CONCHO COUNTY HOSPITAL DISTRICT

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

CPAs / ADVISORS

blue

CONCHO COUNTY HOSPITAL DISTRICT

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SEPTEMBER 30, 2025 AND 2024

CPAs/ADVISORS

blue

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REPORT OF INDEPENDENT AUDITORS

Board of Directors and Management
Concho County Hospital District
Eden, Texas

Opinion

We have audited the accompanying financial statements of the business-type activities of Concho County Hospital District (the "District"), which comprise the statements of net position as of September 30, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of the District as of September 30, 2024, were audited by D & Co. LLP, who merged with Blue & Co., LLC as of February 1, 2026, and whose report dated January 30, 2026, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 judgement, 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 and the GASB required defined benefit pension plan information on pages 4 through 9 and pages 41 through 43, respectively, 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.

Waco, Texas
September 1, 2026

CONCHO COUNTY HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025 AND 2024
(UNAUDITED)

Our discussion and analysis of Concho County Hospital District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended September 30, 2025 and 2024. Please read it in conjunction with the District's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The District's net position reflects a $157,964 or 2.6% increase in 2025 and a $2,033,243 or 25.3% decrease in 2024.
- The District reported an operating loss in 2025 and 2024 of $2,521,936 and $3,561,887, respectively.
- Net Patient Service Revenue decreased by $420,065 or 5.7% in 2025 and increased by $339,139 or 4.9% in 2024.
- During 2025, the District adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences* (GASB 101), which requires that liabilities for compensated absences be recognized for leave earned that has not been used and leave that has been used and not yet paid in cash or settled through noncash means. Implementation of GASB 101 was applied retroactively; however, no cumulative-effect adjustment to the District's net position as of October 1, 2023, was required.

USING THIS ANNUAL REPORT

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

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

Our analysis of the District's finances begins on page 5. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report on the District's net position and changes in them. You can think of the District's net position—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

USING THIS ANNUAL REPORT (CONTINUED)

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports on cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from? "What was cash used for?" and "What was the change in cash balance during the reporting period?"

THE DISTRICT'S NET POSITION

The District's net position is the difference between its assets and deferred outflows of resources and its total liabilities and deferred inflows of resources reported in the Statements of Net Position on pages 10 and 11. The District's net position increased by $157,964 or 2.6% in 2025 and decreased by $2,033,243 or 25.3% in 2024, as you can see from **Table 1**.

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

Assets and Deferred Outflows of Resources:	2025	2024	2023
Current Assets	$ 3,942,489	$ 3,890,561	$ 4,150,086
Capital and Right-to-Use Assets (Net)	4,765,780	4,202,580	4,609,384
Other Non-Current Assets	853,855	359,949	166,662
Deferred Outflows of Resources	94,379	175,508	317,134
Total Assets and Deferred Outflows of Resources	$ 9,656,503	$ 8,628,598	$ 9,243,266
Liabilities, Deferred Inflows of Resources, and Net Position			
Long-Term Debt Outstanding	$ 1,283,568	$ 410,417	$ 488,773
Other Current and Non-Current	1,247,950	2,077,315	526,008
Deferred Inflows of Resources	959,906	133,751	188,127
Total Liabilities and Deferred Inflows of Resources	3,491,424	2,621,483	1,202,908
Total Net Position	6,165,079	6,007,115	8,040,358
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 9,656,503	$ 8,628,598	$ 9,243,266

OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION

In 2025 and 2024, the District's net position increased by $157,964 and decreased by $2,033,243, respectively. This change is made up of different components, as you can see from **Table 2**.

Table 2: Operating Results and Changes in Net Position

	2025	2024	2023
Operating Revenues:			
Net Patient Service Revenue	$ 6,910,227	$ 7,330,292	$ 6,991,153
Other Operating Revenue	87,855	43,918	22,373
Total Operating Revenues	6,998,082	7,374,210	7,013,526
Operating Expenses:			
Salaries and Benefits	4,228,546	4,231,058	4,122,845
Professional Fees and Purchased Services	2,761,786	3,450,519	3,829,071
Supplies and Other	2,057,093	2,846,030	3,407,735
Depreciation and Amortization	472,593	408,490	544,422
Total Operating Expenses	9,520,018	10,936,097	11,904,073
Operating (Loss)	(2,521,936)	(3,561,887)	(4,890,547)
Nonoperating Revenues and Expenses:			
Property Tax Revenue	844,927	734,581	754,512
Payment in Lieu of Taxes	524,340	524,340	524,340
Noncapital Grants and Contributions	535,000	246,281	30,990
Investment Earnings	33,465	55,673	32,450
Interest Expense	(26,296)	(28,461)	(7,187)
Employee Retention Tax Credit Revenue	391,686	-	-
COVID-19 Federal Financial Assistance	-	-	543,977
Other Non Operating Revenue	26,778	14,370	14,600
Impairment Loss	-	(18,140)	-
Loss on Abandoned Project	-	-	(400,000)
Total Nonoperating Revenues (Expenses)	2,329,900	1,528,644	1,493,682
Excess (Deficit) of Revenues over Expenses Before Capital Grants and Contributions	(192,036)	(2,033,243)	(3,396,865)
Capital Grants and Contributions	350,000	-	-
Increase (Decrease) in Net Position	157,964	(2,033,243)	(3,396,865)
Net Position, Beginning of Year	6,007,115	8,040,358	11,437,223
Net Position, End of Year	$ 6,165,079	$ 6,007,115	$ 8,040,358

OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION (CONTINUED)

Operating Loss

The first component of the overall change in the District's net position is its operating loss - generally, the difference between net patient service revenues and the expenses incurred to perform those services. The District has reported an operating loss in 2025 and 2024 of $2,521,936 and $3,561,887, respectively.

The primary components of the decrease in operating loss in 2025 are:

- Professional Fees and Purchased Services decreased by $688,733 or 20.0%.
- Supplies and Other decreased by $788,937 or 27.7%.

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

- Net Patient Service Revenue increased by $339,139 or 4.9%.
- Professional Fees and Purchased Services decreased by $378,552 or 9.9%.
- Supplies and Other decreased by $561,705 or 16.5%.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the District, payments in lieu of taxes, and noncapital grants and contributions.

The District recognized property tax revenue of $844,927 and $734,581 in 2025 and 2024, respectively. The District also recognized payments in lieu of taxes of $524,340 and $524,340 in 2025 and 2024, respectively.

Grants, Contributions, and Endowments

The District receives grants from various state and federal agencies for specific programs. During 2025 and 2024, the District recognized $535,000 and $246,281, respectively, in noncapital grants and contributions. Additionally, during 2025 and 2024, the District recognized $350,000 and $-0-, respectively, in capital grants and contributions.

THE DISTRICT'S CASH FLOWS

The primary purpose of the statement of cash flows is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows helps assess:

- An entity's ability to generate future net cash flows
- Its ability to meet obligations as they come due
- Its need for financing

THE DISTRICT'S CASH FLOWS (CONTINUED)

	Year Ended September 30		
	2025	2024	2023
Cash Provided (Used) by:			
Operating Activities	$ (3,566,125)	$ (1,573,167)	$ (3,561,230)
Investing Activities	1,334,998	821,177	591,975
Capital and Related Financing Activities	161,062	(126,643)	(84,195)
Noncapital Financing Activities	2,797,992	1,520,163	1,699,956
Net Increase (Decrease) in Cash and Cash Equivalents	727,927	641,530	(1,353,494)
Cash and Cash Equivalents, Beginning of Year	774,761	133,231	1,486,725
Cash and Cash Equivalents, End of Year	$ 1,502,688	$ 774,761	$ 133,231

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital and Right-to-Use Assets

At September 30, 2025 and 2024, the District had $4,765,780 and $4,202,580, respectively, invested in capital, right-to-use leased assets, and right-to-use subscription-based information technology arrangements, net of accumulated depreciation and amortization, as detailed in Note 9 of the audited financial statements. The District recorded capital asset additions in the amount of $125,000 in leases and $910,792 in subscription-based information technology arrangements in 2025, and $20,164 in equipment and $43,323 in leases in 2024.

Debt

At September 30, 2025 and 2024 the District had long-term debt outstanding of $1,283,568 and $410,417, respectively, as detailed in Note 10 of the audited financial statements. During fiscal year 2025 and 2024, the District made payments of $162,642 and $93,846, respectively, on outstanding debt.

Economic Outlook

Management believes that the health care industry's and District's operating margins will continue to be under pressure due to a variety of factors including, but not limited to, uncertainty regarding health care reform, changes in payor and services mix, and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payments received for services rendered. In addition, the adoption of high-deductible health plans by employers continues to occur and patients are increasingly being held responsible for more of the cost of their care. Consequently, the healthcare marketplace has been increasingly more competitive. The District will continue to face the challenge of providing exceptional care in a challenging reimbursement environment and a more competitive landscape.

Other Economic Factors

Additionally, on January 27, 2026, the District's Board of Directors approved pursuing conversion of Concho County Hospital from a Critical Access Hospital to a Rural Emergency Hospital ("REH"), subject to required state and federal regulatory approvals. If approved, the District expects to continue providing 24-hour emergency services and outpatient services, including clinic, pharmacy, laboratory, imaging, and physical therapy services. The District would no longer provide inpatient hospital services, and patients requiring inpatient admission would be transferred to another facility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact, Administrator/CEO at Concho County Hospital District, 614 Eaker, Eden, Texas 76837.

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

AS OF SEPTEMBER 30, 2025 AND 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,502,688	$ 774,761
Short-Term Investments	-	1,301,533
Patient Accounts Receivable, Net of Allowance	1,170,873	1,554,859
Estimated Third-Party Payor Settlements	470,438	-
Other Receivables	397,187	9,770
Inventory of Supplies	366,693	188,208
Prepaid and Other Current Assets	24,243	51,063
Property Taxes Receivable	10,367	10,367
Total Current Assets	3,942,489	3,890,561
CAPITAL AND RIGHT-TO-USE ASSETS, NET	4,765,780	4,202,580
NET PENSION ASSET	853,855	359,949
Total Assets	9,562,124	8,453,090
DEFERRED OUTFLOWS OF RESOURCES		
Difference Between Projected and Actual Earnings	-	32,350
Contributions Subsequent to the Measurement Date	94,379	90,668
Difference Between Changes in Assumption	-	52,490
Total Deferred Outflows of Resources	94,379	175,508
Total Assets and Deferred Outflows of Resources	$ 9,656,503	$ 8,628,598

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

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

AS OF SEPTEMBER 30, 2025 AND 2024

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:	2025	2024
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 276,300	$ 124,655
Accounts Payable	769,403	938,180
Accrued Payroll, Benefits, and Related Liabilities	257,178	205,922
Estimated Third-Party Payor Settlements	-	730,429
Other Accrued Liabilities	74,738	111,131
Total Current Liabilities	1,377,619	2,110,317
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	1,007,268	285,762
Compensated Absences, Net of Current Portion	146,631	91,653
Total Noncurrent Liabilities	1,153,899	377,415
Total Liabilities	2,531,518	2,487,732
DEFERRED INFLOWS OF RESOURCES		
Deferred Payments in Lieu of Taxes	475,261	-
Differences Between Changes in Assumption	185	-
Differences Between Expected and Actual Experience	425,520	133,751
Differences Between Expected and Actual Investment Earnings	58,940	-
Total Deferred Inflows of Resources	959,906	133,751
Total Liabilities and Deferred Inflows of Resources	3,491,424	2,621,483
NET POSITION		
Net Investment in Capital Assets	3,482,212	3,792,163
Unrestricted	2,682,867	2,214,952
Total Net Position	6,165,079	6,007,115
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 9,656,503	$ 8,628,598

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

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES:		
Net Patient Service Revenue	$ 6,910,227	$ 7,330,292
Other Revenue	87,855	43,918
Total Operating Revenues	6,998,082	7,374,210
OPERATING EXPENSES:		
Salaries and Wages	3,285,375	3,467,640
Employee Benefits	943,171	763,418
Professional Fees and Purchased Services	2,761,786	3,450,519
Supplies	1,324,111	1,717,653
Other Operating	732,982	1,128,377
Depreciation and Amortization	472,593	408,490
Total Operating Expenses	9,520,018	10,936,097
Operating Loss	(2,521,936)	(3,561,887)
NONOPERATING REVENUES (EXPENSES):		
Property Tax Revenue	844,927	734,581
Payment in Lieu of Tax	524,340	524,340
Noncapital Grants and Contributions	535,000	246,281
Investment Earnings	33,465	55,673
Interest Expense	(26,296)	(28,461)
Employee Retention Tax Credit Revenue	391,686	-
Other Non Operating Revenue	26,778	14,370
Impairment Loss	-	(18,140)
Total Nonoperating Revenues (Expenses)	2,329,900	1,528,644
Excess (Deficit) of Revenues Over Expenses Before Capital Grants and Contributions	(192,036)	(2,033,243)
Capital Grants and Contributions	350,000	-
Increase (Decrease) in Net Position	157,964	(2,033,243)
Net Position, Beginning of Year	6,007,115	8,040,358
Net Position, End of Year	$ 6,165,079	$ 6,007,115

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

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From and on Behalf of Patients	$ 6,093,346	$ 8,182,123
Payments to Suppliers and Contractors	(4,733,449)	(5,571,103)
Payments to Employees	(4,590,067)	(4,313,875)
Other Receipts and Payments, Net	(335,955)	129,688
Net Cash Used by Operating Activities	(3,566,125)	(1,573,167)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	33,465	55,673
Purchase of Investments	-	(6,444)
Proceeds From Sale of Investments	1,301,533	771,948
Net Cash Provided by Investing Activities	1,334,998	821,177
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	350,000	-
Principal Payments on Long-Term Debt and Notes Payable	(162,402)	(93,846)
Interest Payments on Long-Term Debt and Notes Payable	(26,536)	(28,461)
Proceeds From Sale of Capital Assets	-	15,828
Purchase of Capital Assets	-	(20,164)
Net Cash Used by Capital and Related Financing Activities	161,062	(126,643)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	1,320,188	735,172
Payments in Lieu of Property Taxes	524,340	524,340
Noncapital Grants and Contributions	535,000	246,281
Employee Retention Credit	391,686	-
Other	26,778	14,370
Net Cash Provided by Noncapital Financing Activities	2,797,992	1,520,163
Net Increase in Cash and Cash Equivalents	727,927	641,530
Cash and Cash Equivalents, Beginning of Year	774,761	133,231
Cash and Cash Equivalents, End of Year	$ 1,502,688	$ 774,761

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

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
RECONCILIATION OF CASH AND EQUIVALENTS TO STATEMENTS OF NET POSITION:		
Cash and equivalents presented under the following titles:		
Cash and Cash Equivalents	$ 1,502,688	$ 774,761
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating Loss	$ (2,521,936)	$ (3,561,887)
Adjustments to Reconcile Operating Loss to Net Cash Flows Provided by Operating Activities:		
Provision for Bad Debt	(47,768)	163,348
Depreciation and Amortization	472,593	408,490
(Increase) Decrease in:		
Accounts Receivable	431,754	(659,405)
Prepaid Expenses and Other Current Assets	(539,082)	13,558
Estimated Third-Party Payor Settlements	(1,200,867)	1,347,888
Net Pension Asset	359,949	(359,949)
Deferred Outflows of Resources	(772,726)	308,288
Increase (Decrease) in:		
Accounts Payable	(168,777)	683,845
Accrued Salaries and Benefits Payable	51,256	(31,156)
Other Accrued Liabilities	(36,393)	76,536
Deferred Inflows of Resources	405,872	37,277
Net Cash Used in Operating Activities	$ (3,566,125)	$ (1,573,167)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capital Asset Acquired Under Lease & SBITA Obligations	$ 1,035,792	$ 43,323

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Concho County Hospital District (the "District") is an acute care hospital located in Eden, Texas. The District was created by and operates under the laws of the State of Texas. Operations consist of a 16-bed hospital, administered through a seven-member Board of Directors elected by the citizens of the county. The District also operates a rural health clinic and a retail pharmacy. The District primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the Concho County area.

Enterprise Fund Accounting – The District uses enterprise fund accounting. Revenues and expenses are recognized on an accrual basis using the economic resources measurement focus.

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

Cash and Cash Equivalents – The District considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Short-Term Investments – The District's short-term investments are stated at fair value and are comprised of certificates of deposit.

Patient Accounts Receivable and Net Patient Service Revenue – The District recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, managed care, and other health plans. Gross patient service revenue is recorded in the accounting records using the established rates for the types of service provided to the patient. The District recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for service rendered based upon previously agreed-to rates with a payor. The District utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. Another factor that is considered and could further influence the level of the contractual reserve includes the status of accounts receivable balances as inpatient or outpatient. The District's management continually reviews the contractual estimation process to consider and incorporate updated laws and regulations and the frequent changes in managed care contractual terms that result from contract negotiations and renewals.

Payors include federal and state agencies, including Medicare and Medicaid, managed care health plans, commercial insurance companies, and patients. These third-party payors provide payments to the District at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and fee schedule payments. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts – Accounts receivable are reduced by an allowance for doubtful accounts based on the District's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to the service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party payor coverage, the District analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulty that make the realization of amounts due unlikely). For receivables associated with self-pay payments, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The September 30, 2025 and 2024 allowance for doubtful accounts balances were comprised of the following:

	2025	2024
Reserve for Self-Pay Balances	$ (1,411,392)	$ (2,326,701)
Reserve for Third-Party Payor Balances	(620,000)	(823,483)
Total Allowance for Doubtful Accounts	$ (2,031,392)	$ (3,150,184)

Inventory of Supplies – Inventory is stated at the lower of cost or market with historical cost determined on the First-In First-Out (FIFO) method.

Capital Assets – Capital Assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. The District provides for depreciation of capital assets by the straight-line method and at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment life. Such amortization is included in depreciation and amortization in the financial statements. The District's capitalization policy states that assets with a value greater than $5,000 and a useful life described below will be capitalized. The following are a range of useful lives used by asset class:

Land Improvements	5 to 20 years
Building (Components)	5 to 50 years
Fixed Equipment	7 to 25 years
Major Moveable Equipment	3 to 20 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Right-to-Use Subscription-Based Information Technology Arrangements ("SBITA") Assets – SBITA assets are initially recorded at the initial measurement of the SBITA liability, plus SBITA payments made at or before the commencement of the subscription term, less any incentives received from the vendor at or before the commencement of the term, plus initial direct costs that are ancillary to place the asset in service. SBITA assets are amortized on a straight-line method over the shorter of the subscription term or the useful life of the underlying asset.

Compensated Absences – A liability for compensated absences is recognized when the leave is earned by the employee and unused as of the reporting date (vacation leave, sick leave, and holidays). The liability for compensated absences is measured using the employee's pay rate as of the date of the financial statements. Historical usage patterns and employment policies were considered in estimating the liability. The liability and expense incurred for employee vacation leave, sick leave, and holidays are recorded as accrued payroll, benefits, and related liabilities in the statement of net position and as a component of salaries and wages expense in the statement of revenues, expenses, and changes in net position.

Defined Benefit Pension Plan – For purposes of measuring the net pension asset or liability, deferred outflows of resources, deferred inflows of resources, and pension income/expense related to the defined benefit pension plan, information about the fiduciary net position of the Texas County and District Retirement System ("TCDRS") defined benefit pension plan and additions to/deductions from the TCDRS fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when they are due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources – Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources, respectively. The Districts deferred outflows and inflows of resources represent transactions recorded in accordance with the District's TCDRS defined benefit pension plan and deferred payments in lieu of taxes, as described in Note 15 and Note 8, respectively.

Net Position – The net position of the District is classified in three components: net investment in capital assets; restricted; and unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses – For purposes of display, the District's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral and incidental transactions are reported as nonoperating revenues (expenses). Nonoperating revenues (expenses), which are excluded from income from operations include taxes and grants and contributions received for purposes other than capital asset acquisition.

Property Taxes – The District received approximately 9.0% and 8.2% of its financial support from property taxes for the years ended September 30, 2025 and 2024. These taxes are collected by the Concho County Appraisal District and are remitted to the District when received. The District's taxes are levied and become collectible from October 1 to January 31 of the succeeding year. The taxes are based on the assessed values listed as of the prior January 1, which is the due date a lien attaches to the taxable property. Revenue from property taxes is recognized in the year in which the taxes are levied. The District provides an allowance for uncollectible taxes based on historical collection information.

Federal Income Taxes – The District is a governmental entity; therefore, no expense has been provided for income taxes in the accompanying financial statements.

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

The District's policy for the provision of charity care includes an application process based on residency and income determination. The provisions of the District's policy include writing off uninsured and/or underinsured patients and evaluating self-pay patients for eligibility of charity care based on Federal Poverty Guidelines. Applications are submitted every twelve months after approval, unless the qualifying situation changes. During fiscal year 2018, the District updated the Charity Care policy to included presumptive financial assistance.

Grants and Contributions – From time to time, the District receives grants from the state as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Risk Management – The District is exposed to various risks of loss from torts: theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disaster; and employee health, dental, and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters, except group health, for which the District is partially self-insured.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications – Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 financial statement presentation. These reclassifications had no effect on the change in net position.

Subsequent Events – Subsequent to fiscal year-end, the District sold the Clinic located at Highway 83 for $145,000 on March 11, 2026. The Clinic had been idle since July 2023 and actively marketed for sale throughout fiscal year 2025.

Additionally, on January 27, 2026, the District's Board of Directors approved pursuing conversion of Concho County Hospital from a Critical Access hospital to a Rural Emergency Hospital ("REH"), subject to required state and federal regulatory approvals. If approved, the District expects to continue providing 24-hour emergency services and outpatient services, including clinic, pharmacy, laboratory, imaging, and physical therapy services. The District would no longer provide inpatient hospital services, and patients requiring inpatient admission would be transferred to another facility.

In June 2026, the District obtained a loan for $359,000 at an interest rate of Prime Rate plus 0.50% with a floor of 5.00% and a maturity date of June 12, 2027.

The date to which events occurring after September 30, 2025, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is September 1, 2026, which is the date on which the financial statements were available to be issued.

Newly Adopted Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued the following:

- GASB Statement No. 101 – *Compensated Absences*. Effective for fiscal years beginning after December 15, 2023.
- GASB Statement No. 102 – *Certain Risk Disclosures*. Effective for fiscal years beginning after June 15, 2024.

The implementation of these Statements did not have a material impact on the District's financial statements.

Pending Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued the following:

- GASB Statement No. 103 – *Financial Reporting Model Improvements*. Effective for fiscal years beginning after June 15, 2025.
- GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. Effective for fiscal years beginning after June 15, 2025.
- GASB Statement No. 105 – *Subsequent Events*. Effective for fiscal years beginning after June 15, 2026.

The District has not determined and is currently evaluating the impact that these new accounting pronouncements will have on its future financial statements. When they become effective, application of these standards may restate portions of these financial statements, if applicable.

NOTE 2 – NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. A summary of the payment arrangements with major third-party payors is as follows:

Medicare and Medicaid – The District is a Critical Access Hospital. Thus, inpatient acute care services, certain inpatient non-acute care services, and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

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

Charity Care – The value of charity care provided by the District based upon its established rates, was $1,469,372 and $1,552,433 in 2025 and 2024, respectively. Authoritative guidance requires charity care to be disclosed on a cost basis. The District utilizes the cost to charge ratios, as calculated based on its most recent cost reports, to determine the total cost. The District's cost of providing charity care was $1,631,744 and $1,769,981 for the years ended September 30, 2025 and 2024, respectively.

Estimated Third–Party Payor Settlements – Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Anticipated final settlement amounts from current and prior years' cost reports are recorded in the financial statements as they are determined by the District. Estimated third-party payor settlements recorded in current assets (liabilities) as of September 30, 2025 and 2024 are $470,438 and ($730,429), respectively.

NOTE 2 – NET PATIENT SERVICE REVENUE (CONTINUED)

Net patient service revenue is comprised as follows:

	2025	2024
Routine Patient Services	$ 512,722	$ 400,194
Ancillary Patient Services		
Inpatient	260,987	578,693
Outpatient	7,572,512	8,512,036
Gross Patient Service Revenue	8,346,221	9,490,923
Charity	(1,469,372)	(1,552,433)
Third-Party Contractual Adjustments	(755,561)	(679,087)
Provision for Bad Debts	47,768	(163,348)
Medicaid Supplemental Payments & Other Credits	741,171	234,237
Net Patient Service Revenue	$ 6,910,227	$ 7,330,292

NOTE 3 – RISKS AND UNCERTAINTIES

The District operates a Critical Access Hospital in a rural Texas market and is subject to certain risks and uncertainties that may impact future financial results.

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

	2025	2024
Medicare	19%	23%
Medicare Managed Care	26%	21%
Medicaid	7%	8%
Commercial Payors	39%	32%
Self-Pay/Uninsured	9%	16%
Total	100%	100%

NOTE 4 – SHORT–TERM INVESTMENTS

The District's short-term investments are reported at fair value and consisted of certificates of deposit. During fiscal year 2025, the District's certificates of deposit matured and were not renewed; accordingly, short-term investments were $-0- at September 30, 2025. At September 30, 2024, the fair value of short-term investments was $1,301,533. These deposits were covered by FDIC insurance and further collateralized by securities held by the pledging financial institution in the District's name.

NOTE 5 – DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2025 and 2024, the carrying amount of the District's deposits with financial institutions was $1,502,688 and $2,076,294, respectively. The bank balance at September 30, 2025 and 2024 was $1,630,161 and $2,235,604, respectively.

	2025	2024
Amount insured by the FDIC - Demand Deposits	$ 500,000	$ 284,323
Amount insured by the FDIC - Time and Savings	-	500,000
Amount collateralized with securities held by the pledging financial institution's trust department in the District's name	1,130,161	1,451,281
Total Bank Balance	$ 1,630,161	$ 2,235,604

NOTE 6 – PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable consists of the following as of September 30:

		2025	2024
Gross Accounts Receivable		$ 3,202,265	$ 4,705,043
Less:	Allowance for Bad Debts	(1,411,392)	(2,326,701)
	Allowance for Contractuals	(620,000)	(823,483)
	Accounts Receivable, Net of Allowance	$ 1,170,873	$ 1,554,859

NOTE 6 – PATIENT ACCOUNTS RECEIVABLE (CONTINUED)

Concentration of Credit Risk – The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of September 30, 2025 and 2024 is as follows:

	2025	2024
Medicare & Medicare Advantage	24%	32%
Medicaid	4%	3%
Commercial	46%	19%
Self-Pay	26%	46%
Total	100%	100%

NOTE 7 – PROPERTY TAXES RECEIVABLE

Property taxes are levied on October 1 of each year and become delinquent as of February 1 of the following year. Property taxes are recognized as revenues in the year for which taxes have been levied and are reported net of collection expenses and fees. Total property tax revenue for 2025 and 2024 was $844,927 and $734,581, respectively.

As of September 30, 2025 and 2024, the balance of property taxes receivable, and its related allowance for uncollectible taxes are as follows:

	2025	2024
Property Taxes Receivable	$ 49,700	$ 49,700
Less: Allowance for Uncollectible Taxes	(39,333)	(39,333)
Net Property Taxes Receivable	$ 10,367	$ 10,367

NOTE 8 – PROPERTY TAX ABATEMENT

As discussed below, the District entered into property tax abatement agreements with local businesses under the Texas Property Redevelopment and Tax Abatement Act, Tax Code Chapter 312. Under the Act, the District may grant property tax abatements of a business' property tax bill for the purpose of attracting new industries and to encourage the retention and development of existing businesses that are located within a reinvested zone designed under Chapter 312, Texas Tax Code. As a result, the District will forego assessment and collection of ad valorem property taxes in accordance with those agreements.

NOTE 8 – PROPERTY TAX ABATEMENT (CONTINUED)

For fiscal years ending September 30, 2025 and 2024, the District abated property taxes totaling $734,791 and $863,240, respectively. Under the agreements, the District shall receive payments in lieu of taxes in accordance with the terms of the agreements. For fiscal years ended September 30, 2025 and 2024, the District recorded payments in lieu of taxes of $524,340 and $524,340, respectively. The respective revenue is included within nonoperating revenues in the statements of revenue, expenses, and changes in net position.

For the fiscal year ending September 30, 2025 and 2024, the District has reported the following tax abatement agreements noted below:

225DD 8me, LLC – Effective May 28, 2019, the District entered into a tax abatement agreement with 225DD 8me, LLC for the development of an alternating-current, solar-powered electric generating facility (solar farm) located in Concho County, Texas. Under the agreement, the District will forego the assessment and collection of ad valorem property taxes levied on the project's improvements and facilities during the abatement period. The abatement period begins on the earlier of the commercial operations date or the date specified in the notice of abatement commencement, estimated to be January 1, 2020, and terminates on the tenth anniversary of the commencement date, unless terminated earlier. In consideration for the abatement, 225DD 8me, LLC is required to timely perform all covenants under the agreement, including making an annual payment in lieu of taxes to the District for each year of the abatement period. The annual payment is calculated by multiplying the installed rated electrical generating capacity of the improvements, in megawatts, by $324. In the event of default, the District may recapture all property taxes abated under the agreement.

RES Cactus Flats Wind Energy – Effective June 28, 2016, the District entered into a tax abatement agreement with RES Cactus Flats Wind Energy for the development of wind-powered electric generating facilities (wind farms) located in Concho County, Texas. Under the agreement, the District will forego the assessment and collection of ad valorem property taxes levied on the project's improvements and facilities during the abatement period. The abatement period begins on the earlier of the commercial operations date or the date specified in the notice of abatement commencement, estimated to be January 1, 2019, and terminates on the tenth anniversary of the commencement date, unless terminated earlier. In consideration for the abatement, RES Cactus Flats Wind Energy is required to timely perform all covenants under the agreement, including making an annual payment in lieu of taxes to the District for each year of the abatement period. The annual payment is calculated by multiplying the installed rated electrical generating capacity of the improvements, in megawatts, by $750. In the event of default, the District may recapture all property taxes abated under the agreement.

NOTE 8 – PROPERTY TAX ABATEMENT (CONTINUED)

Maverick Creek Wind, LLC – Effective July 24, 2018, the District entered into a tax abatement agreement with Maverick Creek Wind, LLC for the development of wind-powered electric generating facilities (wind farms) located in Concho County, Texas. Under the agreement, the District will forego the assessment and collection of ad valorem property taxes levied on the project's improvements and facilities during the abatement period. The abatement period begins on the earlier of the commercial operations date or the date specified in the notice of abatement commencement, estimated to be January 1, 2022, and terminates on the tenth anniversary of the commencement date, unless terminated earlier. In consideration for the abatement, Maverick Creek Wind, LLC is required to timely perform all covenants under the agreement, including making an annual payment in lieu of taxes to the District for each year of the abatement period. The annual payment is calculated by multiplying the installed rated electrical generating capacity of the improvements, in megawatts, by $725. In the event of default, the District may recapture all property taxes abated under the agreement.

NOTE 9 – CAPITAL AND RIGHT-TO-USE ASSETS

Capital asset additions, retirements, and balances for the year ended September 30, 2025 are as follows:

	Balance 09/30/24	Additions	Reclass/ Retirements	Balance 09/30/25
Non-Depreciable Capital Assets:				
Land	$ 105,513	$ -	$ -	$ 105,513
Depreciable Capital Assets:				
Land Improvements	35,382	-	-	35,382
Building and Improvements	6,449,119	-	-	6,449,119
Equipment	3,658,158	-	-	3,658,158
Total Depreciable Capital Assets:	10,142,659	-	-	10,142,659
Less: Accumulated Depreciation for:				
Land Improvements	(26,558)	(1,431)	-	(27,989)
Building and Improvements	(2,882,562)	(260,775)	-	(3,143,337)
Equipment	(3,248,013)	(83,073)	-	(3,331,086)
Total Accumulated Depreciation	(6,157,133)	(345,279)	-	(6,502,412)
Total Depreciable Capital Assets, Net	3,985,526	(345,279)	-	3,640,247
Intangible Right-to-Use Assets:				
Lease - Equipment	175,976	125,000	-	300,976
SBITA Assets	-	910,792	-	910,792
Total Intangible Right-to-Use Assets	175,976	1,035,792	-	1,211,768
Less: Accumulated Amortization for:				
Lease - Equipment	(64,435)	(73,099)	-	(137,534)
SBITA Assets	-	(54,214)	-	(54,214)
Total Accumulated Amortization	(64,435)	(127,313)	-	(191,748)
Total Intangible Right-to-Use Assets, Net	111,541	908,479	-	1,020,020
Total Capital and Intangible Right-to-Use Assets, Net	$ 4,202,580	$ 563,200	$ -	$ 4,765,780

NOTE 9 – CAPITAL AND RIGHT-TO-USE ASSETS (CONTINUED)

Capital asset additions, retirements, and balances for the year ended September 30, 2024 are as follows:

	Balance 09/30/23	Additions	Reclass/ Retirements	Balance 09/30/24
Non-Depreciable Capital Assets:				
Land	$ 105,513	$ -	$ -	$ 105,513
Depreciable Capital Assets:				
Land Improvements	35,382	-	-	35,382
Building and Improvements	6,447,577	-	1,542	6,449,119
Equipment	3,737,793	20,164	(99,799)	3,658,158
Total Depreciable Capital Assets:	10,220,752	20,164	(98,257)	10,142,659
Less: Accumulated Depreciation for:				
Land Improvements	(25,127)	(1,431)	-	(26,558)
Building and Improvements	(2,586,657)	(252,750)	(43,155)	(2,882,562)
Equipment	(3,138,929)	(101,427)	(7,657)	(3,248,013)
Total Accumulated Depreciation	(5,750,713)	(355,608)	(50,812)	(6,157,133)
Total Depreciable Capital Assets, Net	4,470,039	(335,444)	(149,069)	3,985,526
Intangible Right-to-Use Assets:				
Lease - Equipment	132,653	43,323	-	175,976
Less: Accumulated Amortization for:				
Lease - Equipment	(98,821)	(52,882)	87,268	(64,435)
Total Intangible Right-to-Use Assets, Net	33,832	(9,559)	87,268	111,541
Total Capital and Intangible Right-to-Use Assets, Net	$ 4,609,384	$ (345,003)	$ (61,801)	$ 4,202,580

Depreciation expense for the years ended September 30, 2025 and 2024, was $345,279 and $355,608, respectively. For the years ended September 30, 2025 and 2024, the amortization expense was $127,313 and $52,882, respectively.

NOTE 9 – CAPITAL AND RIGHT-TO-USE ASSETS (CONTINUED)

Impairment of Assets – During the year ended September 30, 2024, the District evaluated its capital and lease assets for impairment and determined that the former clinic building located at 814 W. Broadway was no longer being used in operations. Upon becoming idle in July 2023, the District assessed the building for indicators of impairment, including a significant decline in utilization, and determined that the building was impaired. The District recorded an impairment loss of $18,140 during fiscal year 2024.

As of September 30, 2025, the Clinic, located at Highway 83, was classified as held for sale and had a historical cost of $226,016 and accumulated depreciation of $74,047. The Clinic was actively marketed for sale throughout fiscal year 2025. Subsequent to fiscal year-end, the District sold the Clinic for $145,000 on March 11, 2026. The subsequent sale provided additional market evidence supporting the estimated fair value of the building at September 30, 2025; accordingly, no additional impairment loss was necessary. The District recorded impairment losses of $0 and $18,140 for the years ended September 30, 2025 and 2024, respectively.

NOTE 10 – LONG–TERM DEBT

The following is a summary of long-term debt as of September 30, 2025:

	Balance 09/30/24	Additions	Reductions	Balance 09/30/25	Due Within One Year
Notes Payable:					
FSB Equipment Note	$297,340	$ -	$ (67,856)	$ 229,484	$ 75,536
Right-to-Use Lease Liabilities:					
Kingsbridge	89,971	-	(44,199)	45,772	45,772
Fifth Third Bank	23,106	-	(8,439)	14,667	9,597
GE CT Scanner	-	124,760	-	124,760	39,324
Total Right-to-Use Lease Liabilities	113,077	124,760	(52,638)	185,199	94,693
SBITA Liabilities:					
TruBridge	-	910,793	(41,908)	868,885	106,071
Total Right-to-Use SBITA Liabilities	-	910,793	(41,908)	868,885	106,071
Total Long-Term Debt and Right-to-Use Lease and SBITA Liabilities	$410,417	$ 1,035,553	$ (162,402)	$ 1,283,568	$ 276,300

NOTE 10 – LONG–TERM DEBT

The following is a summary of long-term debt as of September 30, 2024:

	Balance 09/30/23	Additions	Reductions	Balance 09/30/24	Due Within One Year
Notes Payable:					
FSB Equipment Note	$359,620	$ -	$ (62,280)	$ 297,340	$ 70,095
Right-to-Use Lease Liabilities:					
Kingsbridge	129,153	-	(39,182)	89,971	45,645
Fifth Third Bank	-	43,323	(20,217)	23,106	8,915
Total Right-to-Use Lease Liabilities	129,153	43,323	(59,399)	113,077	54,560
Total Long-Term Debt and Right-to-Use Lease and SBITA Liabilities	$488,773	$ 43,323	$(121,679)	$ 410,417	$124,655

Long-Term Debt: The terms and due dates of the District's long-term debt as of September 30, 2025 and 2024 is as follows:

- **FSB Equipment Note Payable**: Note payable to First State Bank of Paint Rock due in monthly installments of $7,516 at 7.50% interest rate, maturing on July 6, 2028.

Right-to-Use Obligations: Right-to-use obligations are not subject to the same default and acceleration provisions as the District's direct borrowings. The terms and due dates of the District's right-to-use obligations as of September 30, 2025 and 2024 are as follows:

- **Kingsbridge**: The District entered into a right-to-use lease liability with Kingsbridge for patient room renovations. The original lease required monthly installments of $15,114 at an effective interest rate of 3.25% and matured in September 2023. Upon maturity, the District amended the lease for an additional 36-month term, requiring monthly installments of $3,887 at an effective interest rate of 3.50%. The amended lease matures in September 2026.

- **Fifth Third Bank**: The District entered into a right-to-use lease liability with Fifth Third Bank for hematology analyzer equipment. The lease requires 60 monthly installments of $863 at an effective interest rate of 7.39% and matures in July 2027.

- **GE CT Scanner**: In September 2025, the District entered into a right-to-use lease liability with GE HFS, LLC related to the buyout of a GE Revolution EVO ES CT scanner. The agreement requires 36 monthly installments of $3,843 at an effective interest rate of 7.25% through August 2028. Upon expiration of the agreement, the District may purchase the equipment for $1, plus applicable taxes.

NOTE 10 – LONG–TERM DEBT (CONTINUED)

The terms and due dates of the District's right-to-use obligations as of September 30, 2025 and 2024 continued:

- **TruBridge Electronic Health Record System**: In August 2024, the District entered into a SBITA right-to-use arrangement with TruBridge, Inc. for access to and use of a cloud-based electronic health record system and related software, implementation, support, subscription, and cloud-computing services. The arrangement has an initial term of seven years. The agreement requires monthly installments of $13,970 at an effective interest rate of 7.50%. Service fees may increase by up to 5 percent annually. The agreement provides the District with a right to access and use the software; ownership of the underlying software remains with TruBridge.

In 2025 and 2024, total interest incurred was $26,296 and $28,461, respectively, all of which was charged to interest expense.

Scheduled principal and interest repayments on long-term debt liabilities are as follows:

	Long-Term Debt		
For the Year Ending September 30,	Principal	Interest	Total
2026	$75,536	$14,650	$90,186
2027	81,401	8,786	90,187
2028	72,547	2,515	75,062
Total	$ 229,484	$ 25,951	$ 255,435

Scheduled principal and interest repayments on lease and SBITA obligations are as follows:

	Right-to-Use Lease Liabilities			Right-to-Use SBITA Liabilities		
For the Year Ending September 30,	Principal	Interest	Total	Principal	Interest	Total
2026	$ 94,693	$ 9,367	$ 104,060	$ 106,071	$ 61,569	$ 167,640
2027	46,335	4,964	51,299	114,305	53,335	167,640
2028	44,171	1,761	45,932	123,179	44,461	167,640
2029			-	132,742	34,898	167,640
2030			-	143,047	24,593	167,640
2031-2035				249,541	15,888	265,429
Total	$ 185,199	$ 16,092	$ 201,291	$ 868,885	$ 234,744	$ 1,103,629

NOTE 11 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM

Uncompensated Care – The District participated in the Section 1115 Demonstration Waiver Program; program designed to benefit rural community hospitals. This program is facilitated through the District providing an intergovernmental transfer whereby federal matching funds are provided to supplement the District for the shortfall in Medicaid funding. In connection with this program, the District provided intergovernmental transfers of $486,630 and $284,160 and received $1,125,386 and $712,535 for the years ended September 30, 2025 and 2024, respectively. The District recognized net revenue of $637,916 and $428,376 for the years ended September 30, 2025 and 2024, respectively. The respective net revenue is included within net patient service revenue in the statements of revenues, expenses, and changes in net position.

Aligning Technology by Linking Interoperable Systems – The Aligning Technology by Linking Interoperable Systems ("ATLIS") Program is a Texas Health and Human Services Commission ("HHSC") initiative designed to improve healthcare data sharing, care coordination, and health outcomes through enhanced interoperability among healthcare providers, managed care organizations, and health information exchanges. The program provides incentive-based funding to participating organizations that achieve specified data-sharing and care coordination milestones intended to support value-based care, improve patient outcomes, and strengthen the healthcare delivery system across Texas. This program is facilitated through the District providing an intergovernmental transfer whereby federal matching funds are provided to encourage hospitals to share real-time electronic data to better coordinate patient care and health outcomes. In connection with this program, the District provided intergovernmental transfers of $90,013 and $-0- and received $163,342 and $-0- for the years ended September 30, 2025 and 2024, respectively. Additionally, the District recorded a receivable related to the ATLIS program of $37,414 and $-0- for the years ended September 30, 2025 and 2024, respectively, which is included in other receivables in the statements of net position. The District recognized net revenue of $110,743 and $-0- for the years ended September 30, 2025 and 2024, respectively. The respective net revenue is included within net patient service revenue in the statements of revenues, expenses, and changes in net position.

NOTE 12 – EMPLOYEE RETENTION CREDIT

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. It contained numerous provisions, including the Employee Retention Credit (ERC), which provides refundable tax credit applied to certain payroll taxes. The credit is based on wages paid to employees by employers when their business was: 1) fully or partially suspended to comply with a COVID-19 government order during 2020 or the first 3 quarters of 2021; 2) experienced a significant decline in gross receipts during 2020 or the first 3 quarters of 2021; or 3) qualified as a recovery start-up business for the third or fourth quarters of 2021. For the years ended September 30, 2025 and 2024, the District received ERC funds in the amount of $391,686 and $-0-, respectively.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Litigation – In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's commercial insurance, for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. In the opinion of management, the ultimate resolution of pending legal proceedings, if any, will not have a material effect on the District's financial position or results of operations.

During the 2022 fiscal year, the District became aware of a legal claim filed by a former employee alleging workplace harassment. The matter remained ongoing during fiscal years 2022 and 2023 and the expected outcome and timing of the resolution remained uncertain. Subsequent to the year end, the District entered into a settlement agreement, which expressly states that the settlement does not constitute an admission of liability by the District. Pursuant to the terms of the settlement agreement, the District agreed to pay a total of $82,250. Based on information available prior to the issuance of the financial statements, the District recorded an accrued liability of $82,250 as of September 30, 2024, which is included within other accrued liabilities in the accompanying statements of net position. The settlement was paid in full in May 2025.

NOTE 14 – COMPENSATED ABSENCES

The District accrues a liability for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*. The liability includes amounts for leave that have not been used and is attributable to services already rendered, including paid time off ("PTO") and sick leave benefits. The liability is measured based on accumulated hours at current pay rates and is limited to amounts expected to be utilized. The portion expected to be utilized within one year is classified as current and is included in accrued payroll, benefits, and related liabilities in the accompanying statements of net position.

Activity in the District's compensated absences liability as of September 30, 2025 and 2024, is summarized as follows:

	Balance 09/30/24	Additions		Reductions	Balance 09/30/25	Due Within One Year
Other Liabilities:						
Compensated Absences	$ 159,928	$ 95,933	*	$ -	$ 255,861	$ 109,230

	Balance 09/30/23	Additions		Reductions	Balance 09/30/24	Due Within One Year
Other Liabilities:						
Compensated Absences	$ 118,233	$ 41,695	*	$ -	$ 159,928	$ 68,275

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

NOTE 15 – PENSION PLAN

Plan Description

The District participates in the Texas County & District Retirement System ("TCDRS"), an agent multiple employer defined benefit pension plan covering all full-time and part-time non-temporary employees, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. The Plan is administered by a board of trustees appointed by TCDRS. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body within the options available in the state statutes governing TCDRS. The plan does not issue a separate report that includes financial statements and required supplementary information for the plan. TCDRS in the aggregate issues an annual comprehensive financial report ("ACFR") on a calendar year basis. The most recent ACFR for TCDRS can be found at the following link, www.tcdrs.org.

Benefits Provided

The Plan provides retirement, disability and survivor benefits to plan members and their beneficiaries. Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the commitment of the District to contribute to the plan. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by TCDRS.

Members can retire at ages 60 and above with 10 or more years, with 30 years regardless of age, when the sum of their age and years of service equals 80 or more. A member is vested after 10 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. If a member withdraws their personal contributions in a lump sum, they are not entitled to any amounts contributed by the employer.

The employees covered by the Plan as of December 31, 2024 and 2023 are as follows:

	2024	2023
Inactive Employees or Beneficiaries Currently Receiving Benefits	22	23
Inactive Employees Entitled to but not Yet Receiving Benefits	72	73
Active Employees	88	87
Total	182	183

NOTE 15 – PENSION PLAN (CONTINUED)

Contributions

The District's governing body has the authority to establish and amend the contribution requirements of the District and active employees.

The District establishes rates based on the annually determined rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both the employee members and the employer based on the covered payroll of employee members. Plan members are required to contribute 4% of their annually covered salary. Under the TCDRS Act, rates are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the plan year ended December 31, 2024 and 2023, employees contributed $161,643 and $170,878, or 5.0% and 5.0% of covered payroll, respectively, and the District contributed $125,112 and $137,386, or 3.7% and 4.1% of covered payroll, to the Plan.

Net Pension (Asset) Liability

The District's net pension (asset) liability as of September 30, 2025 and 2024 was measured as of December 31, 2024 and 2023, respectively, and the total pension liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of that date.

Net Pension (Asset) Liability (Continued)

The total pension (asset) liability in the December 31, 2024 and 2023 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
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.

NOTE 15 – PENSION PLAN (CONTINUED)

Mortality rates were based as follows:

Depositing Members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service Retirees, Beneficiaries and Non-depositing Members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled Retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

All actuarial assumptions that determined the total pension liability as of December 31, 2024 were based on the results of an actuarial experience investigation of TCDRS over the years 2017-2020, except where required to be different by GASB 68.

The long-term expected rate of return on TCDRS assets 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, Cliffwater LLC. The numbers shown are based on January 2025 information for a 10-year time horizon. Note that the valuation assumption for long-term expected return is reassessed in detail at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice.

NOTE 15 – PENSION PLAN (CONTINUED)

Net Pension (Asset) Liability (Continued)

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

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
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 (MLP's)	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%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.60% as of December 31, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 15 – PENSION PLAN (CONTINUED)

Discount Rate (Continued)

The following table summarizes the changes in the net pension assets as of December 31, 2024, the valuation date:

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability / (Asset)
Balances as of December 31, 2023	$ 5,615,968	$ 5,975,917	$ (359,949)
Changes for the Year:			
Service Cost	375,948		375,948
Interest on Total Pension Liability	442,456		442,456
Effect of Plan Changes	-		-
Effect of Economic/Demographic Gains or Losses	(422,756)		(422,756)
Effect of Assumptions Changes or Inputs	-		-
Refund of Contributions	(149,979)	(149,979)	-
Benefit Payments	(196,627)	(196,627)	-
Administrative Expenses		(3,549)	3,549
Member Contributions		161,643	(161,643)
Net Investment Income		607,873	(607,873)
Employer Contributions		125,112	(125,112)
Other	-	(1,525)	1,525
Balances as of December 31, 2024	$ 5,665,010	$ 6,518,865	$ (853,855)

NOTE 15 – PENSION PLAN (CONTINUED)

Discount Rate (Continued)

The following table summarizes the changes in the net pension assets as of December 31, 2023, the valuation date:

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability / (Asset)
Balances as of December 31, 2022	$ 5,130,901	$ 5,297,563	$ (166,662)
Changes for the Year:			
Service Cost	303,014		303,014
Interest on Total Pension Liability	404,897		404,897
Effect of Plan Changes	-		-
Effect of Economic/Demographic Gains or Losses	(6,225)		(6,225)
Effect of Assumptions Changes or Inputs	-		-
Refund of Contributions	(18,503)	(18,503)	-
Benefit Payments	(198,116)	(198,116)	-
Administrative Expenses		(3,120)	3,120
Member Contributions		170,878	(170,878)
Net Investment Income		583,115	(583,115)
Employer Contributions		137,386	(137,386)
Other	-	6,714	(6,714)
Balances as of December 31, 2023	$ 5,615,968	$ 5,975,917	$ (359,949)

NOTE 15 – PENSION PLAN (CONTINUED)

Discount Rate (Continued)

Sensitivity to the Net Pension Liability (Asset) to Changes in the Discount Rate – The following table presents the net pension (asset)/liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension (asset)/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 as of the valuation Date December 31:

	2024		
	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	$ 6,497,795	$ 5,665,010	$ 4,982,855
Fiduciary Net Position	6,518,865	6,518,865	6,518,865
Net Pension (Asset)/Liability	$ (21,070)	$ (853,855)	$ (1,536,010)

	2023		
	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	$ 6,448,277	$ 5,615,968	$ 4,930,677
Fiduciary Net Position	5,975,916	5,975,916	5,975,916
Net Pension (Asset)/Liability	$ 472,361	$ (359,948)	$ (1,045,239)

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the separately issued financial report of TCDRS for the year ended December 31, 2024.

NOTE 15 – PENSION PLAN (CONTINUED)

Pension (Income) Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended September 30, 2025 and 2024, the District recognized pension income of $58,145 and $7,216, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to the TCDRS defined benefit pension plan from the following sources as of September 30:

	2024	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	$ 425,520	$ -
Change in Assumptions or Inputs	185	-
Net Difference Between Projected and Actual Earnings	58,940	-
Contributions Made Subsequent to Measurement Date	N/A	94,379

	2023	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	$ 133,751	$ -
Change in Assumptions or Inputs	-	52,490
Net Difference Between Projected and Actual Earnings	-	32,350
Contributions Made Subsequent to Measurement Date	N/A	90,668

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to the TCDRS defined benefit pension plan, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended December 31:	
2025	$ (137,570)
2026	(11,376)
2027	(162,518)
2028	(102,720)
2029	(70,461)
Thereafter	-

REQUIRED SUPPLEMENTARY INFORMATION

CONCHO COUNTY HOSPITAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2025 AND 2024

Schedules of Changes in the District's Net Pension Asset and Related Ratios

	As of December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	$ 375,948	$ 303,014	$ 320,578	$ 290,072	$ 228,282	$ 238,362	$ 233,795	$ 234,946	$ 235,645	$ 187,401
Interest on Total Pension Liability	442,456	404,897	381,220	347,103	333,764	316,711	287,954	263,580	230,539	205,490
Effect of Plan Changes	-	-	-	-	-	-	-	-	-	(32,147)
Effect of Assumption Changes or Inputs	-	-	-	(921)	264,303	-	-	19,680	-	38,730
Effect of Economic/Demographic (Gains) or Losses	(422,756)	(6,225)	(146,435)	20,715	(140,696)	(66,522)	(459)	(68,612)	(62,611)	(17,194)
Benefit Payments/Refunds of Contributions	(346,606)	(216,619)	(235,574)	(241,450)	(357,670)	(181,648)	(160,440)	(135,113)	(95,783)	(91,224)
Net Change in Total Pension Liability	49,042	485,067	319,789	415,519	327,983	306,903	360,850	314,481	307,790	291,056
Total Pension Liability, Beginning	5,615,967	5,130,900	4,811,111	4,395,592	4,067,609	3,760,706	3,399,856	3,085,375	2,777,585	2,486,529
Total Pension Liability, Ending	5,665,009	5,615,967	5,130,900	4,811,111	4,395,592	4,067,609	3,760,706	3,399,856	3,085,375	2,777,585
Fiduciary Net Position										
Employer Contributions	$ 125,112	$ 137,386	$ 141,148	$ 117,802	$ 118,788	$ 90,876	$ 102,102	$ 108,123	$ 118,529	$ 114,882
Member Contributions	161,643	170,878	168,034	164,069	159,662	132,472	137,976	150,171	140,437	128,216
Investment Income Net of Investment Expenses	607,873	583,115	(331,241)	994,876	429,880	581,429	(64,801)	435,169	193,072	(8,041)
Benefit Payments/Refunds of Contributions	(346,606)	(216,619)	(235,574)	(241,450)	(357,670)	(181,648)	(160,440)	(135,113)	(95,783)	(91,224)
Administrative Expenses	(3,549)	(3,120)	(3,104)	(2,999)	(3,299)	(3,172)	(2,844)	(2,345)	(2,110)	(1,836)
Other	(1,525)	6,713	15,414	2,387	(1,932)	2,008	2,727	2,422	4,959	(1,628)
Net Changes in Fiduciary Net Position	542,948	678,353	(245,323)	1,034,685	345,429	621,965	14,720	558,427	359,104	140,369
Fiduciary Net Position, Beginning	5,975,917	5,297,564	5,542,887	4,508,202	4,162,773	3,540,808	3,526,088	2,967,661	2,608,557	2,468,188
Fiduciary Net Position, Ending	$ 6,518,865	$ 5,975,917	$ 5,297,564	$ 5,542,887	$ 4,508,202	$ 4,162,773	$ 3,540,808	$ 3,526,088	$ 2,967,661	$ 2,608,557
Net Pension Liability/(Asset), Ending	$ (853,856)	$ (359,950)	$ (166,664)	$ (731,776)	$ (112,610)	$ (95,164)	$ 219,898	$ (126,232)	$ 117,714	$ 169,028
Fiduciary Net Position as a % of Total Pension Liability	115.07%	106.41%	103.25%	115.21%	102.56%	102.34%	94.15%	103.71%	96.18%	93.91%
Pensionable Covered Payroll	$ 3,232,863	$ 3,417,568	$ 3,360,676	$ 3,281,379	$ 3,193,239	$ 2,649,447	$ 2,759,512	$ 3,003,426	$ 2,808,736	$ 2,564,329
Net Pension Liability as a % of Covered Payroll	-26.41%	-10.53%	-4.96%	-22.30%	-3.53%	-3.59%	7.97%	-4.20%	4.19%	6.59%

See Report of Independent Auditors on Required Supplementary Information.

SCHEDULE OF DISTRICT CONTRIBUTIONS

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2015	$ 114,882	$ 114,882	$ -	$ 2,247,336	5.1%
2016	118,529	118,529	-	2,564,329	4.6%
2017	108,123	108,123	-	2,808,736	3.8%
2018	102,102	102,102	-	3,003,426	3.4%
2019	90,876	90,876	-	2,759,512	3.3%
2020	118,778	118,778	-	2,649,447	4.5%
2021	117,802	117,802	-	3,193,239	3.7%
2022	141,148	141,148	-	3,281,379	4.3%
2023	137,386	137,386	-	3,360,676	4.1%
2024	125,112	125,112	-	3,417,568	3.7%

(1) *Payroll is calculated based on contributions as reported to TCDRS.*

See Report of Independent Auditors on Required Supplementary Information.

NOTES TO SCHEDULE OF DISTRICT CONTRIBUTIONS

Valuation Date:	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	0.0 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. 4.70% 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*	2015: New inflation, mortality and other assumptions were reflected. 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 Schedule of Employer Contributions*	2015 : No changes in plan provisions are reflected in the Schedule. 2016: No changes in plan provisions are 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.

** Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.*