640 as assigned fund balance. The remainder of the fund balance of $524,129 is non-spendable fund balance for prepaid expenses and inventory supplies.

The General Fund is the chief operating fund of the District. The total fund balance of the General Fund was $71,591,368, of which $49,493,599 or 69% represented unassigned fund balance. Key elements of the increase of $19,791,489 in the fund balance of the District's General Fund were decreases in transfers out, offset by increases in property tax revenue and intergovernmental revenue.

Enterprise funds. The District uses two enterprise funds, the Emergency and Clinical Services Fund and the Nursing Home Services Fund, to account for its emergency medical services, clinic operations, and nursing home services. At the end of the current fiscal year, the Emergency and Clinical Services Fund had a net position of $-0- and the Nursing Home Services Fund had a net position of $-0-, for an overall net position of $-0-. This was a decrease of $13,491,973 from the prior year's overall net position. The decrease was primarily related to a decrease in transfers in, offset by increases in charges for service and operating grants and contributions and increased emergency medical services expenses and nursing home expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing budget to actual amounts, the District was under the final budgeted revenue estimate by $1,326,445. The primary revenues that came in under the estimated budget amounts were property taxes and intergovernmental revenue. Budget amendments were approved during the year, with the primary increases in estimates for property taxes and intergovernmental revenues.

CAPITAL ASSETS AND LONG-TERM LIABILITIES ADMINISTRATION

Capital assets. The District's total capital assets for its governmental and business-type activities as of September 30, 2025, amounts to $106,106,242 (net of accumulated depreciation/amortization). Capital assets related to governmental activities ($39,415,939) includes land, construction in progress, buildings and improvements, hospital building and equipment, furniture and equipment, and right-of-use assets. The District's capital assets related to business-type activities ($66,690,303) includes construction in progress, building and improvements, furniture and equipment, and right-of-use assets.

Major capital asset events during the current fiscal year include the following:

- Purchase of property in Aledo;
- Ambulance re-mount; and
- Acquisition of buildings (right-of-use assets).

Parker County Hospital District Capital Assets
(net of depreciation/amortization)

	Governmental Activities	Business-Type Activities	Total
Land	$ 2,633,276	$ -	$ 2,633,276
Construction in progress	267,971	627,521	895,492
Building and improvements	8,780,426	6,120,666	14,901,092
Hospital building and equipment	26,958,635	-	26,958,635
Furniture and equipment	541,963	1,829,064	2,371,027
Right-of-use asset - buildings	-	56,241,103	56,241,103
Right-of-use asset - equipment	110,728	1,383,356	1,494,084
Right-of-use asset - subscriptions	122,940	488,593	611,533
Total	$ 39,415,939	$ 66,690,303	$ 106,106,242

Additional information on the District's capital assets can be found in Note 5 of this report.

Long-term liabilities. The District's long-term liabilities at September 30, 2025 included lease liability, subscription liability, compensated absences, and net pension liability.

Parker County Hospital District Long-term Liabilities

	Governmental Activities	Business-Type Activities	Total
Lease liability	$ 113,318	$ 58,517,005	$ 58,630,323
Subscription liability	74,102	395,324	469,426
Compensated absences	286,871	771,975	1,058,846
Net pension liability	143,134	698,833	841,967
Total	$ 617,425	$ 60,383,137	$ 61,000,562

Additional information on the District's long-term obligations can be found in Note 6 of this report. Additional information related to the District's pension obligations can be found in Note 10 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective, and economic uses of the District's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the District's Board of Directors sets the direction of the District, allocates its resources, and establishes its priorities.

In considering the District's budget for fiscal year 2026, the Board of Directors and management considered the following factors:

Revenue Budget Assumptions

Tax Revenue

- Adopt a tax rate of $0.084070 / $100 valuation.

EMS Net Revenue

- EMS 911 volume increases of 8.34% from fiscal year 2025.
- EMS fee schedule is set based on industry standards.

Clinic Net Revenue

- Clinic patient volume increases of 7% from fiscal year 2025.
- Clinic Medicare reimbursement rate increased from $152/patient to $165/patient.
- Clinic Medicaid reimbursement rate increased from $99/patient to $102/patient. An additional increase in reimbursement rates occurred in May 2026 to $202/patient.

Expenses/Expenditures Budget Assumptions

Payroll

- Employee merit increases will average 1.86%.
- Years of experience increases will average 1.75%.
- The TCDRS plan has an employer match increased from 100% to 125% and the vesting period decreased from 10 years to 8 years; employee contribution rate remains at 6%.
- Dental and Vision insurance premiums are budgeted with a 20% increase.

Indigent Care Expenditures

- Unduplicated clients increase of 52% from fiscal year 2025.
- Average cost of healthcare increase of 48% from fiscal year 2025.

Capital Budget Assumptions

- Purchase of two Medpods for Telemedicine.
- IT mini split replacement.
- Phase I of camera/security system upgrade.
- Portable radio replacement for EMS.
- Truck radio replacement for EMS.
- A hangar at Station 5 in Peaster.
- Two new ambulances with all the necessary equipment.
- Clinic expansion.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Administration Office at Parker County Hospital District, 1130 Pecan, Weatherford, Texas 76086.

BASIC FINANCIAL STATEMENTS

Parker County Hospital District
Statement of Net Position
September 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 62,394,817	$ 119,465	$ 62,514,282
Investments	17,082,192	-	17,082,192
Receivables (net of allowances for uncollectibles of $3,402,808)			
Patient	-	18,361,103	18,361,103
Property taxes	531,559	-	531,559
Other	109,741	-	109,741
Due from other governments	-	1,362,200	1,362,200
Interfund balances	17,107,495	(17,107,495)	-
Prepaid expenses	194,541	1,925,508	2,120,049
Inventory supplies	329,588	204,642	534,230
Capital assets			
Land and construction in progress	2,901,247	627,521	3,528,768
Other capital assets, net of depreciation/amortization	36,514,692	66,062,782	102,577,474
Total assets	137,165,872	71,555,726	208,721,598
Deferred outflows of resources			
Deferred outflows of resources - pension	311,406	1,520,396	1,831,802
Total deferred outflows of resources	311,406	1,520,396	1,831,802
Liabilities			
Accounts payable and accrued expenses	295,264	12,692,985	12,988,249
Unearned revenue - rent	49,642	-	49,642
Long-term liabilities			
Due within one year	255,818	6,153,392	6,409,210
Due in more than one year	361,607	54,229,745	54,591,352
Total liabilities	962,331	73,076,122	74,038,453
Deferred inflows of resources			
Public-private partnership arrangement	66,935,153	-	66,935,153
Total deferred inflows of resources	66,935,153	-	66,935,153
Net position			
Net investment in capital assets	39,228,519	7,777,974	47,006,493
Restricted - opioid abatement	410,959	-	410,959
Unrestricted	29,940,316	(7,777,974)	22,162,342
Total net position	$ 69,579,794	$ -	$ 69,579,794

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

Parker County Hospital District
Statement of Activities
For the Fiscal Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes In Net Position: Governmental Activities	Net (Expense) Revenue and Changes In Net Position: Business-type Activities	Net (Expense) Revenue and Changes In Net Position: Total
Governmental activities						
General government	$ 9,036,362	$ 3,241,303	$ -	$ (5,795,059)	$ -	$ (5,795,059)
Outreach	3,806,979	416,587	683,041	(2,707,351)	-	(2,707,351)
Medical assistance	2,377,382	-	897,667	(1,479,715)	-	(1,479,715)
Interest and fiscal charges	6,161	-	-	(6,161)	-	(6,161)
Total governmental activities	15,226,884	3,657,890	1,580,708	(9,988,286)	-	(9,988,286)
Business-type activities						
Emergency medical services	22,376,062	8,212,719	748,161	-	(13,415,182)	(13,415,182)
Clinic services	4,615,081	2,710,279	148,928	-	(1,755,874)	(1,755,874)
Nursing home services	60,176,665	53,647,675	8,184,795	-	1,655,805	1,655,805
Total business-type activities	87,167,808	64,570,673	9,081,884	-	(13,515,251)	(13,515,251)
Total primary government	$ 102,394,692	$ 68,228,563	$ 10,662,592	(9,988,286)	(13,515,251)	(23,503,537)
General revenues						
Property taxes				24,882,333	-	24,882,333
Interest income (expense)				3,538,821	-	3,538,821
Other income				55,276	-	55,276
Insurance proceeds				-	46,737	46,737
Gain on disposal of assets				-	6,677	6,677
Transfers, net				30,136	(30,136)	-
Total general revenues and transfers				28,506,566	23,278	28,529,844
Change in net position				18,518,280	(13,491,973)	5,026,307
Net position, beginning of year				51,061,514	13,491,973	64,553,487
Net position, end of year				$ 69,579,794	$ -	$ 69,579,794

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

Parker County Hospital District
Balance Sheet
Governmental Funds
September 30, 2025

	General Fund	Non-major Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 61,983,858	$ 410,959	$ 62,394,817
Investments	17,082,192	-	17,082,192
Receivables			
Property taxes (net of allowance for uncollectibles of $239,950)	531,559	-	531,559
Other	109,741	-	109,741
Due from other funds	17,107,495	-	17,107,495
Prepaid expenses	194,541	-	194,541
Inventory supplies	329,588	-	329,588
Total assets	$ 97,338,974	$ 410,959	$ 97,749,933
Liabilities			
Accounts payable and accrued expenses	$ 294,438	$ -	$ 294,438
Total liabilities	294,438	-	294,438
Deferred inflows of resources			
Public-private partnership arrangement	25,053,711	-	25,053,711
Unavailable revenue - rent	49,642	-	49,642
Unavailable revenue - property taxes	349,815	-	349,815
Total deferred inflows of resources	25,453,168	-	25,453,168
Fund balance			
Nonspendable for:			
Prepaid expenses	194,541	-	194,541
Inventory supplies	329,588	-	329,588
Assigned for:			
Capital projects	4,493,640	-	4,493,640
Emergency repair and replacement	1,500,000	-	1,500,000
Helicopter start-up	850,000	-	850,000
Expansion	2,000,000	-	2,000,000
Equipment purchases	350,000	-	350,000
Clinic	3,000,000	-	3,000,000
Medical office building	8,000,000	-	8,000,000
Contingency	1,380,000	-	1,380,000
Restricted - opioid abatement	-	410,959	410,959
Unassigned	49,493,599	-	49,493,599
Total fund balance	71,591,368	410,959	72,002,327
Total liabilities, deferred inflows of resources, and fund balance	$ 97,338,974	$ 410,959	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			39,415,939
Deferred outflows of resources for pension are not financial resources, and, therefore, are not reported in the funds.			311,406
Property taxes receivable, net of allowance, that are not collectible within 60 days of fiscal year end are not available to pay for current period expenditures and, therefore, are deferred in the funds.			349,815
Deferred inflows of resources for public-private partnership arrangements in governmental activities includes improvements, which included in capital assets and are not financial resources and, therefore, are not reported in the funds. This is the effect of the difference in the two statements.			(41,881,442)
Some liabilities including net pension liability, compensated absences, and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.			(618,251)
Net position of governmental activities - statement of net position			$ 69,579,794

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

Parker County Hospital District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended September 30, 2025

	General Fund	Non-major Special Revenue Fund	Total Governmental Funds
Revenues			
Property taxes	$ 24,911,869	$ -	$ 24,911,869
Patient fees	416,587	-	416,587
Rental revenue	1,254,832	-	1,254,832
Intergovernmental revenue	1,167,334	413,374	1,580,708
Interest income	3,538,821	-	3,538,821
Other	48,276	7,000	55,276
Total revenues	31,337,719	420,374	31,758,093
Expenditures			
Current			
General government	4,876,298	-	4,876,298
Outreach	3,190,225	9,415	3,199,640
Medical assistance	2,377,382	-	2,377,382
Capital outlay	990,418	-	990,418
Debt service			
Principal	134,047	-	134,047
Interest	7,996	-	7,996
Total expenditures	11,576,366	9,415	11,585,781
Excess of revenues over expenditures	19,761,353	410,959	20,172,312
Other financing sources (uses)			
Transfers in	1,655,805	-	1,655,805
Transfers out	(1,625,669)	-	(1,625,669)
Total other financing sources (uses)	30,136	-	30,136
Change in fund balance	19,791,489	410,959	20,202,448
Fund balance, beginning of year	51,799,879	-	51,799,879
Fund balance, end of year	$ 71,591,368	$ 410,959	$ 72,002,327

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

Parker County Hospital District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities
September 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds		$ 20,202,448
The governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.		
Capital outlay	$ 990,418	
Depreciation/amortization expense	(4,672,551)	(3,682,133)
Property taxes that are earned but not available are reported as revenue in the statement of activities but are not reported as revenue in the governmental funds.		(29,536)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.		
Compensated absences	$ (60,445)	
Interest expense	1,837	(58,608)
Public-Private Partnership Arrangement revenue reported in the statement of activities does not involve the receipt of current financial resources and, therefore, is not reported as revenue in the funds.		1,986,471
Pension expense in the funds is recorded as contributions when made to the TCDRS plan. Pension expense in governmental activities is recorded as the TCDRS plan's pension expense for the measurement period. This is the effect of the differences between the two statements.		(34,409)
The issuance of long-term debt (e.g. lease liabilities and subscription liabilities) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on net position. This amount is the net effect of these transactions in the treatment of long-term debt and related items.		
Lease liability payments	$ 29,774	
Subscription liability payments	104,273	134,047
Change in net position of governmental activities - statement of activities		$ 18,518,280

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

Parker County Hospital District
Statement of Net Position
Enterprise Funds
September 30, 2025

	Emergency and Clinical Services	Nursing Home Services	Total Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	$ -	$ 119,465	$ 119,465
Receivables			
Patient (net of allowance for uncollectibles of $3,162,858)	5,111,133	13,249,970	18,361,103
Due from other governments	5,980	1,356,220	1,362,200
Prepaid expenses	71,412	1,854,096	1,925,508
Inventory supplies	204,642	-	204,642
Total current assets	5,393,167	16,579,751	21,972,918
Noncurrent assets			
Capital assets, net of depreciation/amortization	10,495,000	56,195,303	66,690,303
Total noncurrent assets	10,495,000	56,195,303	66,690,303
Total assets	15,888,167	72,775,054	88,663,221
Deferred outflows of resources			
Deferred outflows of resources - pension	1,520,396	-	1,520,396
Total deferred outflows of resources	1,520,396	-	1,520,396
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	713,713	11,979,272	12,692,985
Due to other funds	13,570,921	3,536,574	17,107,495
Leases - current portion	203,975	5,203,485	5,407,460
Subscriptions - current portion	155,127	-	155,127
Compensated absences - current portion	590,805	-	590,805
Total current liabilities	15,234,541	20,719,331	35,953,872
Noncurrent liabilities			
Leases	1,053,822	52,055,723	53,109,545
Subscriptions	240,197	-	240,197
Net pension liability	698,833	-	698,833
Compensated absences	181,170	-	181,170
Total noncurrent liabilities	2,174,022	52,055,723	54,229,745
Total liabilities	17,408,563	72,775,054	90,183,617
Net position			
Net investment in capital assets	8,841,879	(1,063,905)	7,777,974
Unrestricted	(8,841,879)	1,063,905	(7,777,974)
Total net position	$ -	$ -	$ -

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

Parker County Hospital District
Statement of Revenues, Expenses, and Changes in Net Position
Enterprise Funds
For the Fiscal Year Ended September 30, 2025

	Emergency and Clinical Services	Nursing Home Services	Total Enterprise Funds
Operating revenues			
EMS patient revenue, net of discounts and allowances of $14,019,359	$ 8,212,719	$ -	$ 8,212,719
Clinic patient revenue, net of discounts and allowances of $1,949,710	2,710,279	-	2,710,279
Nursing home revenue, net of discounts and allowances of $6,679,400	-	52,805,853	52,805,853
Intergovernmental revenues	897,089	8,184,795	9,081,884
Miscellaneous operating revenue	-	841,822	841,822
Total operating revenues	11,820,087	61,832,470	73,652,557
Operating expenses			
Personnel services	19,143,280	-	19,143,280
Supplies	1,746,495	2,215,085	3,961,580
Repair and maintenance	634,828	297,200	932,028
Contracted services	2,982,236	39,998,822	42,981,058
Rent	-	187,719	187,719
Utilities	261,882	1,186,762	1,448,644
QIPP expenses	-	4,045,283	4,045,283
Other expenses	330,620	5,383,495	5,714,115
Depreciation/amortization	1,832,514	5,901,788	7,734,302
Total operating expenses	26,931,855	59,216,154	86,148,009
Operating income (loss)	(15,111,768)	2,616,316	(12,495,452)
Nonoperating revenues (expenses)			
Insurance proceeds	46,737	-	46,737
Interest expense	(59,288)	(960,511)	(1,019,799)
Gain on disposal of assets	6,677	-	6,677
Total nonoperating revenues (expenses)	(5,874)	(960,511)	(966,385)
Income (loss) before transfers	(15,117,642)	1,655,805	(13,461,837)
Transfers in	1,625,669	-	1,625,669
Transfers out	-	(1,655,805)	(1,655,805)
Total transfers	1,625,669	(1,655,805)	(30,136)
Change in net position	(13,491,973)	-	(13,491,973)
Net position - beginning of year	13,491,973	-	13,491,973
Net position - end of year	$ -	$ -	$ -

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

Parker County Hospital District
Statement of Cash Flows
Enterprise Funds
September 30, 2025

	Emergency and Clinical Services	Nursing Home Services	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from and on behalf of patients	$ 10,568,732	$ 51,788,854	$ 62,357,586
Cash paid to suppliers and contractors	(6,129,283)	(51,818,231)	(57,947,514)
Cash paid to employees	(18,908,750)	-	(18,908,750)
Cash received from intergovernmental agencies	898,642	7,883,641	8,782,283
Net cash provided by (used in) operating activities	(13,570,659)	7,854,264	(5,716,395)
Cash flows from noncapital financing activities:			
Cash received from (paid to) other funds	15,196,278	(1,125,944)	14,070,334
Net cash provided by (used in) noncapital financing activities	15,196,278	(1,125,944)	14,070,334
Cash flows from capital and related financing activities:			
Proceeds from insurance	46,737	-	46,737
Principal payments on lease liability	(197,604)	(5,781,867)	(5,979,471)
Principal payments on subscription liability	(192,388)	-	(192,388)
Purchase of capital assets	(1,222,439)	-	(1,222,439)
Interest paid	(61,869)	(934,975)	(996,844)
Proceeds from disposal of capital assets	1,944	-	1,944
Net cash used in capital and related financing activities	(1,625,619)	(6,716,842)	(8,342,461)
Net change in cash	-	11,478	11,478
Cash and cash equivalents at beginning of year	-	107,987	107,987
Cash and cash equivalents at end of year	$ -	$ 119,465	$ 119,465
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	$ (15,111,768)	$ 2,616,316	$ (12,495,452)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation/amortization	1,832,514	5,901,788	7,734,302
(Increase) decrease in:			
Receivables	(354,266)	(2,987,901)	(3,342,167)
Due from other governments	1,553	(301,154)	(299,601)
Prepaid expenses	(12,177)	933,850	921,673
Inventory supplies	13,331	-	13,331
Deferred outflows of resources	(134,466)	-	(134,466)
Increase (decrease) in:			
Accounts payable and accrued expenses	(105,729)	1,691,365	1,585,636
Compensated absences	(2,109)	-	(2,109)
Net pension liability	302,458	-	302,458
Net cash provided by (used in) operating activities	$ (13,570,659)	$ 7,854,264	$ (5,716,395)
Non-cash capital and related financing activities:			
Modification of lease term - right-of-use assets	$ -	$ 160,301	$ 160,301
Acquisition of capital assets - right-of-use assets	-	39,576,944	39,576,944
Total non-cash capital and related financing activities	$ -	$ 39,737,245	$ 39,737,245

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

NOTES TO THE
BASIC FINANCIAL STATEMENTS

Parker County Hospital District
Notes to the Financial Statements
September 30, 2025

Note 1. Summary of Significant Accounting Policies

The accounting policies of Parker County Hospital District (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following are the most significant accounting policies.

Financial Reporting Entity

The District is a political subdivision of the State of Texas and operations are administered through a Board of Directors elected by the citizens of the District. The District's mission is to provide emergency services for Parker County, Texas through the District's EMS program and to provide affordable primary care through the operations of the clinic, as well as to promote a healthier community through the Outreach program which offers immunizations, health screenings, and other preventative healthcare services to the community.

The District has entered into an operations transfer agreement with six skilled nursing facilities, which transferred the operations and certain operating assets of each facility to the District. In connection with the operations transfer agreement, the District records all patient revenue, including the related accounts receivable, along with all operating expenses, incentive payments paid to each management company, and quality incentive fees paid to each management company of the facilities. The District also received an assignment of the Medicare and Medicaid Provider Agreements for each facility. In addition to the transfer agreement, the District entered into a management agreement with each facility whereby the applicable management company will manage the facility on behalf of the District. Further, the District entered into a sublease agreement with each management company / sublandlord for the sublease of real property and capital assets of each facility.

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Government-wide Financial Statements

The two government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the District. Governmental activities, which include those activities primarily supported by taxes or intergovernmental revenue, are reported separately from business-type activities, which generally rely on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Statement of Activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, interest income, and other items not categorized as program revenues are reported as general revenues.

Note 1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds to aid financial management activities and to demonstrate legal compliance. Separate financial statements are provided for governmental funds and proprietary funds. The District has no fiduciary funds. These statements present each major fund as a separate column in the fund financial statements, while the nonmajor fund (a special revenue fund) is presented in a single column.

Governmental Fund Financial Statements

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The District reports the following major governmental fund:

> The General Fund is the main operating fund of the District and is always classified as a major fund. This fund is used to account for all the financial resources that are not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Fund Financial Statements

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges to patients for medical services and charges related to nursing home services. The principal operating expenses for the proprietary funds include the cost of services, personnel, supplies, rent, depreciation/amortization on capital assets, and other expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District reports the following major proprietary funds:

> The Emergency and Clinical Services Fund is used to account for the operations of emergency services provided through the EMS program and medical services provided by the District's healthcare clinic.
>
> The Nursing Home Services Fund is used to account for the operations of six nursing homes, as described in the Financial Reporting Entity note above.

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported and accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these activities are included in the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been met.

Note 1. Summary of Significant Accounting Policies (continued)

The governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. This focus is on the determination of and changes in financial position. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Revenues from taxes are considered available if received within 60 days after the fiscal year-end. Revenue from contributions and other grants are recognized when applicable eligibility requirements, including time requirements, are met and are considered available if received within 60 days after the fiscal year-end. Revenues are classified as program revenues or general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and various other revenues. Expenditures are recorded when the related liability is incurred and payment is due, except for certain estimated liabilities which are recorded only when the obligation has matured and is due and payable shortly after year-end as required by GAAP.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

a) On or before the first day of September of each year and at least thirty days prior to adoption of a tax rate for the current fiscal year, the Chief Executive Officer submits to the Board of Directors a balanced budget for the ensuing fiscal year.

b) The Board of Directors holds one or more public hearings on the proposed budget prior to the final adoption.

c) The Board of Directors adopts the proposed budget, with or without amendment, after public hearings and before the first day of the ensuing fiscal year.

d) Formal budgetary integration is employed as a management control device during the year.

e) The annual budget is adopted on a basis consistent with generally accepted accounting principles.

f) Unused appropriations of the annually budgeted funds lapse at the end of each fiscal year.

g) The Board of Directors may authorize additional appropriations during the year.

h) During the fiscal year, the Board of Directors authorizes and approves amendments to the budget at the department level.

Cash and Cash Equivalents

For the purposes of the accompanying Statement of Cash Flows, the District considers all liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Note 1. Summary of Significant Accounting Policies (continued)

Ad Valorem Tax Revenues and Accounts Receivable

Ad valorem taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue when they become available beginning on the date of levy, October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. In the governmental fund financial statements, taxes not expected to be collected within 60 days of the fiscal year end are recorded as deferred inflows of resources and are recognized when they become available.

The District has estimated an allowance for uncollectible property taxes based upon historical collection information and aged account balances.

Patient Revenue and Accounts Receivable

The District has agreements with third-party payers that provide payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party 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.

The District reports patient accounts receivable for services rendered at net of 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.

Inventory

Inventory consists of medical and pharmaceutical supplies. Inventory is accounted for under the purchase method in which the cost is recorded as an expenditure at the time inventory is purchased. Quantities on hand at fiscal year end are recorded in the financial statements at the lower of cost or market on a first-in, first-out basis.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, hospital building and equipment, furniture and equipment, and right-of-use assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, with the exception of right-of-use assets, are defined by the District as assets with an initial individual cost of $10,000 or more and an estimated useful life of at least three years following the acquisition date. The District capitalizes right-of-use assets with an initial value of $50,000 or more. Purchased or constructed capital assets are recorded at historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Note 1. Summary of Significant Accounting Policies (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Capital assets other than right-of-use assets are depreciated using the straight-line method over the estimated useful life of each asset. Right-of-use assets are amortized using the straight-line method over the shorter of the lease/subscription term or the useful life of the underlying asset. The following estimated useful lives are used by the District:

Buildings and improvements	20-40 years
Furniture and equipment	3-20 years
Hospital building and equipment	10-20 years
Right-of-use assets – buildings	24-257 months
Right-of-use assets – equipment	48-60 months
Right-of-use assets – subscriptions	2-9 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has deferred outflows of resources related to the pension plan reported in the government-wide and enterprise funds' statements of net position. See additional information in Note 10 related to the pension plan.

In addition to liabilities, the statement of net position and balance sheet include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has deferred inflows of resources related to unavailable revenue from property taxes, the service concession agreement for the lease of the hospital facilities, and the lease of building space reported in the governmental fund balance sheet. Deferred inflows of resources related to the service concession agreement are reported in the government-wide statement of net position. See additional information in Note 7 related to the lease of building space and Note 11 related to the lease of the hospital facilities.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

> *Net investment in capital assets* consists of all capital assets net of accumulated depreciation/amortization and reduced by outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets.
>
> *Restricted net position* consists of external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, enabling legislation, and constitutional provisions.
>
> *Unrestricted net position* represents net position not restricted for any project or other purpose.

When both restricted and unrestricted net position are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 1. Summary of Significant Accounting Policies (continued)

Fund Balance

Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance includes amounts that are not in spendable form, or are legally or contractually required to be maintained intact.

Restricted Fund Balance includes amounts that have constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments.

Committed Fund Balance includes amounts that can only be used for the specific purposes determined by a formal action by the Board of Directors. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

Assigned Fund Balance includes amounts intended to be used for specific purposes that are neither restricted nor committed. Fund balance may be assigned by the Chief Executive Officer or his designee. The Board of Directors established the authority to assign amounts to be used for specific purposes through a formal action.

Unassigned Fund Balance represents the residual classification of all spendable amounts not contained within the other classifications.

When multiple categories of fund balance are available for expenditure, the District will first spend the most restricted funds before moving to the next most restrictive category with available funds.

The District's policy is to maintain a minimum unassigned fund balance in the General Fund of 25 percent of the subsequent year's budgeted expenditures and outgoing transfers. The District met this minimum unassigned fund balance requirement as of September 30, 2025.

Quality Incentive Payment Program

Effective September 1, 2017, the Texas Health and Human Services Commission (HHSC) implemented a Quality Incentive Payment Program (QIPP) for non-state government-owned nursing facilities. The QIPP is designed to incentivize nursing facilities to improve the quality and innovation of their services by using the Centers for Medicare and Medicaid (CMS) 5-star rating system as its measure of success. The District participated in this program during the fiscal year ended September 30, 2025. Revenues related to the QIPP are included in intergovernmental revenues and expenses are in the applicable QIPP expense account in the Nursing Home fund on the enterprise fund financial statements.

Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity and indigent care policies. Indigent care expenses included in medical assistance expenses were $1,631,921 for the year ended September 30, 2025.

Note 1. Summary of Significant Accounting Policies (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to / deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of New Accounting Standard

During the year ended September 30, 2025, the District implemented the following new accounting standards:

Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. There was no effect on beginning net position or fund balance due to the implementation of this standard.

Governmental Accounting Standards Board Statement No. 102, *Certain Risk Disclosures.* This statement requires governments to disclose information about certain risks that could significantly affect their ability to continue to provide services or meet obligations as they come due. The District evaluated its potential exposures in accordance with the requirements of this statement and determined that no additional disclosures were necessary.

Note 2. Deposits and Investments

Chapter 2256 of the Texas Government code (the Public Funds Investment Act) authorizes the District to invest its funds under a written investment policy (the Investment Policy) that primarily emphasizes safety of principal, maintenance of adequate liquidity, diversification, and maximization of interest earnings. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The District's deposits and investments are invested pursuant to the Investment Policy. The Investment Policy includes a list of authorized investment instruments and a maximum allowable maturity of any individual investment. In addition, it includes an investment strategy that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, safety of principal, liquidity, marketability, diversification and yield. To ensure adequate liquidity, the maximum stated maturity of any investment may not exceed two years and the maximum weighted average maturity of the overall portfolio may not exceed one year.

The District is authorized to invest in the following investment instruments as further described in the Public Funds Investment Act:

1. Obligations, including letters of credit, of the United States Government, its agencies and instrumentalities, including the Federal Home Loan Banks, excluding collateralized mortgage obligations;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund (NCUSIF) or by the explicit full faith and credit of the United States;
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
5. Fully insured or collateralized certificates of deposit, or other forms of deposit, from any financial institution with a main or branch office in the State of Texas and under the terms of a written depository agreement with that institution;
6. AAA-rated, no load, Security and Exchange Commission registered money market mutual funds that conform to the requirements of the Public Funds Investment Act; and
7. AAA-rated, constant dollar Texas Local Investment Pools as defined by the Public Funds Investment Act.

All investments held by the District at September 30, 2025 were in TexSTAR, an eligible local government investment pool.

Note 2. Deposits and Investments (continued)

External Investment Pools

As of September 30, 2025, the District's investments consisted of external investment pools in compliance with the District's Investment Policy. The following investments are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code:

Texas Short Term Asset Reserve Program (TexSTAR) is a public funds investment pool governed by a board of directors. TexSTAR maintains an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Members are appointed and serve at the will of the board of directors.

The external investment pool uses amortized cost to value portfolio assets and follows the criteria established by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The stated objective of the Pool is to maintain a stable average of $1.00 per unit net asset value. There are no limitations or restrictions on withdrawals. As of September 30, 2025, TexSTAR had a weighted average maturity (WAM) of 50 days.

The District's deposits and investments may be exposed to the following types of risks:

Interest Rate Risk – Investments are exposed to interest rate risk if there are changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways that the District manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter-term investments with an average maturity of less than 60 days, thus reducing the interest rate risk.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations or in the event of a bank failure, a government's deposits may not be returned to it. State statute requires that investments in Local Government Investment Pools be rated AAA or the equivalent by a nationally recognized credit rating agency. As of September 30, 2025, the TexSTAR investment pool was rated AAAm by Standard & Poor's.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Government's investment in a single issuer. The District places no limit on the amount that may be invested in any one issuer. As of September 30, 2025, 100% of the District's portfolio was invested in TexSTAR.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At September 30, 2025, the District's cash and cash equivalents were insured or collateralized with securities held by the District or by its agent in the District's name.

Note 2. Deposits and Investments (continued)

Public Funds Investment and Collateral Acts

State statues require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits plus the amount of any accrued interest. As of September 30, 2025, the market values of pledged securities and FDIC exceeded the required balances. In addition, the District is required to adopt certain standards as it relates to the investment and maintenance of public funds. The District was in compliance with the requirement Public Funds Investment Act and the Public Funds Collateral Act.

Note 3. Patient Accounts Receivable

Receivable balances have been disaggregated by type and presented separately in the financial statements. Patient receivables, including the applicable allowances for uncollectible accounts, as of September 30, 2025, are presented below.

	Patient Receivables	
	Emergency and Clinical Services	Nursing Home Services
Gross receivables	$ 7,398,911	$ 14,125,050
Less: allowance for uncollectibles	2,287,778	875,080
Net receivables	$ 5,111,133	$ 13,249,970

Note 4. Disaggregation of Payable Balances

Payables at September 30, 2025 were as follows:

	Governmental Activities	General Fund	Emergency and Clinical Services	Nursing Home Services
Accounts payable	$ 183,176	$ 183,176	$ 231,632	$ 11,926,555
Salaries and benefits payable	111,262	111,262	476,523	-
Accrued interest	826	-	5,558	52,717
	$ 295,264	$ 294,438	$ 713,713	$ 11,979,272

Note 5. Capital Assets

Capital asset activity for the year ended September 30, 2025 was as follows:

	Balance 9/30/2024	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2025
Governmental activities				
Capital assets not being depreciated/amortized				
Land	$ 2,035,279	$ 597,997	$ -	$ 2,633,276
Construction in progress	201,251	66,720	-	267,971
Total capital assets not being depreciated/amortized	2,236,530	664,717	-	2,901,247
Other capital assets				
Buildings and improvements	10,356,250	-	-	10,356,250
Hospital building and equipment	106,327,665	-	-	106,327,665
Furniture and equipment	3,679,743	325,701	87,644	3,917,800
Right-of-use assets - equipment	152,846	-	-	152,846
Right-of-use assets - subscriptions	532,765	-	48,241	484,524
Total other capital assets	121,049,269	325,701	135,885	121,239,085
Less accumulated depreciation/amortization for:				
Building and improvements	1,303,897	271,927	-	1,575,824
Hospital building and equipment	75,711,712	3,657,318	-	79,369,030
Furniture and equipment	2,882,263	581,218	87,644	3,375,837
Right-of-use assets - equipment	11,548	30,570	-	42,118
Right-of-use assets - subscriptions	278,307	131,518	48,241	361,584
Total accumulated depreciation/amortization	80,187,727	4,672,551	135,885	84,724,393
Other capital assets, net	40,861,542	(4,346,850)	-	36,514,692
Governmental activities capital assets, net	$ 43,098,072	$ (3,682,133)	$ -	$ 39,415,939

Note 5. Capital Assets (continued)

	Balance 9/30/2024	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2025
Business-type activities				
Capital assets not being depreciated/amortized				
Construction in progress	$ 345,843	$ 425,608	$ 143,930	$ 627,521
Total capital assets not being depreciated/amortized	345,843	425,608	143,930	627,521
Other capital assets				
Buildings and improvements	9,999,141	-	-	9,999,141
Furniture and equipment	7,026,843	940,761	478,722	7,488,882
Right-of-use asset - buildings	32,341,689	39,576,944	2,266,095	69,652,538
Right-of-use asset - equipment	1,785,151	-	-	1,785,151
Right-of-use asset - subscriptions	919,866	-	63,763	856,103
Total other capital assets	52,072,690	40,517,705	2,808,580	89,781,815
Less accumulated depreciation/amortization for:				
Building and improvements	3,516,588	361,887	-	3,878,475
Furniture and equipment	5,124,115	1,019,157	483,454	5,659,818
Right-of-use asset - buildings	9,569,641	5,947,589	2,105,795	13,411,435
Right-of-use asset - equipment	205,265	196,530	-	401,795
Right-of-use asset - subscriptions	222,134	209,139	63,763	367,510
Total accumulated depreciation/amortization	18,637,743	7,734,302	2,653,012	23,719,033
Other capital assets, net	33,434,947	32,783,403	155,568	66,062,782
Business type activities capital assets, net	$ 33,780,790	$ 33,209,011	$ 299,498	$ 66,690,303

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 4,107,134
Outreach	565,417
Total governmental activities depreciation/amortization	$ 4,672,551
Business-type activities:	
Emergency medical services	$ 1,723,031
Clinic	109,483
Nursing homes	5,901,788
Total business-type activities depreciation/amortization	$ 7,734,302

Note 6. Long-term Obligations

The following is a summary of the changes by type of debt for the year ended September 30, 2025:

	Balance 9/30/2024	Additions	Retirements	Balance 9/30/2025	Due Within One Year
Governmental activities					
Lease liability	$ 143,092	$ -	$ 29,774	$ 113,318	$ 30,564
Subscription liability	178,375	-	104,273	74,102	33,450
Compensated absences*	226,426	60,445	-	286,871	191,804
Net pension liability	81,185	208,397	146,448	143,134	-
Total governmental activities	629,078	268,842	280,495	617,425	255,818
Business-type activities					
Lease liability	25,079,834	39,576,944	6,139,773	58,517,005	5,407,460
Subscription liability	587,712	-	192,388	395,324	155,127
Compensated absences*	774,084	-	2,109	771,975	590,805
Net pension liability	396,375	1,017,470	715,012	698,833	-
Total business-type activities	26,838,005	40,594,414	7,049,282	60,383,137	6,153,392
Total	$ 27,467,083	$ 40,863,256	$ 7,329,777	$ 61,000,562	$ 6,409,210

*The change in compensated absences liability is presented as a net change.

Leases

General information related to leases is summarized below:

Governmental Activities

Asset	Term, Including Renewals	Interest Rate	Payment Amount
Equipment - Copiers	60 months	3.25%	$ 2,764

Business-type Activities

Asset	Term, Including Renewals	Interest Rate	Payment Amount
Buildings - College Park	257 months	3.00%	$ 100,000
Buildings - Hilltop Park	53 months	3.00%	100,000
Buildings - Matlock Place	29 months	3.00%	135,000
Buildings - Willow Park	140 months	3.00%	95,000
Buildings - Springtown Park	245 months	3.00%	133,000
Buildings - ESD 1 - Station 7	38 months	3.07%	4,000
Buildings - Granbury Trinity	24 months	3.00%	4,842
Equipment - Lifepak Defibrillators	10 years	3.26%	196,193

Note 6. Long-term Obligations (continued)

There are no variable payments or residual value guarantees or penalties not included in the measurement of the leases. The District did not have any commitments under leases not yet commenced at fiscal year-end, components of losses associated with asset impairments, or sublease transactions.

The annual requirements to amortize lease liabilities as of September 30, 2025 are as follows:

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2026	$ 30,564	$ 2,600	$ 5,407,460	$ 1,686,834
2027	31,373	1,790	4,254,626	1,536,826
2028	32,203	960	3,873,428	1,414,766
2029	19,178	168	2,975,213	1,312,980
2030	-	-	3,066,079	1,222,114
Thereafter	-	-	38,940,199	8,675,187
Total	$ 113,318	$ 5,518	$ 58,517,005	$ 15,848,707

Subscription Liabilities

General information related to subscription liabilities is summarized below:

Governmental Activities

Software	Term, Including Renewals	Interest Rate	Payment Amount
Website Programming	36 months	3.12%	$ 795
Phone System	36 months	3.12%	386
Patient Engagement Platform	48 months	2.53%	725
Lease/SBITA Management	3 years	2.31%	13,500
Antivirus Protection	4 years	3.07%	3,855
Financial Management	3 years	3.12%	51,195
Mobile Device Management	3 years	2.70%	5,226
Cloud Workload Security	4 years	2.70%	9,784
Timekeeping	5 years	2.28%	7,789

Note 6. Long-term Obligations (continued)

Business-type Activities

Software	Term, Including Renewals	Interest Rate	Payment Amount
Patient Engagement Platform	48 months	3.48%	$ 900
Body Cameras	5 years	2.66%	47,253
Dash Cameras	5 years	2.28%	62,499
911 Call Recording	4 years	3.07%	7,393
EMS Digital Dashboard	4 years	3.07%	4,753
EMS Dispatch	7 years	3.07%	3,840
Station Automation	3 years	3.12%	9,520
CPR Training	2 years	3.71%	25,376
Timekeeping	3 years	2.31%	12,000
EMS Station Alert System	9 years	2.58%	15,597
EMS Training	2 years	3.11%	17,202

There are no variable payments or residual value guarantees or penalties not included in the measurement of the SBITAs. The District did not have any commitments under SBITAs not yet commenced at fiscal year end, components of losses associated with asset impairments, or sublease transactions.

The annual requirements to amortize subscription liabilities as of September 30, 2025 are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	$ 33,450	$ 1,732	$ 155,127	$ 9,944
2027	31,572	913	148,972	5,840
2028	9,080	207	91,225	2,211
Total	$ 74,102	$ 2,852	$ 395,324	$ 17,995

Compensated Absences

District policy allows the accrual of paid time off and sick pay benefits for all full-time employees. Paid time off compensation is paid upon termination if the employee has been continuously employed for 90 days or more and resigns and gives two weeks' notice or if the employee retires. Lifecare employees are eligible to accrue up to 610 hours and all other employees are eligible to accrue up to 400 hours. The District considers accrued hours in excess of 240 for Lifecare employees and 160 for all other employees to be long-term liabilities. Sick pay is not paid upon termination for any reason.

Compensated absences are accrued and reported as liabilities in the government-wide and proprietary fund financial statements in accordance with GASB Statement No. 101, *Compensated Absences*. In the governmental fund financial statements, compensated absences are reported only to the extent that they have matured and are payable to employees who have terminated employment and are expected to be paid with available, spendable resources. At September 30, 2025, the total aggregate liability for compensated absences was $1,058,846.

Note 7. Lessor Agreements

The District is a lessor for a noncancellable lease of property with a lease term of two years, commencing July 1, 2024 and terminating on June 30, 2026. Lease payments of $5,690 are due monthly at an interest rate of 3.00%.

At September 30, 2025, the District reported $50,574 in lease receivable, which is included in other receivables on the Statement of Net Position and Balance Sheet. For the fiscal year, the District recognized $66,189 of lease revenue and $2,088 of lease interest revenue.

There are no variable payments or residual value guarantees or penalties not included in the measurement of the leases. The District did not have any commitments under leases not yet commenced at fiscal year-end, components of losses associated with asset impairments, or sublease transactions.

Lease receivable as of September 30, 2025 is as follows:

Year Ending September 30,	Principal	Interest
2026	$ 50,574	$ 634
Total	$ 50,574	$ 634

Note 8. Interfund Activity

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of September 30, 2025:

Receivable Fund	Payable Fund	Amount
General Fund	EMS Fund	$ 13,570,921
General Fund	Nursing Home Services Fund	3,536,574
Total		$ 17,107,495

The amount payable by the Emergency and Clinical Services Fund to the General Fund is to cover temporary cash shortages. The amount payable by the Nursing Home Services Fund is the District's percentage of the intergovernmental revenue that has not been received in the Nursing Home Services Fund.

Note 8. Interfund Activity (Continued)

Interfund transfers during the fiscal year were as follows:

Fund	Transfers In	Transfers Out	Total
General Fund	$ 1,655,805	$ (1,625,669)	$ 30,136
Emergency and Clinical Services Fund	1,625,669	-	1,625,669
Nursing Home Services Fund	-	(1,655,805)	(1,655,805)
Total transfers	$ 3,281,474	$ (3,281,474)	$ -

Transfers are generally used to (1) transfer funds from the General Fund to the Emergency and Clinical Services Fund to cover operating losses and cash shortages and (2) to transfer the District's percentage of the intergovernmental revenue reported in the Nursing Home Services Fund to the General Fund.

Note 9. Net Patient Service Revenue

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

Medicare – All outpatient acute care 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 – Outpatient and physician services are reimbursed under a mixture of fee schedules and cost reimbursement. 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 62.7% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the year ended September 30, 2025. Settlements under reimbursement agreements with Medicare and Medicaid programs are estimated and recorded in the period the related services are rendered and are adjusted in future periods as adjustments become known or as the service years are no longer subject to audit, review or investigation. Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due under the reimbursement programs. These audits often require several years to reach their financial determination of amounts earned under the programs. As a result, it is reasonably possible that recorded estimates potentially could 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 and discounts from established charges.

Note 10. Defined Benefit Pension Plan

Plan Description

The District participates in the nontraditional defined benefit pension plan administered by the Texas County and District Retirement System (TCDRS). TCDRS was created by the Texas Legislature and is overseen by an independent Board of Trustees, which is responsible for the administration of the System. TCDRS is a statewide, agent multiple-employer, public employee retirement system for county and district employees in the State of Texas. The TCDRS Act places the general administration and management of the System with a nine-member Board of Trustees.

TCDRS in the aggregate issues an annual comprehensive financial report on a calendar year basis. In addition, detailed information about the pension plan's fiduciary net position is available in a separately issued TCDRS financial report. Both reports are available at *www.tcdrs.org*.

Benefits Provided

All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

The plan provides retirement, disability, and survivor benefits. TCDRS is a savings-based plan. For the District's plan, 6% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 125%) and is then converted to an annuity. There are no automatic Cost of Living Adjustments (COLAs). Each year the District may elect an ad hoc COLA for its retirees. There are two COLA types, each limited by actual inflation. Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year by the Board of Directors but must remain in conformity with the Act. Plan provisions for the District are as follows:

Employee deposit rate	6%
Employer matching (future deposits)	125%
Prior service credit	50%
Years required for vesting	8
Service retirement eligibility (expressed as age/years of service)	60/8, 0/20, 80 total age plus service

Members may choose to receive their retirement benefit in one of seven actuarially equivalent payment options. The District has also opted to provide prior service which gives employees monetary credit for time worked for an organization before it joined TCDRS.

Note 10. Defined Benefit Pension Plan (continued)

Employees Covered by Benefit Terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	61
Active employees	152
Total	225

Contributions

The deposit rates for employees in TCDRS can range from 4% to 7% of employee compensation, as adopted by the employer's governing body. Participating employers are required, by law, to contribute at actuarially determined rates, although the employer may elect to contribute at a higher rate to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and are based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Employees for the District were required to contribute 6.00% of their annual gross earnings during the fiscal year. The elected contribution rate for the District for calendar years 2025 and 2024 were 6.00% and 5.18%, respectively. The District's contributions to TCDRS for the fiscal year ended September 30, 2025 were $1,007,822, which was higher than the required contributions of $872,412.

Net Pension Liability

The District's net pension liability (NPL) was measured as of December 31, 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions

For funding calculations, TCDRS uses an entry-age normal actuarial cost method assuming the current plan provisions had always been in place. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

Note 10. Defined Benefit Pension Plan (continued)

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following TCDRS system-wide and employer specific assumptions:

Real rate of return	5.00% per year
Inflation	2.50% per year
Long-term rate of return	7.50%, net of investment and administrative expenses

The assumed long-term investment return of 7.50% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.50% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.50% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.70% per year for a career employee.

Mortality rates for depositing members were based on the Pub-2010 General Employees Amount-Weighted Mortality Table for males and females as appropriate, with adjustments, projected with 100% of the MP-2021 Ultimate scale after 2010. Service retirees, beneficiaries, and non-depositing members were based on the Pub-2010 General Retirees Amount-Weighted Mortality Table for males and females as appropriate, projected with 100% of the MP-2021 Ultimate scale after 2010. Disabled retirees were based on the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and females as appropriate, projected with 100% of the MP-2021 Ultimate scale after 2010.

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2024. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Discount Rate

The discount rate is a single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Note 10. Defined Benefit Pension Plan (continued)

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

Since the projected fiduciary net position was projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments.

The discount rate used to measure the total pension liability is 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant. The numbers shown are based on January 2025 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years and reviewed annually for continued compliance with relevant actuarial standards of practice. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting.

Note 10. Defined Benefit Pension Plan (continued)

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation [1]	Geometric Real Rate of Return [2]
U.S. Equities	13.00%	5.35%
Global Equities	4.00%	5.15%
International Equities - Developed Markets	6.00%	4.75%
International Equities - Emerging Markets	0.00%	4.75%
Investment-Grade Bonds	3.00%	2.55%
Strategic Credit	9.00%	3.70%
Direct Lending	16.00%	6.85%
Distressed Debt	4.00%	6.80%
REIT Equities	2.00%	3.95%
Master Limited Partnerships	2.00%	4.95%
Commodities	2.00%	1.00%
Private Real Estate Partnerships	6.00%	5.75%
Private Equity	25.00%	8.15%
Hedge Funds	6.00%	3.60%
Cash Equivalents	2.00%	1.10%
Total	100.00%	

[1] Target asset allocation adopted at the March 2025 TCDRS Board meeting.

[2] Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.35%, per Cliffwater's 2025 capital market assumptions.

Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease in Discount Rate (6.60%)	Current Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Net pension liability (asset)	$ 4,131,453	$ 841,967	$ (1,837,960)

Note 10. Defined Benefit Pension Plan (continued)

Changes in Net Pension Liability

Changes in the NPL	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of December 31, 2023	$ 14,682,528	$ 14,204,968	$ 477,560
Changes for the year:			
Service cost	1,246,505	-	1,246,505
Interest on total pension liability	1,198,765	-	1,198,765
Effect of plan changes	857,040	-	857,040
Effect of economic / demographic gains or losses	481,653	-	481,653
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(64,767)	(64,767)	-
Benefit payments	(252,659)	(252,659)	-
Administrative expenses	-	(9,421)	9,421
Member contributions	-	997,830	(997,830)
Net investment income	-	1,480,619	(1,480,619)
Employer contributions	-	861,460	(861,460)
Other	-	89,068	(89,068)
Balance as of December 31, 2024	$ 18,149,065	$ 17,307,098	$ 841,967

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the measurement period ending December 31, 2024, the District recognized pension expense of $1,210,222.

As of September 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 803,125	$ -
Changes of assumptions	355,657	4,013
Net difference between project and actual earnings	-	85,167
Contributions made subsequent to measurement date	762,200	-
Total	$ 1,920,982	$ 89,180

Note 10. Defined Benefit Pension Plan (continued)

Contributions made subsequent to measurement date of $762,200 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2026. Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	
2026	$ 167,290
2027	423,300
2028	89,127
2029	156,279
2030	95,097
Thereafter	138,509
Total	$ 1,069,602

Note 11. Public-Private Partnership Arrangement

During fiscal year 2007, the District entered into an agreement with Community Health Systems, Inc. (CHS), under which CHS will operate, improve, and collect patient fees from the District's hospital facility for 40 years. CHS paid the District a one-time payment of $49,000,000 at the inception of the agreement. As part of the agreement, CHS agreed to continue providing indigent care services to the citizens of Parker County and the District agreed to pay CHS $57,930,000 over nine years to fund the indigent care services. These payments are dependent upon CHS continuing operations. As of September 30, 2012, the District fulfilled its payment obligations under the Indigent Care Agreement. In October 2017, the agreement was assigned to Weatherford Health Services, LLC.

The District reports the facility as hospital building and equipment with a net book value of $26,958,635 at September 30, 2025.

Note 12. Subsequent Events

The District evaluated subsequent events through May 26, 2026, the date the financial statements were available to be issued and noted nothing requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

Parker County Hospital District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	$ 24,786,071	$ 25,756,071	$ 24,911,869	$ (844,202)
Patient fees	399,550	460,000	416,587	(43,413)
Rental revenue	1,283,318	1,283,318	1,254,832	(28,486)
Intergovernmental revenue	971,500	1,519,175	1,167,334	(351,841)
Interest income	3,600,000	3,600,000	3,538,821	(61,179)
Other	8,000	45,600	48,276	2,676
Total revenues	31,048,439	32,664,164	31,337,719	(1,326,445)
Expenditures				
Current				
General government	5,521,005	5,692,705	4,876,298	816,407
Outreach	3,719,380	3,811,734	3,190,225	621,509
Medical assistance	2,571,764	2,564,958	2,377,382	187,576
Capital outlay	10,306,000	10,245,400	990,418	9,254,982
Debt service				
Principal	-	134,150	134,047	103
Interest	-	8,065	7,996	69
Total expenditures	22,118,149	22,457,012	11,576,366	10,880,646
Excess of revenues over expenditures	8,930,290	10,207,152	19,761,353	9,554,201
Other financing sources and uses				
Transfers in	1,200,000	1,900,000	1,655,805	(244,195)
Transfers out	(16,841,003)	(16,841,003)	(1,625,669)	15,215,334
Total other financing sources and uses	(15,641,003)	(14,941,003)	30,136	14,971,139
Change in fund balance	$ (6,710,713)	$ (4,733,851)	19,791,489	$ 24,525,340
Fund balance, beginning of year			51,799,879	
Fund balance, end of year			$ 71,591,368	

Parker County Hospital District
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Last Ten Measurement Years

Measurement Date - December 31st: *	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	$ 1,246,505	$ 1,107,692	$ 927,053	$ 834,278	$ 577,923	$ 538,654	$ 518,029	$ 491,953	$ 480,792	$ 401,462
Interest on total pension liability	1,198,765	1,038,903	901,122	775,017	638,688	550,277	469,859	402,928	320,871	285,461
Effect of plan changes	857,040	-	-	-	-	-	-	-	-	(69,251)
Effect of assumption changes or inputs	-	-	-	76,613	714,042	-	-	(36,093)	-	27,203
Effect of economic/demographic (gains) or losses	481,653	144,812	134,290	110,338	239,278	44,829	47,116	1,860	20,004	(208,295)
Benefit payments/refunds of contributions	(317,426)	(335,775)	(324,818)	(138,088)	(90,151)	(73,242)	(52,785)	(67,768)	(62,057)	(55,900)
Net change in total pension liability	3,466,537	1,955,632	1,637,647	1,658,158	2,079,780	1,060,518	982,219	792,880	759,610	380,680
Total pension liability, beginning	14,682,528	12,726,896	11,089,249	9,431,091	7,351,311	6,290,793	5,308,574	4,515,694	3,756,084	3,375,404
Total pension liability, ending (a)	$ 18,149,065	$ 14,682,528	$ 12,726,896	$ 11,089,249	$ 9,431,091	$ 7,351,311	$ 6,290,793	$ 5,308,574	$ 4,515,694	$ 3,756,084
Fiduciary Net Position										
Employer contributions	$ 861,460	$ 707,230	$ 612,158	$ 518,582	$ 429,425	$ 825,108	$ 334,430	$ 311,823	$ 363,932	$ 351,323
Member contributions	997,830	819,185	709,063	600,675	497,403	387,034	372,970	343,922	333,327	303,737
Investment income net of investment expenses	1,480,619	1,293,647	(745,647)	1,941,127	700,796	787,989	(71,042)	468,420	172,056	(27,405)
Benefit payments/refunds of contributions	(317,426)	(335,775)	(324,818)	(138,088)	(90,151)	(73,242)	(52,785)	(67,768)	(62,057)	(55,900)
Administrative expenses	(9,421)	(7,417)	(6,835)	(6,097)	(6,091)	(5,157)	(3,860)	(2,797)	(1,871)	(1,464)
Other	89,068	64,284	149,703	30,089	25,433	39,932	19,925	7,854	65,365	(139)
Net change in fiduciary net position	3,102,130	2,541,154	393,624	2,946,288	1,556,815	1,961,664	599,638	1,061,454	870,752	570,152
Fiduciary net position, beginning	14,204,968	11,663,814	11,270,190	8,323,902	6,767,087	4,805,423	4,205,785	3,144,331	2,273,579	1,703,427
Fiduciary net position, ending (b)	$ 17,307,098	$ 14,204,968	$ 11,663,814	$ 11,270,190	$ 8,323,902	$ 6,767,087	$ 4,805,423	$ 4,205,785	$ 3,144,331	$ 2,273,579
Net Pension Liability (Asset), ending (a) - (b)	$ 841,967	$ 477,560	$ 1,063,082	$ (180,941)	$ 1,107,189	$ 584,224	$ 1,485,370	$ 1,102,789	$ 1,371,363	$ 1,482,505
Fiduciary net position as a percentage of total pension liability	95.36%	96.75%	91.65%	101.63%	88.26%	92.05%	76.39%	79.23%	69.63%	60.53%
Pensionable covered payroll	$ 16,630,501	$ 13,653,088	$ 11,817,718	$ 10,011,243	$ 8,290,054	$ 6,450,565	$ 6,216,163	$ 5,732,038	$ 5,555,438	$ 5,048,270
Net pension liability (asset) as a percentage of covered payroll	5.06%	3.50%	9.00%	-1.81%	13.36%	9.06%	23.90%	19.24%	24.69%	29.37%

* The amounts presented above are as of the measurement date of the collective net pension liability (asset).

Parker County Hospital District
Schedule of Employer Pension Contributions and Related Ratios
Last Ten Fiscal Years

Fiscal Year Ended September 30th: *	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 872,412	$ 670,610	$ 603,695	$ 556,827	$ 508,349	$ 400,082	$ 324,297	$ 337,427	$ 318,166	$ 351,894
Contributions in relation to the actuarially determined amount	$ 1,007,822	$ 798,802	$ 682,782	$ 580,355	$ 508,349	$ 900,082	$ 324,297	$ 337,427	$ 318,166	$ 351,894
Contribution deficiency (excess)	$ (135,410)	$ (128,192)	$ (79,087)	$ (23,528)	$ -	$ (500,000)	$ -	$ -	$ -	$ -
Pensionable covered payroll	$ 17,445,066	$ 15,420,885	$ 13,181,113	$ 11,203,758	$ 9,767,633	$ 7,986,848	$ 6,276,764	$ 6,195,038	$ 5,548,145	$ 5,297,174
Actual contribution as a percentage of covered payroll	5.8%	5.2%	5.2%	5.2%	5.2%	11.3%	5.2%	5.4%	5.7%	6.6%

Notes to Schedule of Contributions

Valuation Date:	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Methods and Assumptions Used to Determine Contributions Rates:	
Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	8.3 years (based on contribution rate calculated in 12/31/2024 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the PUB-2010 General Retirees Table for males and 120% of the PUB-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule. 2023: No changes in plan provisions were reflected in the Schedule. 2024: No changes in plan provisions were reflected in the Schedule.

The District made an additional payment of $500,000 in fiscal year 2020.

The District elected a higher contribution rate (5.18%) than the actuarially determined required contribution rate (4.97%) in fiscal year 2022.

The District elected a higher contribution rate (5.18%) than the actuarially determined required contribution rate (4.58%) in fiscal year 2023.

The District elected a higher contribution rate (5.18%) than the actuarially determined required contribution rate (4.28%) in fiscal year 2024.

The District elected a higher contribution rate (6.00%) than the actuarially determined required contribution rate (5.27%) in fiscal year 2025.

* The amounts presented above are as of the District's fiscal year-end.

OVERALL COMPLIANCE
AND
INTERNAL CONTROLS

SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Parker County Hospital District
Weatherford, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Parker County Hospital District (the District), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 26, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

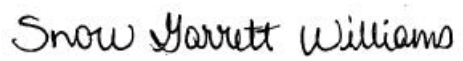
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Snow Garrett Williams
May 26, 2026