

Marion County Hospital District

Independent Auditor's Reports, Financial Statements, and Other Information

September 30, 2025

Marion County Hospital District
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September 30, 2025

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Independent Auditor's Report

Board of Directors
Marion County Hospital District
Jefferson, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Marion County Hospital District (District), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Dallas, Texas
December 16, 2025

**Marion County Hospital District
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2025**

Introduction

As management of the Marion County Hospital District (District), we offer readers of the District this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2025.

Using This Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole and present a long-term view of the District's property, obligations, and other financial matters. These statements reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide financial statements or fund financial statements.

Reporting the District as a Whole

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the organization's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods. All of the District's assets are reported whether they serve the current year or future years. Liabilities are recorded regardless of whether they must be paid in the current year or future years.

To fully assess the overall health of the District, one should also consider non-financial factors as well, such as changes in the District's property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District presents one type of activity:

- Governmental Activities – The District's basic services are reported in this activity including maintenance, community services, and general administration. Property taxes and locally generated revenue finance most of these activities.
- The District does not have the other type of activities – (1) Enterprise funds or (2) Component units.

Reporting the District's Most Significant Funds

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The District uses the following approach:

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balance of spendable resources available at the end of the fiscal year.

**Marion County Hospital District
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2025**

All of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities and governmental funds in reconciliation schedules following each of the fund financial statements.

Government-Wide Financial Analysis

Our analysis focuses on the net position and changes in net position of the District's governmental activities.

Net position of the District's governmental activities totals \$2,460,797. Unrestricted net position (assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) was \$2,279,927 on September 30, 2025.

		Summary Statement of Net Position	
		Governmental Activities	
		2025	2024
Assets			
Current and other assets		\$ 2,298,255	\$ 2,044,542
Capital assets		180,870	187,172
Total Assets		2,479,125	2,231,714
Liabilities			
Current liabilities		18,328	13,004
Total Liabilities		18,328	13,004
Net Position			
Invested in capital assets		180,870	187,172
Unrestricted		2,279,927	2,031,538
Total Net Position		\$ 2,460,797	\$ 2,218,710

**Marion County Hospital District
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2025**

		Summary Statement of Changes in Net Position Governmental Activities	
		2025	2024
Revenues			
Property taxes	\$	438,793	\$ 431,577
Investment income		52,111	53,502
Rental income		16,800	16,800
Tobacco settlement revenue		9,794	7,675
Other revenue		343	239
Total Revenues		517,841	509,793
Expenses			
Indigent healthcare		102,408	123,252
General administration		173,346	159,726
Total Expenses		275,754	282,978
Change in Net Position	\$	242,087	\$ 226,815

The District's revenues totaled \$517,841 with property tax revenue of \$438,793 as the primary source of funds. The total cost of all programs and services was \$275,754. Some of the costs were paid by lease income earned from organizations that lease facilities from the District.

The District's Funds

As the District completed the year, governmental funds reported a combined fund balance of \$2,092,107, which is an increase of \$240,686 over last year's total of \$1,851,421. Net position and fund balance increased by \$242,087 and \$240,686, respectively, which is consistent with the prior year. There was a 1.58% increase in total combined fund revenue. The property tax revenue remained relatively consistent with prior year attributable to a decrease in the tax rate from 4.3% in 2024 to 3.9% in 2025 offset by an increase in valuation. The decrease in investment income is predominantly attributable to earning lower interest rates in the current year. There was also a 2.55% decrease in expenses due to a decrease in indigent care costs.

General Fund Budgetary Highlights

Actual General Fund revenues collected in the year ended September 30, 2025 exceeded management's budget by \$84,424 or 20.3%. This positive variance was due to an increase in property taxes due to valuation rates higher than management's budget. Interest income was approximately \$48,000 higher than expected due to overall investment market improvements.

For the year ended September 30, 2025, expenditures were \$244,097 under final budget. Expenditures of elections showed a savings of \$84,000 as there were only a few Board members appointed during the year and no competition. In addition, expenditures for indigent care had savings of \$148,811 due to qualifying submitted expenditures being less than management's budget.

**Marion County Hospital District
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2025**

Capital Assets and Debt

Capital Assets – At the end of 2025, the District had \$180,870, net of accumulated depreciation, invested in capital assets, including facilities and equipment.

Debt – At year-end, the District had no outstanding debt.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information may be addressed by contacting the District's business office at Marion County Hospital District, 1113B North Walcott Street, Jefferson, Texas 75687.

Basic Financial Statements

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

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 390,906
Short-term investments	1,492,970
Taxes receivable	193,440
Long-Term Investments	220,939
Capital Assets (net of accumulated depreciation)	
Land	126,211
Buildings and improvements	52,589
Furniture and equipment	2,070
Total Assets	<u>2,479,125</u>
LIABILITIES	
Current Liabilities	
Accounts payable	12,207
Payroll taxes liability	6,121
Total Liabilities	<u>18,328</u>
NET POSITION	
Invested in capital assets	180,870
Unrestricted	2,279,927
Total Net Position	<u><u>\$ 2,460,797</u></u>

Marion County Hospital District
Statement of Activities
Year Ended September 30, 2025

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Indigent healthcare	\$ 102,408	\$ -	\$ -	\$ -	\$ (102,408)
General administration	173,346	-	-	-	(173,346)
Total Governmental Activities	\$ 275,754	\$ -	\$ -	\$ -	(275,754)
General Revenues					
Property taxes					438,793
Investment income					52,111
Rental income					16,800
Tobacco settlement revenue					9,794
Other revenue					343
Total General Revenues					517,841
Change in Net Position					242,087
Net Position, Beginning of Year					2,218,710
Net Position, Ending of Year					\$ 2,460,797

**Marion County Hospital District
Balance Sheet – Governmental Funds
September 30, 2025**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 292,706	\$ 98,200	\$ 390,906
Short-term investments	1,492,970	-	1,492,970
Taxes receivable	193,440	-	193,440
Total Current Assets	1,979,116	98,200	2,077,316
Long-Term Investments	220,939	-	220,939
Total Assets	<u>\$ 2,200,055</u>	<u>\$ 98,200</u>	<u>\$ 2,298,255</u>
LIABILITIES			
Accounts payable	\$ 12,207	\$ -	\$ 12,207
Payroll taxes liability	6,121	-	6,121
Total Liabilities	18,328	-	18,328
Deferred Inflows of Resources – Property Taxes	187,820	-	187,820
FUND BALANCE			
Unassigned	1,993,907	98,200	2,092,107
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 2,200,055</u>	<u>\$ 98,200</u>	<u>\$ 2,298,255</u>

Marion County Hospital District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2025

Total fund balance – governmental funds	\$ 2,092,107
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds.	180,870
Receivables reported in the statement of net position that are not available to provide current financial resources are reported as a deferred inflow in the funds.	<u>187,820</u>
Net position of governmental activities	<u>\$ 2,460,797</u>

Marion County Hospital District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2025

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Property tax income	\$ 431,090	\$ -	\$ 431,090
Interest income	51,416	695	52,111
Rental income	16,800	-	16,800
Tobacco settlement income	-	9,794	9,794
Other revenue	343	-	343
Total Revenues	499,649	10,489	510,138
Expenditures			
Appraisal district expense	22,839	-	22,839
Auditing	35,646	-	35,646
Directors Bonds	572	-	572
Indigent healthcare solutions	11,355	-	11,355
Legal ads and notices	2,958	-	2,958
Indigent care	101,189	1,219	102,408
Insurance – property	6,916	-	6,916
Legal and professional	845	-	845
Maintenance – building and fixtures	15,063	-	15,063
Office supplies	1,341	-	1,341
Salaries and related expense	32,042	-	32,042
Tax collection expense	16,790	-	16,790
Travel	3,389	-	3,389
Utilities	5,362	-	5,362
Other expenditures	11,926	-	11,926
Total Expenditures	268,233	1,219	269,452
Net Change in Fund Balance	231,416	9,270	240,686
Fund Balance, Beginning of Year	1,762,491	88,930	1,851,421
Fund Balance, End of Year	\$ 1,993,907	\$ 98,200	\$ 2,092,107

Marion County Hospital District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended September 30, 2025

Net change in fund balances – total governmental funds	\$	240,686
Depreciation expense is reported on the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(6,302)
Certain property taxes are deferred in the funds. This is the change in these amounts this year.		<u>7,703</u>
Change in net position of governmental activities	\$	<u><u>242,087</u></u>

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

The Reporting Entity

The Board of Directors, a seven-member group, has governance responsibilities over the healthcare activities related to public health within the jurisdiction of Marion County Hospital District (District). Members of the Board of Directors are elected by the public and have the authority to make decisions, appoint administrators and managers, significantly influence operations, and have primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*.

The accounting policies of the District substantially conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basic Financial Statements

The District's basic financial statements consist of government-wide financial statements, fund financial statements, and related notes. The government-wide financial statements include a statement of net position and a statement of activities, and the fund financial statements include financial information for the governmental funds. Reconciliations between the governmental funds and the governmental activities are also included.

Government-Wide Financial Statements

The government-wide financial statements consist of the statement of net position and the statement of activities. These statements include the aggregated financial information of the District as a whole. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The financial accounts of the District are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for using a separate set of self-balancing accounts comprised of assets, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures.

The presentation emphasis in the fund financial statements is on major funds. All governmental funds considered major funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds in a separate column.

The District reports the following major governmental fund:

General Fund. This fund is the District's primary operating fund. All general tax revenues are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

**Marion County Hospital District
Notes to Financial Statements
September 30, 2025**

The District reports the following non-major governmental fund:

Special Revenue Fund. This fund is used to account for specific revenues that are legally restricted to expenditure for particular purposes. The District currently uses the Special Revenue Fund to account for tobacco settlement proceeds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments that are both readily convertible to cash and have original maturity dates of three months or less.

Investments

The District's investments consist of certificates of deposits with an original maturity date of three months or more.

Property Taxes

Property taxes attach as an enforceable lien on property as of February 1. Taxes are levied on October 1 and are payable by January 31. The District's property tax revenues are recognized when levied to the extent that they result in current receivables. Deferred inflows of resources have been recorded to offset the estimated amounts determined not to be available, spendable resources.

Receivables and Payables

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the government-wide financial statements. Such assets are recorded at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the underlying assets are not capitalized. The District capitalizes all items that have an estimated useful life of more than one year and exceed a cost of \$1,000.

Property, plant, and equipment are depreciated using the straight-line method over the estimated useful life of the asset.

Use of Estimates

The preparation of these financial statements includes estimates and assumptions made by management that affect the reported amounts. Actual results could differ from those estimates.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future reporting period(s) and so will not be recognized as an inflow of resources until that time. The District has the following item that qualifies for reporting in this category:

- Unavailable property tax revenue – This arises only under a modified accrual basis of accounting. Accordingly, unavailable property tax revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that these amounts become available.

Fund Balance and Net Position Classifications

In the government-wide financial statements, equity is classified as net position and displayed, as applicable, 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* is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the District.
- *Unrestricted net position* is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Governmental fund balances are classified as follows:

- *Nonspendable* includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories and prepaid items.
- *Restricted* is similar to restricted net position discussed above and includes constraints placed on the use of resources that are either externally imposed by grantors, contributors, or other governments or are imposed by law (through constitutional provisions or enabling legislation).
- *Committed* includes amounts that can only be used for a specific purpose due to a formal resolution approved by the Board of Trustees, which is the District's highest level of decision-making authority. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.
- *Assigned* includes amounts which the District intends to use for a specific purpose but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the District's board. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the District itself.
- *Unassigned* includes amounts which are unconstrained in that they may be spent for any purpose. Generally, only the general fund reports a positive unassigned balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**Marion County Hospital District
Notes to Financial Statements
September 30, 2025**

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. Additionally, the District designates restricted net position to be spent first if both restricted and unrestricted balances are available.

Note 2. Stewardship and Accountability

Budgets and Budgetary Accounting

The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending September 30.

The District follows these procedures in establishing the General Fund and Special Revenue Fund budgetary data reflected in the required supplementary information of the financial statements:

- In August, a proposed operating budget for the fiscal year commencing the following October 1 is presented.
- Prior to October 1, the Board of Directors approves the budget document following a public hearing.
- The approved annual budget is used as a control device for the General Fund and Special Revenue Fund.
- The budgets for the General Fund and Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles.
- According to section 286.127 of the Health and Safety Code, money may not be spent for an expense not included in the annual budget or an amendment to the budget. When expenditures are required for functions that have not been budgeted, the Board is required to approve line-item transfers or budget amendments.

Note 3. Cash and Cash Equivalents and Investments

Deposits and Investments

According to Chapter 286, Subchapter F. District Finances, Section 286.130(a) of the Health Safety Code, the Board is required to name at least one bank to serve as depository for the District funds. Under Section 286.130(c), before the district deposits funds in a bank in an amount that exceeds the maximum amount secured by the Federal Deposit Insurance Corporation (FDIC), the bank must execute a bond or other security in an amount sufficient to secure from loss the District funds that exceed the amount secured by the FDIC.

Deposits, including certificates of deposit, are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District's policy regarding custodial credit risk is that no District funds are deposited in any financial institution that cannot provide adequate FDIC insurance or pledged collateral held by the District's agent bank in the District's name.

As of September 30, 2025, \$47,277 of the District's bank deposits, including certificates of deposit, was not fully insured or collateralized.

Marion County Hospital District
Notes to Financial Statements
September 30, 2025

Note 4. Capital Assets

Changes in capital assets were as follows for the year ended September 30, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land	\$ 126,211	\$ -	\$ -	\$ 126,211
Buildings and improvements	489,204	-	-	489,204
Furniture and equipment	16,298	-	-	16,298
	<u>631,713</u>	<u>-</u>	<u>-</u>	<u>631,713</u>
Less accumulated depreciation	<u>444,541</u>	<u>6,302</u>	<u>-</u>	<u>450,843</u>
Capital assets, net	<u>\$ 187,172</u>	<u>\$ (6,302)</u>	<u>\$ -</u>	<u>\$ 180,870</u>

Fiscal year 2025 depreciation expense of \$6,302 was charged to general administration in the accompanying statement of activities.

Note 5. Risk Management

The District is exposed to various risks of loss related to torts; environmental claims; equal employment opportunity claims; wage and hour claims; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains real and personal property coverage insurance for District buildings, furnishings, and computer equipment. The coverage provides replacement cost coverage with an annual limit of \$701,794.

The District also maintains the following insurance coverage:

- General liability coverage of \$1,000,000 per occurrence
- Cyber liability and data breach response coverage of \$500,000 aggregate limit for Tower I, \$100,000 aggregate limit for Tower II, and \$100,000 aggregate limit for Tower III
- Automobile liability coverage of \$300,000 per occurrence
- Errors and omissions coverage of \$1,000,000 per each wrongful act with a \$1,000 deductible and a \$2,000,000 annual aggregate limit
- Worker's compensation coverage of \$46,559
- Boiler and machinery liability coverage of \$100,000 per occurrence with a \$500 deductible
- Flood and earthquake liability coverage with an annual limit of \$701,794 and a \$25,000 deductible

No settlements during each of the last three years have exceeded commercial coverage purchased. Other than the above coverages provided by insurance, the District retains all risk of loss.

Other Information

Marion County Hospital District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual – General Fund (Unaudited)
Year Ended September 30, 2025

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	
Revenues				
Property tax income	\$ 395,000	\$ 395,000	\$ 431,090	\$ 36,090
Interest income	3,400	3,400	51,416	48,016
Rental income	16,800	16,800	16,800	-
Other revenue	25	25	343	318
Total Revenues	415,225	415,225	499,649	84,424
Expenditures				
Appraisal district expense	18,000	18,000	22,839	(4,839)
Auditing	40,000	40,000	35,646	4,354
Capital outlay	1,000	1,000	-	1,000
Directors Bonds	250	250	572	(322)
Elections	84,000	84,000	-	84,000
Indigent healthcare solutions	12,000	12,000	11,355	645
Legal ads and notices	2,000	2,000	2,958	(958)
Indigent care	250,000	250,000	101,189	148,811
Insurance – property	7,875	7,875	6,916	959
Legal and professional	2,000	2,000	845	1,155
Maintenance – building and fixtures	21,000	21,000	15,063	5,937
Office supplies	6,000	6,000	1,341	4,659
Salaries and related expense	35,280	35,280	32,042	3,238
Tax collection expense	21,000	21,000	16,790	4,210
Travel	3,000	3,000	3,389	(389)
Utilities	6,000	6,000	5,362	638
Web technology	2,500	2,500	-	2,500
Other expenditures	425	425	11,926	(11,501)
Total Expenditures	512,330	512,330	268,233	244,097
Net Change in Fund Balance	(97,105)	(97,105)	231,416	328,521
Fund Balance, Beginning of Year	1,762,491	1,762,491	1,762,491	-
Fund Balance, End of Year	\$ 1,665,386	\$ 1,665,386	\$ 1,993,907	\$ 328,521

Marion County Hospital District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual – Special Revenue Fund (Unaudited)
Year Ended September 30, 2025

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	
Revenues				
Interest income	\$ -	\$ -	\$ 695	\$ 695
Tobacco settlement income	7,700	7,100	9,794	2,694
Total Revenues	7,700	7,100	10,489	3,389
Expenditures				
Indigent care	-	-	1,219	(1,219)
Total Expenditures	-	-	1,219	(1,219)
Net Change in Fund Balance	7,700	7,100	9,270	2,170
Fund Balance, Beginning of Year	88,930	88,930	88,930	-
Fund Balance, End of Year	<u>\$ 96,630</u>	<u>\$ 96,030</u>	<u>\$ 98,200</u>	<u>\$ 2,170</u>

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards**

Independent Auditor's Report

Board of Directors
Marion County Hospital District
Jefferson, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Marion County Hospital District (District), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Forvis Mazars, LLP

Dallas, Texas
December 16, 2025