




Nacogdoches County Hospital District

**Independent Auditor's Report, Financial Statements,
and Supplementary Information**

June 30, 2024 and 2023



Nacogdoches County Hospital District
Contents
June 30, 2024 and 2023

Independent Auditor’s Report	1
Financial Statements	
Balance Sheets	3
Statements of Revenues, Expenses, and Changes in Net Position	5
Statements of Cash Flows	6
Statements of Fiduciary Net Position – Pension Trust Fund	8
Statements of Changes in Fiduciary Net Position – Pension Trust Fund	9
Notes to Financial Statements	10
Required Supplementary Information (Unaudited)	
Schedule of Changes in District’s Net Pension Liability and Related Ratios.....	32
Schedule of District Contributions	33

Independent Auditor's Report

Board of Directors
Nacogdoches County Hospital District
Nacogdoches, Texas

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of Nacogdoches County Hospital District (District) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the District, as of June 30, 2024 and 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and pension information 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 pension 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.

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

Forvis Mazars, LLP

**Dallas, Texas
September 8, 2025**

Nacogdoches County Hospital District
Balance Sheets
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash	\$ 2,996,009	\$ 9,220,893
Restricted cash	756,757	220,447
Patient accounts receivable, net of allowance; 2024 – \$13,833,000, 2023 – \$673,000	3,800,328	348,457
Nursing home patient accounts receivable, net of allowance; 2024 – \$228,000, 2023 – \$317,000	2,048,264	2,855,770
Sales tax receivable	2,010,539	1,889,110
Estimated amounts due from third-party payors	1,200,872	1,539,815
Leases receivable	-	442,741
Prepaid expenses and other	2,282,461	1,721,658
Total Current Assets	<u>15,095,230</u>	<u>18,238,891</u>
Noncurrent Cash		
Restricted for debt service and other	4,137,781	4,101,473
Restricted for scholarships	90,982	90,982
Total Noncurrent Cash	<u>4,228,763</u>	<u>4,192,455</u>
Capital Assets, Net	36,987,822	38,327,956
Other Assets		
Leases receivable, net of allowance; 2024 – \$0, 2023 – \$5,824,000	-	171,822
Deferred financing costs	161,892	176,038
Total Other Assets	<u>161,892</u>	<u>347,860</u>
Total Assets	<u>56,473,707</u>	<u>61,107,162</u>
Deferred Outflows of Resources		
Loss on bond refunding	43,625	49,932
Pensions	2,278,312	7,274,429
Excess consideration provided for acquisition	397,452	-
Total Deferred Outflows of Resources	<u>2,719,389</u>	<u>7,324,361</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 59,193,096</u>	<u>\$ 68,431,523</u>

**Nacogdoches County Hospital District
Balance Sheets
June 30, 2024 and 2023**

(Continued)

	<u>2024</u>	<u>2023</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Notes payable for financed insurance	\$ 335,878	\$ 37,262
Current maturities of long-term debt	1,820,877	1,741,737
Current maturities of financing obligations	652,217	485,520
Accounts payable	3,708,517	1,052,591
Management fee payable	3,936,901	4,934,587
Accrued expenses	2,530,569	995,319
Current estimated amounts due to third-party payors	<u>2,162,576</u>	<u>7,234,385</u>
Total Current Liabilities	15,147,535	16,481,401
Long-Term Debt	47,822,680	49,808,635
Financing Obligations	5,030,770	5,213,554
Estimated Amounts Due to Third-Party Payors	8,068,993	-
Net Pension Liability	<u>19,661,734</u>	<u>20,260,868</u>
Total Liabilities	<u>95,731,712</u>	<u>91,764,458</u>
Deferred Inflows of Resources		
Pensions	-	4,080,040
Leases	-	603,822
Total Deferred Inflows of Resources	<u>-</u>	<u>4,683,862</u>
Net Position		
Net investment in capital assets	(9,246,360)	(9,800,949)
Restricted expendable for scholarships	90,982	90,982
Restricted expendable for debt service	772,031	735,723
Unrestricted	<u>(28,155,269)</u>	<u>(19,042,553)</u>
Total Net Position	<u>(36,538,616)</u>	<u>(28,016,797)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 59,193,096</u>	<u>\$ 68,431,523</u>

**Nacogdoches County Hospital District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2024 – \$8,192,000, 2023 – \$1,341,000	\$ 10,156,934	\$ 1,979,750
Nursing home net patient service revenue, net of provision for uncollectible accounts; 2024 – \$228,000, 2023 – \$317,000	23,142,662	23,411,820
Other	232,445	621,064
Total Operating Revenues	<u>33,532,041</u>	<u>26,012,634</u>
Operating Expenses		
Salaries and wages	10,592,725	2,746,480
Employee benefits	3,419,729	8,666,098
Purchased services and professional fees	7,182,024	1,098,223
Nursing facility fees	21,966,112	22,496,803
Supplies and other	3,994,692	957,762
Depreciation and amortization	3,351,910	3,495,001
Total Operating Expenses	<u>50,507,192</u>	<u>39,460,367</u>
Operating Loss	<u>(16,975,151)</u>	<u>(13,447,733)</u>
Nonoperating Revenues (Expenses)		
Sales taxes	11,473,589	10,932,307
Investment return	376,345	382,085
Interest expense	(2,029,709)	(2,446,384)
Noncapital grants and gifts	564,307	309,451
Other nonoperating expenses	(1,931,200)	-
Total Nonoperating Revenues	<u>8,453,332</u>	<u>9,177,459</u>
Decrease in Net Position	(8,521,819)	(4,270,274)
Net Position, Beginning of Year	<u>(28,016,797)</u>	<u>(23,746,523)</u>
Net Position, End of Year	<u>\$ (36,538,616)</u>	<u>\$ (28,016,797)</u>

Nacogdoches County Hospital District
Statements Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 33,991,358	\$ 26,136,742
Payments to suppliers and contractors	(33,825,636)	(24,328,290)
Payments to employees	(12,160,261)	(3,239,484)
Other receipts, net	232,445	(607,395)
Net Cash Used in Operating Activities	<u>(11,762,094)</u>	<u>(2,038,427)</u>
Noncapital Financing Activities		
Sales taxes supporting operations	7,580,266	6,947,376
Proceeds from notes payable	-	163,017
Principal payments on line of credit and short-term loans	(199,525)	(168,801)
Interest payments on line of credit and short-term loans	-	5,167
Cash paid in transfer of operations	(900,000)	-
Noncapital grants and gifts	564,307	309,451
Net Cash Provided by Noncapital Financing Activities	<u>7,045,048</u>	<u>7,256,210</u>
Capital and Related Financing Activities		
Sales taxes to retire capital-related debt	3,771,894	3,775,794
Principal paid on long-term debt	(1,741,775)	(1,691,532)
Principal paid on financing obligation	(474,779)	-
Interest paid on debt obligations	(2,174,296)	(2,319,495)
Purchase of capital assets	(692,609)	(1,397,068)
Net Cash Used in Capital and Related Financing Activities	<u>(1,311,565)</u>	<u>(1,632,301)</u>
Investing Activity		
Interest income	376,345	68,584
Net Cash Provided by Investing Activity	<u>376,345</u>	<u>68,584</u>
Increase (Decrease) in Cash and Restricted Cash	(5,652,266)	3,654,066
Cash and Restricted Cash, Beginning of Year	<u>13,633,795</u>	<u>9,979,729</u>
Cash and Restricted Cash, End of Year	<u>\$ 7,981,529</u>	<u>\$ 13,633,795</u>

**Nacogdoches County Hospital District
Statements Cash Flows
Years Ended June 30, 2024 and 2023**

(Continued)

	<u>2024</u>	<u>2023</u>
Reconciliation of Cash to the Balance Sheet		
Cash in current assets	\$ 2,996,009	\$ 9,220,893
Restricted cash in current assets	756,757	220,447
Cash in noncurrent cash and investments	<u>4,228,763</u>	<u>4,192,455</u>
Total Cash	<u>\$ 7,981,529</u>	<u>\$ 13,633,795</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (16,975,151)	\$ (13,447,733)
Depreciation and amortization	3,351,910	3,495,001
Provision for uncollectible accounts	10,223,338	1,340,543
Noncash lease income from Lion Star	-	(360,799)
Other nonoperating expenses	(2,831,200)	-
Changes in operating assets and liabilities		
Patient and nursing home accounts receivable, net	(12,867,703)	(1,252,464)
Accounts payable and accrued liabilities	3,146,304	(1,043,387)
Estimated third-party payor settlements	3,336,127	657,093
Net pension liability	(599,134)	9,508,092
Deferred outflows of resources – pensions	4,996,117	128,219
Deferred inflows of resources – pensions	(4,080,040)	(1,451,237)
Other assets and liabilities	<u>537,338</u>	<u>388,245</u>
Net Cash Used in Operating Activities	<u>\$ (11,762,094)</u>	<u>\$ (2,038,427)</u>
Noncash Capital and Financing Activities		
Capital asset acquisitions included in accounts payable	\$ -	\$ 47,186
Finance obligation payments made by Lion Star	\$ -	\$ 360,799
Finance obligations incurred for lease assets	\$ 469,433	\$ -
Note payable obligation incurred for insurance financing	\$ 498,141	\$ -

**Nacogdoches County Hospital District
Statements of Fiduciary Net Position – Pension Trust Fund
June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Assets		
Investments, pooled separate accounts measured at net asset value	<u>\$ 33,199,861</u>	<u>\$ 34,833,311</u>
Net Position		
Net position restricted for pension	<u>\$ 33,199,861</u>	<u>\$ 34,833,311</u>

**Nacogdoches County Hospital District
 Statements of Changes in Fiduciary Net Position – Pension Trust Fund
 Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Additions		
Investment income		
Net appreciation of investments	\$ 3,016,094	\$ 2,660,865
Total Additions	<u>3,016,094</u>	<u>2,660,865</u>
Deductions		
Benefits paid to plan members	4,443,824	4,134,078
Administrative expenses	<u>205,720</u>	<u>234,376</u>
Total Deductions	<u>4,649,544</u>	<u>4,368,454</u>
Net Decrease in Net Position	(1,633,450)	(1,707,589)
Net Position Restricted for Pensions, Beginning of Year	<u>34,833,311</u>	<u>36,540,900</u>
Net Position Restricted for Pensions, End of Year	<u><u>\$ 33,199,861</u></u>	<u><u>\$ 34,833,311</u></u>

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

Nature of Operations and Reporting Entity

Nacogdoches County Hospital District (District) is an acute care hospital located in Nacogdoches, Texas. The District primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Nacogdoches County (County) and surrounding areas. The District is governed by a seven-member board of directors that are elected to their positions and serve two-year staggered terms. In 2017, the District acquired the operations of five nursing homes located in the District's service area. During 2023, one of the nursing homes was closed. During 2023, and through March 11, 2024, the District's operations primarily consisted of EMS services and nursing home activity. Effective March 11, 2024, the District acquired the hospital operations, which had previously been transferred to Lion Star Nacogdoches Hospital, LLC (Lion Star), as discussed in Note 2.

The District is authorized to, but has not, levied a tax on property within its boundaries, not to exceed \$0.75 per \$100 valuation, for the purpose of paying the indebtedness assumed or incurred by the District and the maintenance and operating expenses of the District. On January 18, 1992, voters of the District adopted a local sales and use tax of 1% on sales within the District. The tax started in July 1992, and the District eliminated the property tax assessment as of that date.

The Nacogdoches Memorial Hospital Corporation (Foundation) is a legally separate, tax-exempt component unit of the District. The Foundation's primary function is to raise and hold funds to support the District and its programs. Because the Foundation operates primarily for the exclusive benefit of the District, it is reported as a blended component unit of the District. The Foundation does not issue separate financial statements.

The Nacogdoches Memorial Hospital Defined Benefit Plan (Plan) is a single-employer defined benefit plan included in the accompanying financial statements as a pension trust fiduciary fund. The board of the District performs the governing duties of the Plan, as the Plan does not have a separate board. The accompanying fiduciary fund statements are presented as of June 30, 2024 and 2023, the Plan's fiscal year-end. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at net asset value (NAV). Separate financial statements of the Plan are available at www.nacmem.org.

Basis of Accounting and Presentation

The accompanying financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions.

Government-mandated nonexchange transactions that are not program-specific, sales taxes, investment return, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Sales Taxes

The District received approximately 24.8% and 29.9% of its financial support from sales taxes in 2024 and 2023, respectively. These funds were used as follows:

	<u>2024</u>	<u>2023</u>
Percentage used to support operations	67%	65%
Percentage used for debt service on bonds	<u>33%</u>	<u>35%</u>
Total	<u>100%</u>	<u>100%</u>

Sales taxes are collected by the state of Texas and remitted to the District monthly. The tax is collected by the vendor and is required to be remitted to the state by the 20th of the month following collection. The tax is then paid to the District by the Friday following the second Wednesday of the subsequent month.

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; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

During fiscal year 2024 and 2023, the District obtained commercial insurance coverage for employee health insurance.

Investment Income

Investment income for the years ended June 30, 2024 and 2023 consisted of interest earned on deposits.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, 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.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are amortized over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Land improvements	5–25 years
Buildings and improvements	25–40 years
Equipment	3–20 years
Leased assets	5 years
Computer software	3–5 years

**Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023**

Capital Impairment

The District evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No impairment losses were recognized during the years ended June 30, 2024 and 2023.

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.

Compensated Absences

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

Defined Benefit Pension Plan

Through September 3, 2017, the District had an agent multiple-employer defined benefit pension plan through the Texas Hospital Association (THA Plan). 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 THA Plan and additions to/deductions from the THA Plan's fiduciary net position have been determined on the same basis as they are reported by the THA Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Effective September 4, 2017, all benefit accruals under the THA Plan were frozen as was entry into the THA Plan. Additionally, the District withdrew from the THA Plan and now sponsors a single-employer defined benefit pension plan (Nacogdoches Memorial Hospital Defined Benefit Plan).

The THA Plan is reported as a fiduciary fund in the accompanying financial statements.

Net Position

Net position of the District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position are noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Nursing Home Patient Accounts Receivable and Net Patient Service Revenue

The District reports nursing home patient accounts receivable for services rendered at net realizable amounts from third-party payors, 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.

The District has agreements with third-party payors that provide for payments to their nursing home 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 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.

Net Patient Service Revenue

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

Income Taxes

As an essential government function of the County, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Foundation has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, both the District and the Foundation are subject to federal income tax on any unrelated business taxable income.

The Foundation files tax returns in the U.S. federal jurisdiction.

Liquidity

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) assuming the District will continue as a going concern. The District generated a net loss of \$8,521,819 and net cash outflows from operations of \$12,260,235 for the year ended June 30, 2024. At June 30, 2024, the District had negative working capital of \$52,305 and unrestricted cash of \$2,996,009. Absent any other action, the District will require additional liquidity to continue its operations over the next 12 months.

As discussed in Note 16, the District's board of directors has approved a letter of intent to lease space currently owned by the District. The District expects a leasing agreement to be completed in 2026, which will reduce expenses and increase revenues, thereby reducing ongoing liquidity needs to enable continuation of operations for the foreseeable future.

Note 2. Transfer of Operations

Effective March 11, 2024, the District acquired operations of the Hospital, which had previously been transferred to Lion Star in 2021. The parties executed a Purchase Agreement. Under the terms of the Agreement, certain assets of the Hospital were to be purchased for \$1,800,000. In 2024, the District paid \$900,000 of the total purchase price to Lion Star. Through negotiations in 2025, Lion Star forgave the remaining \$900,000 of consideration, which is recorded as other nonoperating income in 2024.

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

In 2022, the District subleased two properties to Lion Star resulting in a lease receivable of \$6,439,046 at June 30, 2023 under Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. However, in November 2023, Lion Star filed for bankruptcy due to failure to meet payment obligations and the District fully reserved the lease receivable leaving a lease receivable, net of allowances of \$614,563 at June 30, 2023. At June 30, 2024, the District ended the sublease agreements at the time of the hospital purchase.

The District has accounted for the transfer of operations in accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The following table summarizes the amounts of the assets, net of consideration paid at June 30, 2024:

Assets	
Supplies	\$ 600,000
Equipment	<u>802,548</u>
Total assets contributed at date of disposal	<u>\$ 1,402,548</u>
Purchase price	\$ (1,800,000)
Deferred outflows of resources	
Excess consideration provided for acquisition	\$ 397,452

Note 3. Net Patient Service Revenue

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

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

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system. Inpatient reimbursement is inclusive of an add-on for trauma care that is based on the Medicaid Standard Dollar Amount. Outpatient and physician services rendered to Medicaid program beneficiaries 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.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term. 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.

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

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

Supplemental Medicaid Funding Revenue

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

On December 12, 2011, the U.S. Department of Health and Human Services (HHS) approved a Medicaid section 1115(a) demonstration entitled “Texas Health Transformation and Quality Improvement Program” (Waiver). The Waiver expanded existing Medicaid managed care programs and established two funding pools that assist providers with uncompensated care costs (UC Pool) and promote health system transformation (DSRIP Pool). The revenue from the two funding pools is recognized as earned throughout the related demonstration year.

The Waiver was originally effective from December 12, 2011 to September 30, 2016 and extended through December 2017 as the HHSC and the Centers for Medicare and Medicaid Services (CMS) negotiated a longer-term extension. On December 21, 2017, HHSC received an approved extension from CMS for the period of January 1, 2018 through September 30, 2022. Among other changes, the approved plan required a change in the methodology used to allocate UC funds and a phaseout of the DSRIP program over the five-year period. On April 22, 2022, CMS approved an extension of the Waiver through September 30, 2030. The DSRIP program ended on September 30, 2021 and was not extended under the Waiver extension.

No revenue was recognized for the year ended June 30, 2024 for these programs. No receivable or prepaid intergovernmental transfer are recorded under these programs at June 30, 2024 and 2023.

The funding from the DSH Program and the UC Pool has historically been limited by a federally determined Hospital Specific Limit (HSL) calculation and is subject to recoupment based on subsequent audit results. There has been litigation in U.S. district and circuit appellate courts regarding the legislative intent of certain aspects of the HSL calculation. On August 13, 2019, the D.C. Circuit Court of Appeals issued an opinion in the case of *Children’s Hospital Association of Texas vs. Azar* that held that the HSL could be reduced by payments received from other third-party payors related to Medicaid eligible patients. On November 30, 2020, a related final ruling was issued that reinstated the rule’s original 2017 effective date. This is expected to result in partial recoupment of DSH Program and UC Pool funds the District has received for 2019 and 2018. The District has estimated a liability of approximately \$10,232,000 and \$7,234,000, which is included in estimated amounts due to third-party payors in the accompanying balance sheets at June 30, 2024 and 2023, respectively.

These programs are subject to review and scrutiny by both the Texas Legislature and CMS, and the programs could be modified or terminated based on new legislation or regulations in future periods. The funding received is also subject to audit by the Medicaid administrative contractor. As a result, it is reasonably possible that recorded estimates could change materially in the near term.

During 2023, the District began administration of a Local Provider Participation Fund (LPPF) in Nacogdoches County. The District acts as the administrator of the LPPF by assessment and collection of mandatory payments from hospitals in Nacogdoches County.

These payments are to be used to fund intergovernmental transfers for others representing the state’s share of supplemental Medicaid funding programs. As the District acts as a conduit for these funds, the receipts and intergovernmental transfers are not recognized as revenue and expense in the accompanying statements of revenues, expenses, and changes in net position.

**Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023**

At June 30, 2024, the District held \$756,757 in LPPF assessments that will be transferred in 2025. These funds are reported as restricted cash and accounts payable in the accompanying balance sheets.

Note 4. Deposits, Investments, and Investment Income

Deposits

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

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

At June 30, 2024 and 2023, the District had \$149,648 and \$117,548, respectively, in bank deposits that were uninsured and uncollateralized.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the accompanying balance sheets as follows:

	<u>2024</u>	<u>2023</u>
Carrying value		
Deposits	<u>\$ 7,224,772</u>	<u>\$ 13,413,348</u>
Included in the following balance sheet captions		
Cash	\$ 2,996,009	\$ 9,220,893
Restricted for capital acquisitions, debt service, and other	4,137,781	4,101,473
Restricted for scholarships	<u>90,982</u>	<u>90,982</u>
	<u>\$ 7,224,772</u>	<u>\$ 13,413,348</u>

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

Note 5. Patient Accounts Receivable

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

	<u>2024</u>	<u>2023</u>
Medicare	\$ 3,574,623	\$ 304,786
Medicaid	829,348	83,721
Other third-party payors	6,445,848	376,363
Patients	<u>6,783,579</u>	<u>256,284</u>
	17,633,398	1,021,154
Less allowance for uncollectible accounts	<u>(13,833,070)</u>	<u>(672,697)</u>
	<u><u>\$ 3,800,328</u></u>	<u><u>\$ 348,457</u></u>

Note 6. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
2024					
Land	\$ 2,456,531	\$ -	\$ (51,847)	\$ -	\$ 2,404,684
Land improvements	4,074,332	-	-	-	4,074,332
Buildings and improvements	80,062,052	68,038	-	-	80,130,090
Equipment	71,637,726	1,841,252	-	-	73,478,978
Construction in progress	<u>363,156</u>	<u>154,331</u>	<u>-</u>	<u>-</u>	<u>517,487</u>
	158,593,797	2,063,621	(51,847)	-	160,605,571
Less accumulated depreciation	<u>120,265,841</u>	<u>3,351,908</u>	<u>-</u>	<u>-</u>	<u>123,617,749</u>
Capital assets, net	<u><u>\$ 38,327,956</u></u>	<u><u>\$ (1,288,287)</u></u>	<u><u>\$ (51,847)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 36,987,822</u></u>
2023					
Land	\$ 2,346,143	\$ 110,388	\$ -	\$ -	\$ 2,456,531
Land improvements	4,019,487	54,845	-	-	4,074,332
Buildings and improvements	79,585,818	172,237	-	303,997	80,062,052
Equipment	70,755,267	692,612	-	189,847	71,637,726
Construction in progress	<u>493,846</u>	<u>363,154</u>	<u>-</u>	<u>(493,844)</u>	<u>363,156</u>
	157,200,561	1,393,236	-	-	158,593,797
Less accumulated depreciation	<u>116,727,486</u>	<u>3,538,355</u>	<u>-</u>	<u>-</u>	<u>120,265,841</u>
Capital assets, net	<u><u>\$ 40,473,075</u></u>	<u><u>\$ (2,145,119)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 38,327,956</u></u>

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

Note 7. Accounts Payable and Accrued Expenses

Accounts payable consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Payable to suppliers	\$ 2,926,638	\$ 832,144
Payable for LPPF	781,879	220,447
	<u>\$ 3,708,517</u>	<u>\$ 1,052,591</u>

Accrued expenses included in current liabilities consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Payable to employees (including payroll taxes and benefits)	\$ 1,783,210	\$ 247,960
Accrued interest expense	257,386	257,386
Patient refunds	489,973	489,973
	<u>\$ 2,530,569</u>	<u>\$ 995,319</u>

Note 8. Lease Financing Obligations

During 2017, the District entered into two sale-leaseback transactions involving certain properties that did not qualify for sale-leaseback accounting and, as a result, the transaction has been classified as a financing transaction. Under the financing method, the leased asset remains on the balance sheet and proceeds received by the District from the sale-leaseback transaction are recorded as a financing liability. Payments under these leases are applied as payments of interest and principal on the underlying financing obligation. The implied interest rates on the property lease financing obligations are 4.80% and 6.24%. As part of the Hospital purchase agreement entered into during 2024, the District entered into an equipment financing lease transaction. The implied interest rate on the equipment financing obligations is 4.71%.

The following is a summary of the District's lease financing obligations transactions for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 5,699,074	\$ 6,145,146
Additions	469,433	-
Deductions	(485,520)	(446,072)
Balance, end of year	5,682,987	5,699,074
Less current maturities	(652,217)	(485,520)
	<u>\$ 5,030,770</u>	<u>\$ 5,213,554</u>

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

Payments required on the lease financing obligations were as follows at June 30, 2024:

<u>Year Ending June 30,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 941,052	\$ 652,217	\$ 288,835
2026	980,064	733,141	246,923
2027	996,186	788,146	208,040
2028	853,129	683,760	169,369
2029	855,402	722,537	132,865
2030–2032	2,258,480	2,103,186	155,294
	<u>\$ 6,884,313</u>	<u>\$ 5,682,987</u>	<u>\$ 1,201,326</u>

Note 9. Long-Term Obligations

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2024					
Long-term debt					
Sales tax refunding bonds payable					
Series 2016	\$ 6,805,000	\$ -	\$ (50,000)	\$ 6,755,000	\$ 50,000
Series 2015	3,160,000	-	(1,010,000)	2,150,000	1,055,000
Series 2013	39,270,000	-	(610,000)	38,660,000	635,000
Note payable to bank	186,387	-	(71,775)	114,612	80,877
Due to third-party payers	7,234,385	2,997,184	-	10,231,569	2,162,576
	56,655,772	-	(1,741,775)	57,911,181	<u>\$ 3,983,453</u>
Series 2016 Premium	298,818	-	(48,928)	249,890	
Series 2015 Premium	65,683	-	(33,975)	31,708	
Series 2013 Premium	1,764,484	-	(82,137)	1,682,347	
Total long-term debt	<u>\$ 58,784,757</u>	<u>\$ -</u>	<u>\$ (1,906,815)</u>	<u>\$ 59,875,126</u>	

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2023					
Long-term debt					
Sales tax refunding bonds payable					
Series 2016	\$ 6,855,000	\$ -	\$ (50,000)	\$ 6,805,000	\$ 50,000
Series 2015	4,135,000	-	(975,000)	3,160,000	1,010,000
Series 2013	39,855,000	-	(585,000)	39,270,000	610,000
Note payable to bank	267,919	-	(81,532)	186,387	71,737
Due to third-party payers	7,234,385	-	-	7,234,385	-
	<u>58,347,304</u>	-	<u>(1,691,532)</u>	<u>56,655,772</u>	<u>\$ 1,741,737</u>
Series 2016 Premium	346,609	-	(47,791)	298,818	
Series 2015 Premium	112,779	-	(47,096)	65,683	
Series 2013 Premium	1,849,466	-	(84,982)	1,764,484	
Total long-term debt	<u>\$ 60,656,158</u>	<u>\$ -</u>	<u>\$ (1,871,401)</u>	<u>\$ 58,784,757</u>	

Sales Tax Refunding Bonds Payable – Series 2016

On February 23, 2016, the District issued \$7,270,000 in Sales Tax Improvement and Refunding Bonds Series 2016 (Series 2016 Bonds), which bear interest at rates ranging from 2.00% to 4.00%. The funds were used to refund the remaining obligation on the Series 2006 Bonds.

The Series 2016 Bonds are secured by a lien on and pledge of the proceeds of a 1% limited sales and use tax levied and collected sufficient to cover the required annual payments of principal and interest of the bonds outstanding. Remaining annual principal payments range from \$50,000 to \$1,440,000 with the final payment due on May 15, 2031. The Series 2016 Bonds having stated maturities on or after May 15, 2031 may be redeemed at the District's option on or after May 15, 2030 at a redemption price of par plus accrued interest to the date of redemption. The Series 2016 Bonds were issued at a premium of \$623,075 and the unamortized premium at June 30, 2024 and 2023 is \$249,890 and \$298,817, respectively.

Sales Tax Refunding Bonds Payable – Series 2015

On November 1, 2015, the District issued \$8,775,000 in Sales Tax Improvement and Refunding Bonds Series 2015 (Series 2015 Bonds), which bear interest at rates ranging from 2.00% to 4.00%. The funds were used to refund the remaining obligation on the Series 2005 Bonds.

The Series 2015 Bonds are secured by a lien on and pledge of the proceeds of a 1% limited sales and use tax levied and collected sufficient to cover the required annual payments of principal and interest of the bonds outstanding. Remaining annual principal payments range from \$1,010,000 to \$1,095,000 with the final payment due on May 15, 2026. The Series 2015 Bonds having stated maturities on or after May 15, 2026 may be redeemed at the District's option on or after May 15, 2025 at a redemption price of par plus accrued interest to the date of redemption. The Series 2015 Bonds were issued at a premium of \$774,046 and the unamortized premium at June 30, 2024 and 2023 is \$31,708 and \$65,683, respectively.

**Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023**

Sales Tax Refunding Bonds Payable – Series 2013

On January 9, 2013, the District issued \$44,360,000 in Sales Tax Improvement and Refunding Bonds Series 2013 (Series 2013 Bonds), which bear interest at rates ranging from 2.00% to 5.00%. The funds were used to refund the remaining obligation on the Series 2001 and 2003 Bonds and fund an expansion project on the District's campus.

The Series 2013 Bonds are secured by a lien on and pledge of the proceeds of a 1% limited sales and use tax levied and collected sufficient to cover the required annual payments of principal and interest of the bonds outstanding. Remaining annual principal payments range from \$610,000 to \$3,595,000 with the final payment due on May 15, 2043. The Series 2013 Bonds having stated maturities on or after May 15, 2023 may be redeemed at the District's option on or after May 15, 2022 at a redemption price of par plus accrued interest to the date of redemption. The Series 2013 Bonds were issued at a premium of \$2,744,119 and the unamortized premium at June 30, 2024 and 2023 is \$1,682,347 and \$1,764,484, respectively.

As a result of the refunding of the Series 2001 and 2003 Bonds, the District recognized a loss of \$131,380, which is included in deferred outflows of resources on the accompanying balance sheets and is being amortized over the original term of the related debt. At June 30, 2024 and 2023, the balance of the deferred loss on refunding is \$43,625 and \$49,932, respectively.

Bond Indentures

The District is required to maintain a reserve fund equal to the lesser of 1) 1.25 times the average annual debt service requirements for the bonds, 2) the maximum annual requirement for the payment of principal and interest on all bonds then outstanding, or 3) 10% of the original stated principal of the bonds, which was equal to \$3,777,250 at June 30, 2024 and 2023. At June 30, 2024 and 2023, the District had \$3,777,250 to meet these obligations in accordance with the agreement.

The District is also required to maintain an interest and sinking fund in which it must deposit a portion of the sales tax receipts on the first day of each month. The required monthly deposit is 1/12 of the principal payment due on the next ensuing date for payment of principal, plus 1/6 of the interest due on the bonds on the next ensuing date for the payment of interest, which was equal to \$314,633 and \$314,325 at June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, the District had deposited \$360,531 and \$324,225, respectively, to meet these obligations in accordance with the agreement.

The debt service requirements for bond indentures are as follows as of June 30, 2024:

<u>Year Ending June 30,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 3,775,594	\$ 1,740,000	\$ 2,035,594
2026	3,770,994	1,805,000	1,965,994
2027	3,770,394	1,870,000	1,900,394
2028	3,771,994	1,940,000	1,831,994
2029	3,770,994	2,010,000	1,760,994
2030–2034	18,874,612	11,220,000	7,654,612
2035–2039	18,878,050	13,595,000	5,283,050
2040–2043	15,099,000	13,385,000	1,714,000
	<u>\$ 71,711,632</u>	<u>\$ 47,565,000</u>	<u>\$ 24,146,632</u>

**Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023**

Note Payable

In 2021, the District entered into a sales tax anticipation loan agreement with a local bank in the amount of \$404,600. The loan is payable in 60 monthly payments, including principal and interest of 3.45%. At June 30, 2024 and 2023, the outstanding balance owed to the bank was \$114,612 and \$186,387, respectively.

Estimated amounts due to third-party payers

Payments required on the third-party payer obligations were as follows at June 30, 2024:

<u>Year Ending June 30,</u>	<u>Total to be Paid</u>
2025	\$ 2,162,576
2026	5,205,388
2027	2,290,884
2028	<u>572,721</u>
	<u>\$ 10,231,569</u>

Note 10. Restricted and Designated Net Position

Restricted expendable net position were available for the following purposes at June 30:

	<u>2024</u>	<u>2023</u>
Scholarships	\$ 90,982	\$ 90,982
Debt service	<u>772,031</u>	<u>735,723</u>
Total restricted net position	<u>\$ 863,013</u>	<u>\$ 826,705</u>

Note 11. Pension Plan

Plan Description

Through September 3, 2017, the District sponsored the THA Plan, an agent multiple-employer defined benefit pension plan that covered eligible employees. The THA Plan was administered by HealthShare/THA, a wholly owned subsidiary of the Texas Hospital Association. The THA Plan's assets were invested as a portion of the total HealthShare/THA investment trust fund. Effective September 4, 2017, the District withdrew from the THA Plan and now sponsors a single-employer defined benefit pension plan (Nacogdoches Memorial Hospital Defined Benefit Plan). The plan administrator is Principal Financial Group.

Benefit provisions are contained in the plan document and were established and can be amended only with the authority of the board of the District. The THA Plan issues a stand-alone financial report that is available at www.nacmem.com.

Effective September 4, 2017, all benefit accruals under the THA Plan were frozen as was entry into the THA Plan. All District employees who were classified as permanent, full-time employees prior to September 4, 2017 were eligible to participate in the THA Plan.

**Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023**

Benefits Provided

The Nacogdoches Memorial Hospital Defined Benefit Plan (Plan) provides retirement, disability, and death benefits. Retirement benefits for certain eligible employees are calculated as a percentage of the employee’s final five-year average compensation, which is based on the employee’s years of service prior to July 1, 2014. The pension is the greater of the amount that can be provided by the vested account balance or, if the participant is eligible, by the final average compensation formula.

Participants with five years of vesting service are eligible to retire with reduced benefits at age 55 or unreduced benefits at age 65. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately with an actuarial reduction. Death benefits are determined in the same manner as retirement benefits but are payable immediately with an actuarial reduction. An employee who leaves the employer’s service may withdraw their contributions, as well as employer matches, plus any accumulated interest.

The terms of the Plan provide for annual cost-of-living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date. The annual adjustments are equal to the change in the Consumer Price Index, limited to a maximum increase in retirement allowance of 3.5%.

The employees covered by the Plan at July 1, 2023 and 2022 (measurement date) are:

	<u>2023</u>	<u>2022</u>
Inactive employees or beneficiaries currently receiving benefits	313	307
Inactive employees entitled to but not yet receiving benefits	634	641
Active employees	<u>20</u>	<u>20</u>
	<u>967</u>	<u>968</u>

Contributions

The District’s governing body had the sole authority to establish and amend the contribution requirements of the active employees. The employer contributions are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the established 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

There were no employee or employer contributions to the plan for the years ended June 30, 2024 and 2023.

Net Pension Liability

The District’s net pension liability as of June 30, 2024 and 2023 was measured as of July 1, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2023</u>	<u>2022</u>
Inflation	2.5%	2.5%
Salary increases	N/A	N/A
Ad hoc cost of living adjustments	Not included	Not included
Investment rate of return	6.75%, net of pension plan administrative expense	6.75%, net of pension plan administrative expense

Mortality rates for the July 1, 2023 and 2022 actuarial valuation were based on the Society of Actuaries RP-2014 projected from the 2006 base year using Scale MP-2021 and Scale MP-2020, respectively.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the Plan completed as of July 1, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of rates of return for each major asset class for both 2024 and 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	36%	5.42%
International equity	16%	7.30%
Fixed income	40%	2.10%
Real estate	8%	4.30%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 4.84% and 5.03% at July 1, 2023 and 2022, respectively. 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 employer 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.

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

Change in the total pension liability, plan fiduciary net position, and the net pension liability are:

	2024		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2023	\$ 56,801,767	\$ 36,540,899	\$ 20,260,868
Changes for the year			
Interest on total pension liability	2,753,157	-	2,753,157
Differences between expected and actual experience	1,077,219	-	1,077,219
Assumption changes	1,266,354	-	1,266,354
Changes of benefit terms	(3,269,375)	-	(3,269,375)
Net investment income	-	2,660,865	(2,660,865)
Benefit payments, including refunds of employee contributions	(4,134,077)	(4,134,077)	-
Administrative expenses	-	(234,376)	234,376
Net changes	<u>(2,306,722)</u>	<u>(1,707,588)</u>	<u>(599,134)</u>
Balances at June 30, 2024	<u>\$ 54,495,045</u>	<u>\$ 34,833,311</u>	<u>\$ 19,661,734</u>
	2023		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2022	\$ 61,471,447	\$ 50,718,671	\$ 10,752,776
Changes for the year			
Interest on total pension liability	2,850,173	-	2,850,173
Differences between expected and actual experience	1,323,052	-	1,323,052
Assumption changes	(135,421)	-	(135,421)
Net investment income	-	(5,235,432)	5,235,432
Benefit payments, including refunds of employee contributions	(8,707,484)	(8,707,484)	-
Administrative expenses	-	(234,856)	234,856
Net changes	<u>(4,669,680)</u>	<u>(14,177,772)</u>	<u>9,508,092</u>
Balances at June 30, 2023	<u>\$ 56,801,767</u>	<u>\$ 36,540,899</u>	<u>\$ 20,260,868</u>

**Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023**

The net pension liability of the District has been calculated using a discount rate of 4.84% at July 1, 2023. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate at June 30, 2024.

	1% Decrease (3.84%)	Current Discount Rate (4.84%)	1% Increase (5.84%)
District's net pension liability	<u>\$ 23,412,042</u>	<u>\$ 19,661,734</u>	<u>\$ 16,456,519</u>

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

For the years ended June 30, 2024 and 2023, the District recognized pension expense of \$348,855 and \$8,185,074, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as follows at June 30:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2024		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension investments	<u>2,278,312</u>	<u>-</u>
	<u>\$ 2,278,312</u>	<u>\$ -</u>
2023		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension investments	<u>7,274,429</u>	<u>4,080,040</u>
	<u>\$ 7,274,429</u>	<u>\$ 4,080,040</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows at June 30, 2024:

Year Ending June 30,	
2025	\$ 500,545
2026	243,056
2027	1,603,068
2028	<u>(68,357)</u>
	<u>\$ 2,278,312</u>

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

Pension Plan Fiduciary Net Position

The Plan's fiduciary net position for all employees was comprised of the following as of June 30, 2024 and 2023 (measurement dates July 1, 2023 and 2022):

	<u>2023</u>	<u>2022</u>
Separate accounts	\$ 34,833,311	\$ 36,540,899
Total investments at fair value	<u>34,833,311</u>	<u>36,540,899</u>
Total plan fiduciary net pension	<u>\$ 34,833,311</u>	<u>\$ 36,540,899</u>

The following table reflects the Plan's investments in single issuers that represent more than 5% of total investments:

	<u>2023</u>	<u>2022</u>
LargeCap S&P 500 Index Separate Account	11.0%	5.7%
U.S. Property Separate Account	7.5%	7.8%
LargeCap Growth Separate Account	8.3%	12.9%
Equity Income Separate Account	8.0%	12.8%
Bond Market Index Separate Account	6.8%	9.1%
Diversified International Separate Account	9.1%	8.9%
Core Fixed Income Separate Account	28.1%	27.4%

Following is a description of the valuation methodologies and inputs used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Plan did not hold any Level 3 securities at July 1, 2023 and 2022.

At July 1, 2023 and 2022, all the pension plan assets were invested in separate accounts which are measured at fair value using the NAV per share. There were no unfunded commitments or redemption restrictions for these funds.

Note 12. Deferred Compensation Plan

The District sponsors a deferred compensation plan also known as a Section 457 Plan. This plan covers substantially all employees meeting age and service requirements. Employee contributions to the plan are discretionary, and the District does not make any employer contribution. There were no employee contributions for the years ended June 30, 2024 and 2023.

**Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023**

In 2018, the District started a defined contribution pension plan covering substantially all employees. The board of directors annually determines the amount, if any, of the District's contributions to the plan. Employee contributions to this plan were approximately \$43,000 and \$60,000 in 2024 and 2023, respectively. Pension expense was approximately \$112,000 and \$23,000 in 2024 and 2023, respectively.

Note 13. Nursing Home Operations

Effective April 1, 2017, the District entered into lease and management agreements with two nursing home operators that resulted in the District becoming the legal operator of five nursing homes. During 2023, one of the nursing home facilities closed. Under the management agreements, the managers provide all services necessary to operate the homes, including employees, supplies, and other operating costs. The managers also provide all billing and collecting services. All patient revenue from the facility is paid to the District. From these collections, the District pays the manager a management fee pursuant to the agreement.

Nursing Home Net Patient Service Revenue

The District has agreements with third-party payors that provide for amounts to the nursing home at amounts different from its established rates. Revenue from Medicare skilled nursing patients are generally paid based on prospectively established per diem rates that are based on patient's acuity. Medicaid and private pay rates are also paid based on per diem rates.

Substantially all of the District's nursing home net patient service revenue for the years ended June 30, 2024 and 2023 is from participation in the Medicare and state-sponsored Medicaid programs. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Nursing Home Patient Accounts Receivable

The District grants credit without collateral to its nursing home patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at June 30, 2024 and 2023 primarily consisted of amounts owed from Medicare and Medicaid programs.

Quality Improvement Payment Program

The District began participating in the Quality Improvement Payment Program (QIPP) on September 1, 2017. The program is designed to assist nursing facilities servicing indigent patients by providing funding to support increased access to healthcare within the community. It is also designed to allow participating providers to receive additional reimbursement if they either reach a national benchmark level or they make quarterly improvements in up to four predetermined quality measures.

At June 30, 2024 and 2023, the District recorded approximately \$327,000 and \$1,370,000, respectively, of prepaid intergovernmental transfers, which the District is required to contribute as the state share of QIPP funding. Amounts receivable under this program was approximately \$506,000 and \$570,000 at June 30, 2024 and 2023, respectively, which is included in the estimated amounts due from third-party payors in the accompanying balance sheets.

The program described above is subject to review and scrutiny by both the Texas Legislature and CMS, and the program could be modified or terminated based on new legislation or regulation in future periods.

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

Note 14. 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 by 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. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 15. Condensed Combining Information

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

	June 30, 2024			June 30, 2023		
	District	Foundation	Total	District	Foundation	Total
Assets and Deferred Outflows of Resources						
Current assets	\$ 14,593,982	\$ 501,248	\$ 15,095,230	\$ 17,726,654	\$ 512,237	\$ 18,238,891
Noncurrent cash and investments	4,228,763	-	4,228,763	4,192,455	-	4,192,455
Capital assets, net	36,987,822	-	36,987,822	38,327,956	-	38,327,956
Other noncurrent assets	161,892	-	161,892	347,860	-	347,860
Deferred outflows of resources	2,719,389	-	2,719,389	7,324,361	-	7,324,361
Total Assets and Deferred Outflows of Resources	\$ 58,691,848	\$ 501,248	\$ 59,193,096	\$ 67,919,286	\$ 512,237	\$ 68,431,523
Liabilities and Deferred Inflows of Resources						
Current liabilities	\$ 15,147,535	\$ -	\$ 15,147,535	\$ 16,481,401	\$ -	\$ 16,481,401
Long-term debt	47,822,680	-	47,822,680	49,808,635	-	49,808,635
Lease financing obligations	5,030,770	-	5,030,770	5,213,554	-	5,213,554
Long-term liabilities	27,730,727	-	27,730,727	20,260,868	-	20,260,868
Deferred inflows of resources	-	-	-	4,683,862	-	4,683,862
Total Liabilities and Deferred Inflows of Resources	95,731,712	-	95,731,712	96,448,320	-	96,448,320
Net Position						
Net investment in capital assets	(9,246,360)	-	(9,246,360)	(9,800,949)	-	(9,800,949)
Restricted expendable for scholarships	90,982	-	90,982	90,982	-	90,982
Restricted expendable for debt service	772,031	-	772,031	735,723	-	735,723
Unrestricted	(28,656,517)	501,248	(28,155,269)	(19,554,790)	512,237	(19,042,553)
Total Net Position	(37,039,864)	501,248	(36,538,616)	(28,529,034)	512,237	(28,016,797)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 58,691,848	\$ 501,248	\$ 59,193,096	\$ 67,919,286	\$ 512,237	\$ 68,431,523

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

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

	June 30, 2024			June 30, 2023		
	District	Foundation	Total	District	Foundation	Total
Operating revenues	\$ 33,527,391	4,650	\$ 33,532,041	\$ 26,004,505	8,129	\$ 26,012,634
Operating expenses	50,464,599	42,593	50,507,192	39,447,831	12,536	39,460,367
Operating loss	(16,937,208)	(37,943)	(16,975,151)	(13,443,326)	(4,407)	(13,447,733)
Nonoperating revenues, net	8,426,378	26,954	8,453,332	9,091,831	85,628	9,177,459
Decrease in net position	(8,510,830)	(10,989)	(8,521,819)	(4,351,495)	81,221	(4,270,274)
Net position, beginning of year	(28,529,034)	512,237	(28,016,797)	(24,177,539)	431,016	(23,746,523)
Net position, end of year	<u>\$ (37,039,864)</u>	<u>\$ 501,248</u>	<u>\$ (36,538,616)</u>	<u>\$ (28,529,034)</u>	<u>\$ 512,237</u>	<u>\$ (28,016,797)</u>

The following table includes condensed combining statements of cash flows information for the District and its blended component unit for the years ended June 30:

	June 30, 2024			June 30, 2023		
	District	Foundation	Total	District	Foundation	Total
Net cash provided by (used in)						
Operating activities	\$ (11,724,151)	\$ (37,943)	\$ (11,762,094)	\$ (2,034,020)	\$ (4,407)	\$ (2,038,427)
Noncapital financing activities	7,045,048	-	7,045,048	7,256,210	-	7,256,210
Capital and related financing	(1,311,565)	-	(1,311,565)	(1,632,301)	-	(1,632,301)
Investing activities	349,391	26,954	376,345	(17,044)	85,628	68,584
Increase (decrease) in cash and restricted cash	(5,641,277)	(10,989)	(5,652,266)	3,572,845	81,221	3,654,066
Cash and restricted cash, beginning of year	13,121,558	512,237	13,633,795	9,548,713	431,016	9,979,729
Cash and restricted cash, end of year	<u>\$ 7,480,281</u>	<u>\$ 501,248</u>	<u>\$ 7,981,529</u>	<u>\$ 13,121,558</u>	<u>\$ 512,237</u>	<u>\$ 13,633,795</u>

Note 16. Subsequent Events

On July 18, 2025, the District entered into a preliminary non-binding letter of intent with Nacogdoches Medical Center and its parent entity, Tenet Healthcare Corporation. The letter of intent is to further discussions regarding terms and conditions regarding potential leasing of space currently owned by the District. The non-binding agreement may be terminated by any party at any time upon ten (10) days written notice without any liability or obligation to the other parties.

On July 29, 2025, the District entered into an Operations Transfer Agreement to acquire Parkwood in the Pines, a nursing facility located in Lufkin, Texas, from the City of Ennis, a municipality in the State of Texas. Effective August 1, 2025, the District became the operator and PMG OPCO-Lufkin, L.L.C., a Texas limited liability company, continued as the manager of the facility.

Note 17. Future Change in Accounting Principle – GASB Statement No. 101

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences under a unified model. It defines compensated absences and requires that liabilities be recognized for leave for which employees may receive one or more; cash payments when the leave is used for time off; other cash payments, such as payment for unused leave upon termination of employment, which includes voluntary resignation or retirement; or noncash settlements, such as conversion to defined benefit postemployment benefits. GASB 101 also established guidance for measuring a liability for leave that has not

Nacogdoches County Hospital District
Notes to Financial Statements
June 30, 2024 and 2023

been used, generally using an employee's pay rate as of the date of the financial statements. GASB 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The changes adopted at transition to conform to the provisions of GASB 101, should be reported as a change in accounting principle in accordance with Statement No. 100, *Accounting Changes and Error Corrections*, including the related display and disclosure requirements.

Required Supplementary Information (Unaudited)

**Nacogdoches County Hospital District
Schedule of Changes in District's Net Position Liability and Related Ratios
Year Ending June 30**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,044,000	\$ 1,133,000	\$ 1,370,000	\$ 1,658,000	\$ 1,586,000
Interest on total pension liability	2,753,000	2,850,000	3,405,000	3,377,000	3,427,000	3,963,000	3,909,000	3,821,000	3,785,000	3,537,000
Differences between expected and actual experience	1,077,000	1,323,000	(182,000)	506,000	(753,000)	(3,732,000)	90,000	708,000	454,000	(302,000)
Changes of assumptions	1,266,000	(135,000)	12,410,000	279,000	(80,000)	-	211,000	(172,000)	1,453,000	1,828,000
Changes of benefit terms	(3,269,000)	-	-	-	-	(3,232,000)	-	-	-	-
Benefit payments, including refunds of employee contributions	(4,134,000)	(8,707,000)	(3,297,000)	(3,220,000)	(3,327,000)	(5,463,000)	(3,563,000)	(4,330,000)	(4,737,000)	(2,172,000)
Administration and investment expense	-	-	-	-	-	-	-	(290,000)	(289,000)	-
Net Change in Total Pension Liability	(2,307,000)	(4,669,000)	12,336,000	942,000	(733,000)	(7,420,000)	1,780,000	1,107,000	2,324,000	4,477,000
Total Pension Liability – Beginning	56,802,000	61,471,000	49,135,000	48,193,000	48,926,000	56,346,000	54,566,000	53,459,000	51,135,000	46,658,000
Total Pension Liability – Ending (a)	\$ 54,495,000	\$ 56,802,000	\$ 61,471,000	\$ 49,135,000	\$ 48,193,000	\$ 48,926,000	\$ 56,346,000	\$ 54,566,000	\$ 53,459,000	\$ 51,135,000
Plan Fiduciary Net Position										
Contributions –employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 336,000	\$ 1,972,000	\$ 1,701,000	\$ 1,628,000	\$ 1,451,000
Contributions – employee	-	-	-	-	-	155,000	869,000	853,000	827,000	1,137,000
Net investment income	2,661,000	(5,235,000)	9,856,000	1,919,000	2,885,000	3,255,000	5,936,000	329,000	1,988,000	7,527,000
Benefit payments, including refunds of employee contributions	(4,134,000)	(8,707,000)	(3,297,000)	(3,220,000)	(3,327,000)	(5,463,000)	(3,563,000)	(4,330,000)	(4,737,000)	(2,172,000)
Administrative expense	(235,000)	(235,000)	(231,000)	(287,000)	(230,000)	(221,000)	(288,000)	(290,000)	(289,000)	(333,000)
Net Change in Plan Fiduciary Net Position	(1,708,000)	(14,177,000)	6,328,000	(1,588,000)	(672,000)	(1,938,000)	4,926,000	(1,737,000)	(583,000)	7,610,000
Plan Fiduciary Net Position – Beginning	36,541,000	50,718,000	44,390,000	45,978,000	46,650,000	48,588,000	43,662,000	45,399,000	45,982,000	38,372,000
Plan Fiduciary Net Position – Ending (b)	\$ 34,833,000	\$ 36,541,000	\$ 50,718,000	\$ 44,390,000	\$ 45,978,000	\$ 46,650,000	\$ 48,588,000	\$ 43,662,000	\$ 45,399,000	\$ 45,982,000
District's Net Pension Liability – Ending (a) – (b)	\$ 19,662,000	\$ 20,261,000	\$ 10,753,000	\$ 4,745,000	\$ 2,215,000	\$ 2,276,000	\$ 7,758,000	\$ 10,904,000	\$ 8,060,000	\$ 5,153,000
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.92%	64.33%	82.51%	90.34%	95.40%	95.35%	86.23%	80.02%	84.92%	89.92%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	\$ 32,037,126	\$ 34,848,000	\$ 30,057,000	\$ 30,743,000
District's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	24.22%	31.29%	26.82%	16.76%

**Nacogdoches County Hospital District
Schedule of District Contributions
Year Ending June 30**

Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Payroll (1)	Contributions as a Percentage of Covered Payroll
2024	\$ 1,343,000	\$ -	\$ 1,343,000	N/A	N/A
2023	\$ 914,000	\$ -	\$ 914,000	N/A	N/A
2022	\$ 428,000	\$ -	\$ 428,000	N/A	N/A
2021	\$ 628,000	\$ -	\$ 628,000	N/A	N/A
2020	\$ 450,000	\$ -	\$ 450,000	N/A	N/A
2019	\$ 587,000	\$ -	\$ 587,000	N/A	N/A
2018	\$ 1,813,000	\$ 336,000	\$ 1,477,000	\$ 32,037,000	1.0%
2017	\$ 1,972,000	\$ 1,972,000	\$ -	\$ 34,848,000	5.7%
2016	\$ 1,701,000	\$ 1,701,000	\$ -	\$ 30,057,000	5.7%
2015	\$ 1,628,000	\$ 1,628,000	\$ -	\$ 30,743,000	5.7%

Notes to Schedule

Valuation Date: Years ended July 1,

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	20 year level dollar amortization of Unfunded Liability bases
Asset valuation method	3-year smoothed market
Inflation	2.5%
Salary increases	Not applicable
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Retirement age	63 (average)
Mortality	SOA RP-2014 projected from the 2006 base year using Scale MP-2021 generational mortality improvement rates