

# **WALKER COUNTY HOSPITAL DISTRICT**

## *ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED DECEMBER 31, 2024*



**Davis, Heinemann & Company, P.C.**

***Certified Public Accountants***

1300 11th Street Suite 500

Huntsville, Texas 77340

(936) 291-3020

Walker County Hospital District  
Annual Financial Report  
For The Year Ended December 31, 2024

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
FINANCIAL SECTION		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	8	A-1
Statement of Activities.....	9	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	10	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	11	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	12	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	13	A-6
Statement of Fiduciary Net Position - Fiduciary Funds.....	14	A-7
Notes to the Financial Statements .....	15	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	22	B-1
Notes to Required Supplementary Information.....	23	

*This page has been left blank intentionally.*

*Financial Section*

*This page has been left blank intentionally.*



**DAVIS, HEINEMANN & COMPANY, P.C.**

***CERTIFIED PUBLIC ACCOUNTANTS***

1300 11TH STREET, SUITE 500

P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

PHONE (936) 291-3020

FAX (936) 291-9607

**Independent Auditor's Report**

To the Board of Managers  
Walker County Hospital District  
P.O. Box 1267  
Huntsville, Texas 77342-1267

**Opinions**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Walker County Hospital District ("the District"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Walker County Hospital District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Walker County Hospital District, as of December 31, 2024, 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. 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 Walker County Hospital 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 Walker County Hospital District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the Management's Discussion and Analysis, and budgetary comparison 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 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.

Respectfully submitted,



Davis, Heinemann & Company, P.C.

Huntsville, Texas  
June 27, 2025

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Walker County Hospital District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2024. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$36,784,844 at December 31, 2024.
- During the year, the District's expenses were \$4,630,565 less than the \$11,416,321 generated in leases, property tax collections and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$15,116,281.

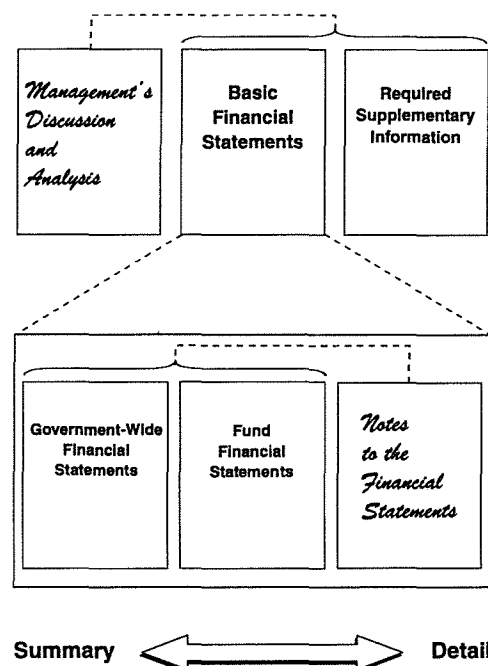
### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District's Annual Financial Report





## Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one should consider additional factors such as changes in the District's taxing jurisdictions.

The government-wide financial statements of the District include the *Governmental activities*. All of the District's basic services are included here. Charges for service paid by participating jurisdictions and other revenues finance these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and, when applicable, by bond covenants.
- The Board of Managers establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's net position was \$36,784.8 thousand at December 31, 2024 (See Table A-1).

**Table A-1**  
Walker County Hospital District's Net Position  
(In thousands of dollars)

	Governmental Activities		Change Total
	<u>2024</u>	<u>2023</u>	<u>2024-2023</u>
Current Assets:			
Cash and Cash Equivalents	\$ 6,183.7	\$ 3,161.3	\$ 3,022.4
Receivables:			
Taxes	6,281.7	5,607.3	674.4
Other	292.0	257.9	34.1
Restricted Assets:			
Cash and Cash Equivalents	<u>268.3</u>	<u>-</u>	<u>268.3</u>
Total Current Assets:	<u>13,025.7</u>	<u>9,026.5</u>	<u>3,999.2</u>
Noncurrent Assets:			
Restricted Assets:			
Investments - Long-Term	8,384.8	7,941.3	443.5
Capital Assets	26,887.7	25,949.9	937.8
Less: Accumulated Depreciation	(19,881.0)	(19,142.7)	(738.3)
Investments - HCH	<u>8,380.1</u>	<u>8,380.1</u>	<u>-</u>
Total Noncurrent Assets	<u>23,771.6</u>	<u>23,128.6</u>	<u>643.0</u>
Total Assets	<u>36,797.3</u>	<u>32,155.1</u>	<u>4,642.2</u>
Current Liabilities:			
Accounts Payable	11.9	-	11.9
Other Current Liabilities	-	0.3	(0.3)
Security Deposit	<u>0.6</u>	<u>0.5</u>	<u>0.1</u>
Total Current Liabilities	<u>12.5</u>	<u>0.8</u>	<u>11.7</u>
Total Liabilities	<u>12.5</u>	<u>0.8</u>	<u>11.7</u>
Net Position:			
Invested in Capital Assets	7,006.7	6,807.2	199.5
Unrestricted	<u>29,778.1</u>	<u>25,347.1</u>	<u>4,431.0</u>
Total Net Position	<u>\$ 36,784.8</u>	<u>\$ 32,154.3</u>	<u>\$ 4,630.5</u>

**Changes in net position.** At the end of 2024, the District's total revenues were \$11,416.3 thousand. A significant portion, seventy (70) percent, of the District's revenue comes from property tax collections and twenty (20) percent of the revenue is from lease income. Ten (10) percent of the District's revenue comes from other revenue and interest earnings.

The total cost of all programs and services was \$6,785.8 thousand; eighty-three (83) percent of these costs are for indigent care and seventeen (17) percent are for administration expenses.

## Governmental Activities

**Table A-2**  
Changes in Walker County Hospital District's Net Position  
(In thousands of dollars)

	Governmental Activities		Change
	<u>2024</u>	<u>2023</u>	<u>2024-2023</u>
General Revenues:			
Property Taxes	\$ 7,949.6	\$ 6,937.2	\$ 1,012.4
Lease Income	2,330.0	2,400.0	(70.0)
Other Income	205.7	199.4	6.3
Investment Income	931.0	642.1	288.9
Total General Revenues	<u>11,416.3</u>	<u>10,178.7</u>	<u>1,237.6</u>
Program Revenues:			
Charges for Services	<u>-</u>	<u>-</u>	<u>-</u>
Total Program Services	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>11,416.3</u>	<u>10,178.7</u>	<u>1,237.6</u>
Program Expenses:			
Indigent Care	5,653.3	8,174.1	(2,520.8)
Health Services	40.0	784.6	(744.6)
Administration Expense	154.7	247.6	(92.9)
Capital Outlay	937.8	-	937.8
Total Expenses	<u>6,785.8</u>	<u>9,206.3</u>	<u>(2,420.5)</u>
Change in Net Position	4,630.5	972.4	3,658.1
Beginning Net Position	32,154.3	31,181.9	972.4
Ending Net Position	<u>\$ 36,784.8</u>	<u>\$ 32,154.3</u>	<u>\$ 4,630.5</u>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2024, the District had invested \$26,887.7 thousand in a broad range of capital assets, including buildings, furniture and equipment. (See Table A-3.)

**Table A-3**  
Walker County Hospital District's Capital Assets  
(In thousands of dollars)

	Governmental Activities		Change
	<u>2024</u>	<u>2023</u>	<u>2024-2023</u>
Land	\$ 1,126.7	\$ 1,126.7	\$ -
Buildings and Improvements	20,545.4	19,785.2	760.2
Equipment	5,215.6	5,038.0	177.6
Totals at Historical Costs	<u>26,887.7</u>	<u>25,949.9</u>	<u>937.8</u>
Accumulated Depreciation	<u>(19,881.0)</u>	<u>(19,142.7)</u>	<u>(738.3)</u>
Net Capital Assets	<u>\$ 7,006.7</u>	<u>\$ 6,807.2</u>	<u>\$ 199.5</u>

### Long-Term Debt

At year end the District had no outstanding debt.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### General Fund Budgetary Highlights

Over the course of the year, the District did not amend the budget. Actual expenditures were less than final appropriations by \$5,956.8 thousand.

Resources available were \$830.6 thousand more than the final estimated budgeted amounts. The largest positive variance, \$461.0 thousand, resulted from investment income being more than projected.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Fiscal Year 2025 budget increases expenditures from final 2024 appropriations by \$990.0 thousand to \$10,901.3 thousand. This is a ten (10) percent increase from the prior year due to estimated increase in capital and contingency expenditures.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's administration office.

*This page has been left blank intentionally.*

## *Basic Financial Statements*

*This page has been left blank intentionally.*

**WALKER COUNTY HOSPITAL DISTRICT**

## STATEMENT OF NET POSITION

DECEMBER 31, 2024

	Governmental Activities
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 6,183,675
Receivables:	
Taxes	6,281,750
Other, Net	292,005
Restricted Assets:	
Cash and Cash Equivalents	268,332
Noncurrent Assets:	
Restricted Assets:	
Investments - Long-Term	8,384,777
Capital Assets (Net of Accumulated Depreciation):	
Land	1,126,694
Other Capital Assets, Net	5,880,032
Investment - Huntsville Community Hospital	8,380,087
Total Assets	<u>36,797,352</u>
LIABILITIES:	
Accounts Payable	11,876
Payroll Taxes Payable	632
Total Liabilities	<u>12,508</u>
NET POSITION:	
Net Investment in Capital Assets	7,006,726
Unrestricted	29,778,118
Total Net Position	<u>\$ 36,784,844</u>

The accompanying notes are an integral part of this statement.



**WALKER COUNTY HOSPITAL DISTRICT**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2024

		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Governmental Activities
PRIMARY GOVERNMENT:		
Governmental Activities:		
Indigent Care	\$ 5,653,265	\$ (5,653,265)
Health Services	40,000	(40,000)
Administration Expense	154,667	(154,667)
Capital Outlay	937,824	(937,824)
Total Governmental Activities	6,785,756	(6,785,756)
Total Primary Government	<u>\$ 6,785,756</u>	<u>(6,785,756)</u>
General Revenues:		
Property Taxes		7,949,552
Lease Income		2,330,012
Investment Income		931,038
Other		205,719
Total General Revenues		<u>11,416,321</u>
Change in Net Position		4,630,565
Net Position - Beginning		32,154,279
Net Position - Ending		<u>\$ 36,784,844</u>

The accompanying notes are an integral part of this statement.

**WALKER COUNTY HOSPITAL DISTRICT**

## BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2024

	General Fund
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 6,183,675
Receivables:	
Taxes	6,281,750
Other, Net	292,005
Restricted Assets:	
Cash and Cash Equivalents	268,332
Investments - Long-Term	8,384,777
Total Assets	<u>\$ 21,410,539</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>	
Liabilities:	
Accounts Payable	\$ 11,876
Payroll Taxes Payable	632
Total Liabilities	<u>12,508</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Property Taxes	6,281,750
Total Deferred Inflows of Resources	<u>6,281,750</u>
Fund Balances:	
Committed Fund Balance:	
Committed for Building and Land Improvement	8,626,115
Unreserved	6,490,166
Total Fund Balance	<u>15,116,281</u>
Total Liabilities and Fund Balance	<u>\$ 21,410,539</u>

The accompanying notes are an integral part of this statement.

**WALKER COUNTY HOSPITAL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2024

Total fund balances - governmental funds balance sheet	\$ 15,116,281
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	7,006,726
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	6,281,750
Long-term investment not reported in the funds.	<u>8,380,087</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 36,784,844</u>

The accompanying notes are an integral part of this statement.

**WALKER COUNTY HOSPITAL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund
Revenue:	
Property Taxes	\$ 7,275,173
Lease Income	2,400,000
Investment Income	861,050
Other	205,719
Total Revenues	<u>10,741,942</u>
Expenditures:	
Indigent Care	2,622,465
Health Services	40,000
Administration Expense	354,184
Capital Outlay	937,824
Total Expenditures	<u>3,954,473</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,787,469
Other Financing Sources (Uses):	
Contribution - Huntsville Community Hospital	<u>(3,030,800)</u>
Total Other Financing Sources (Uses)	<u>(3,030,800)</u>
Net Change in Fund Balance	3,756,669
Fund Balance - Beginning	<u>11,359,612</u>
Fund Balance - Ending	<u><u>\$ 15,116,281</u></u>

The accompanying notes are an integral part of this statement.

**WALKER COUNTY HOSPITAL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2024

Net change in fund balances - total governmental funds	\$ 3,756,669
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	937,824
The depreciation of capital assets used in governmental activities is not reported in the funds.	(738,307)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	<u>674,379</u>
Change in net position of governmental activities - Statement of Activities	\$ <u><u>4,630,565</u></u>

The accompanying notes are an integral part of this statement.

**WALKER COUNTY HOSPITAL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**A. Summary of Significant Accounting Policies**

The combined financial statements of Walker County Hospital District (the "District") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Statements:** The statement of net position and the statement of activities include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

**General Fund.** This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

**WALKER COUNTY HOSPITAL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

b. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

**WALKER COUNTY HOSPITAL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

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.

There are no significant receivables which are not scheduled for collection within one year of year end.

The detail of significant receivables at December 31, 2024 consist of the following

WCAD Tax Collections	\$	292,005
Total Accounts Receivable	\$	<u>292,005</u>

e. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Managers. Committed amounts cannot be used for any other purpose unless the Board of Managers removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Managers. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** - represents 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 Board of Managers or by an official or body to which it delegates the authority. 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 conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

**Unassigned Fund Balance** - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund 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.



**WALKER COUNTY HOSPITAL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

f. **Deferred Outflows and Deferred Inflows of Resources**

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position) and governmental funds balance sheet will sometime report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

g. **Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

**B. Compliance and Accountability**

1. **Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. **Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**C. Deposits and Investments**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**Cash Deposits:**

At December 31, 2024, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,019,802 and the bank balance was \$6,030,651. The District's cash deposits at December 31, 2024 and during the year ended December 31, 2024, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The District also had \$5,744 invested in TexPool at year end.

**WALKER COUNTY HOSPITAL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The District's investments at December 31, 2024 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Long-Term Certificates of Deposit	Various	\$ 8,384,777
Total Investments		<u>\$ 8,384,777</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits 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.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

**WALKER COUNTY HOSPITAL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

**WALKER COUNTY HOSPITAL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**D. Capital Assets**

Capital asset activity for the year ended December 31, 2024, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,126,694	\$ -	\$ -	\$ 1,126,694
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>1,126,694</u>	<u>-</u>	<u>-</u>	<u>1,126,694</u>
Capital assets being depreciated:				
Buildings and improvements	19,785,202	760,177	-	20,545,379
Equipment	5,038,013	177,647	-	5,215,660
Total capital assets being depreciated	<u>24,823,215</u>	<u>937,824</u>	<u>-</u>	<u>25,761,039</u>
Less accumulated depreciation for:				
Buildings and improvements	(15,499,851)	(530,224)	-	(16,030,075)
Equipment	(3,642,849)	(208,083)	-	(3,850,932)
Total accumulated depreciation	<u>(19,142,700)</u>	<u>(738,307)</u>	<u>-</u>	<u>(19,881,007)</u>
Total capital assets being depreciated, net	<u>5,680,515</u>	<u>199,517</u>	<u>-</u>	<u>5,880,032</u>
Governmental activities capital assets, net	<u>\$ 6,807,209</u>	<u>\$ 199,517</u>	<u>\$ -</u>	<u>\$ 7,006,726</u>

Depreciation was charged to functions as follows:

Health Services	\$ 738,307
	<u>\$ 738,307</u>

**E. Long-Term Obligations**

The District has no long-term debt.

**F. Lease Agreements**

Huntsville Community Hospital, Inc.

Walker County Hospital District owns the land and facility that was formerly known as Huntsville Memorial Hospital. Beginning February 1, 2020 a new Facility and Lease Agreement was signed between the District and Huntsville Community Hospital (HCH).

The term of the lease is for an initial period of five (5) years, beginning November 22, 2019, with an option to extend an additional five years, if both parties agree. The lease was amended effective June 2021 with a new term of seven years. The leased property consists of buildings, improvements, real property, furnishings, personal property, equipment and furniture.

Under the lease agreement, base rent is approximately \$200,000 per month. The parties agree to periodically review the financial stability of the hospital and when appropriate, increase the base rent to a mutually agreed upon amount, provided that at such time as the base rent is increased, HCH has attained financial stability by generating sufficient funds from operations to cover the cost of the operation of the hospital and fund the capital needs of the hospital for at least one (1) fiscal year in accordance with the approved annual operating and capital budgets of the hospital or for another period of time to which the parties agree.

The lease is intended to be an absolute triple net lease. HCH agrees to pay all taxes, maintenance and repair, insurance premiums and other related costs.

**WALKER COUNTY HOSPITAL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

In accordance with GASB 87, as the lessor, the lease is reported as lease revenue in the General Fund each year as payments are received. In the government-wide statements the initial present value of the lease is reported as a lease receivable and deferred inflow of resources at the inception of the lease. Each year the lease receivable and deferred inflow of resources are amortized as payments are received. The revenue is split between lease revenue and interest income in the statement of activities.

**G. Other Agreements**

In 2019, Walker County Hospital Corporation (WCHC) filed for bankruptcy. During the bankruptcy proceedings, the District agreed to work with Huntsville Community Hospital, Inc. (HCH) to continue to operate the hospital as a full-service acute care hospital for the provision of inpatient and outpatient acute care hospital services. In the Amended and Restated Bylaws of Huntsville Community Hospital, Inc. dated February 28, 2020, two classes of members were defined. Community Hospital Corporation (CHC) is the Class A member and the District is the Class B member. Any major changes to the Corporation or revisions to the bylaws require the approval of both the Class A and Class B members. CHC is the management company for the hospital and HCH is the operating company for the hospital.

The District primarily uses tax revenues to pay for indigent care for qualified residents within the District. However, during bankruptcy proceedings, the District took on a major role in funding the purchase of assets and receivables from the bankrupt company by providing \$9,400,000 in funding to be used to purchase the assets and then to donate the receivables to HCH and to rent the newly purchased and previously acquired equipment to HCH for \$1 per year. The Lease Agreement provides for an increased amount of rent to be paid by HCH to the District, once the operating company is financially sound.

**H. Contingent Indigent Care Liability**

Walker County, Texas

Walker County Hospital District provides health care services to inmates housed in the Walker County jail. The inmates must meet the indigent requirement and be a qualified resident of the Hospital District. Walker County Hospital District reimburses Walker County for indigent inmate medical care and drug prescriptions.

Medicaid UPL Program

The primary purpose of the Walker County Hospital District is to provide indigent care services to qualified residents of Walker County through the Medicaid UPL Program. The District sends funds to the Texas State Comptroller of Public Accounts for the purpose of certifying the State's matchable portion of funding through the Medicaid UPL Program. The federal government matches these funds and then sends the total payment directly to Huntsville Community Hospital. The matching portion of this program (1115 Waiver) was set to expire in October 2022, but was extended until 2030.

**I. Subsequent Events**

The District has evaluated subsequent events through June 27, 2025, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ending December 31, 2024.

The District Board of Managers called for a \$246,000,000 bond referendum to fund a new hospital. If approved by voters, the proposed 2025 bond would have provided funds to build a new hospital in front of the current hospital parking lot and Interstate 45. The referendum was on the May 3, 2025 ballot. The referendum was rejected by the voters.

## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

*This page has been left blank intentionally.*

**WALKER COUNTY HOSPITAL DISTRICT****EXHIBIT B-1****GENERAL FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED DECEMBER 31, 2024**

	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenue:				
Property Taxes	\$ 6,935,000	\$ 6,935,000	\$ 7,275,173	\$ 340,173
Lease Income	2,400,000	2,400,000	2,400,000	-
Investment Income	400,000	400,000	861,050	461,050
Other	176,300	176,300	205,719	29,419
Total Revenues	<u>9,911,300</u>	<u>9,911,300</u>	<u>10,741,942</u>	<u>830,642</u>
Expenditures:				
Indigent Care	7,200,000	7,200,000	2,622,465	4,577,535
Health Services	40,000	40,000	40,000	-
Administration Expense	1,671,300	1,671,300	354,184	1,317,116
Capital Outlay	1,000,000	1,000,000	937,824	62,176
Total Expenditures	<u>9,911,300</u>	<u>9,911,300</u>	<u>3,954,473</u>	<u>5,956,827</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	6,787,469	6,787,469
Other Financing Sources (Uses):				
Contribution - Huntsville Community Hospital	-	-	(3,030,800)	(3,030,800)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(3,030,800)</u>	<u>(3,030,800)</u>
Net Change in Fund Balance	-	-	3,756,669	3,756,669
Fund Balance - Beginning	11,359,612	11,359,612	11,359,612	-
Fund Balance - Ending	<u>\$ 11,359,612</u>	<u>\$ 11,359,612</u>	<u>\$ 15,116,281</u>	<u>\$ 3,756,669</u>



**WALKER COUNTY HOSPITAL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

**Budgetary Data**

The Board of Managers shall prepare a proposed budget annually for the District. The proposed budget must include an estimate of all revenue sources and expenditures for the budget year. It must include any outstanding debt, available cash, prior year balances and the estimated tax rate required to fund the budget.

- a. Prior to the beginning of the fiscal year, the District prepares a budget for the succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. The Board of Managers shall hold a public hearing on the proposed budget. A notice must be published no later than the tenth day before the date of the hearing. At the conclusion of the hearing, the board shall adopt the proposed budget.
- c. After adoption, the budget may be amended on the board's approval. Expenditures may not be made that are not included in the annual budget or an amendment to the budget. The budget can be amended by a majority of the members of the Board of Managers. As required by law, such amendments are made before the fact, are reflected in the official minutes of the board meetings and are not made after fiscal year end.