OFFICIAL STATEMENT
Dated September 18, 2014

NEW ISSUE — Book-Entry-Only

RATING:
Moody's: "A3"
(see "OTHER INFORMATION - Rating" herein)

In the opinion of Bond Counsel, based on existing law and subject to conditions described in the section herein entitled "TAX MATTERS" interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of such Bonds) is excludable from the gross income of the owners of the Bonds for federal income tax purposes and interest on the Bonds is not treated as a preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for purposes of the alternative minimum tax on corporations, interest on the Bonds is included in computing adjusted current earnings. See "TAX MATTERS" herein regarding certain tax considerations.

$24,300,000
NOLAN COUNTY HOSPITAL DISTRICT
COMBINATION TAX AND REVENUE BONDS
SERIES 2014

Dated Date: September 1, 2014
Interest Accrues from Date of Delivery

Due: August 15, as shown on the inside front cover

PAYMENT TERMS . . . Interest on the $24,300,000 Nolan County Hospital District Combination Tax and Revenue Bonds, Series 2014 (the "Bonds") will accrue from the date on which they are delivered to the initial purchasers thereof (the "Underwriters"), will be payable on February 15 and August 15 of each year, commencing February 15, 2015, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds initially will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners of the Bonds.** Principal of and interest on the Bonds will be payable by BOKF, N.A., dba Bank of Texas, Austin, Texas, as the initial Paying Agent/Registrar for the Bonds (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Article IX, Section 9 of the Texas Constitution, Chapter 1082, Texas Special District Local Laws Code, as amended (the "Act"), an election held in the Nolan County Hospital District (the "District") on May 10, 2014, and approved by a majority of the participating voters, and an order adopted by the Board of Directors of the District authorizing the issuance of the Bonds on behalf of the District (the "Order"). (See "THE BONDS – Authority for Issuance").

SECURITY . . . The Bonds constitute direct obligations of the District payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the District, and (ii) a pledge of the net revenues of the District, as described herein and provided in the Order. The District's combined ad valorem tax rate cannot exceed $0.75 per $100 of taxable assessed valuation. The Act does not limit the amount of the District's $0.75 per $100 of taxable assessed valuation permitted tax levy that is available for debt service, but the combined tax rate for meeting the requirements of the Bonds together with any other ad valorem tax imposed for the District may not exceed $0.75 per $100 of taxable valuation. The Bonds are not secured by a mortgage or other security interest in any real property of the District. (See "THE BONDS – Security and Source of Payment" and "THE BONDS – Tax Rate Limitation").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) constructing, renovating, acquiring, repairing and equipping buildings for hospital purposes in the District, and (ii) paying the costs associated with the issuance of the Bonds (see "PLAN OF FINANCE" in the forepart of this Official Statement and "THE PROJECT" in Appendix A hereto).

MATURITY SCHEDULES, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS AND REDEMPTION PROVISIONS
See Schedules on Inside Front Cover

LEGALITY . . . The Bonds are offered for delivery when, as and if issued by the District and received by the Underwriters and subject to the approval of legality by the Attorney General of the State of Texas and McGuireWoods LLP, Houston, Texas ("Bond Counsel") (see Appendix C - "Form of Bond Counsel Opinion" hereto). Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP, Houston, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about October 7, 2014.

RAYMOND JAMES

JEFFERIES **COASTAL SECURITIES, INC.**

$24,300,000
COMBINATION TAX AND REVENUE BONDS
SERIES 2014

Maturity (8/15)	Amount	Interest Rate %	Initial Yield %	CUSIP[1] 65528	Maturity (8/15)	Amount	Interest Rate %	Initial Yield %	CUSIP[1] 65528
2015	$ 770,000	2.000	0.400	GAP5	2024	$ 920,000	5.000	3.130	GAY6
2016	665,000	3.000	0.760	GAQ3	2025	965,000	3.250	3.420	GAZ3
2017	685,000	4.000	1.150	GAR1	2026	1,000,000	5.000	3.320[2]	GBA7
2018	715,000	4.000	1.490	GAS9	2027	1,050,000	5.000	3.400[2]	GBB5
2019	740,000	4.000	1.820	GAT7	2028	1,100,000	3.500	3.680	GBC3
2020	770,000	4.000	2.220	GAU4	2029	1,140,000	5.000	3.550[2]	GBD1
2021	805,000	4.000	2.510	GAV2	2030	1,195,000	5.000	3.620[2]	GBE9
2022	835,000	5.000	2.810	GAW0	2031	1,255,000	5.000	3.680[2]	GBF6
2023	875,000	5.000	3.040	GAX8	2032	1,320,000	5.000	3.740[2]	GBG4
					2033	1,385,000	4.000	4.000	GBH2

$ 6,110,000 4.000% Term Bonds due August 15, 2037, Priced to Yield 4.110%, CUSIP:[1] 65528GBM1

(Interest to accrue from the Date of Delivery)

OPTIONAL REDEMPTION. The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2025, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption").

MANDATORY REDEMPTION . . . The Bonds maturing on August 15, 2037, are subject to mandatory redemption prior to maturity on the dates and in the amounts described in this Official Statement (see "THE BONDS - Redemption Provisions - Mandatory Redemption").

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[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. CUSIP numbers are provided for convenience of reference only. None of the District, the Financial Advisor and the Underwriters takes any responsibility for the accuracy of such numbers.

[2] Priced to the first optional call date of August 15, 2024.

USE OF INFORMATION

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the District. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters cannot and do not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

NEITHER THE DISTRICT NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM OR ANY INFORMATION REGARDING DTC, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, IF ANY. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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FORM OF BOND COUNSEL OPINION C-1

The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT ..... The Nolan County Hospital District (the "District") is a political subdivision of the State of Texas (the "State") located in Nolan County, Texas. For more information regarding the District, see "INTRODUCTION – Description of the District" and Appendix A hereto.

THE BONDS..... The Bonds are issued as $24,300,000 Combination Tax and Revenue Bonds, Series 2014. The Bonds are issued as serial bonds maturing August 15 in the years 2015 through and including 2033 and a term bond maturing on August 15, 2037 (see "THE BONDS - Description of the Bonds"). Interest on the Bonds accrues from the date of delivery to the Underwriters, and is payable February 15, 2015 and each February 15 and August 15 thereafter until maturity or prior redemption. (See "THE BONDS - Description of the Bonds" and "THE BONDS - Optional Redemption").

AUTHORITY FOR ISSUANCE.... The Bonds are issued pursuant to the general laws of the State, including Article IX, Section 9 of the Texas Constitution, Chapter 1082, Texas Special District Local Laws Code, as amended (the "Act") and an election held on May 10, 2014, and approved by a majority of the participating voters, and an order adopted by the Board of Directors of the District authorizing the issuance of the Bonds on behalf of the District. (See "THE BONDS - Authority for Issuance").

SECURITY FOR THE BONDS..... The Bonds constitute direct obligations of the District payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the District, and (ii) a pledge of the net revenues of the District, as described herein and provided in the Order. The District, in its sole discretion, may grant a lien on such net revenues to secure indebtedness of the District that is senior to the lien on such net revenues securing the Bonds. The District's combined ad valorem tax rate cannot exceed $0.75 per $100 of taxable assessed valuation. The Act does not limit the amount of the District's $0.75 per $100 of taxable assessed valuation permitted tax levy that is available for debt service, but the combined tax rate for meeting the requirements of the Bonds together with any other ad valorem tax imposed for the District may not exceed $0.75 per $100 of taxable valuation. The Bonds are not secured by a mortgage or other security interest in any real property of the District. (see "THE BONDS – Security and Source of Payment" and "THE BONDS – Constitutional Tax Rate Limitation").

REDEMPTION..... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2025, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption"). Additionally, the Bonds maturing on August 15, 2037, are subject to mandatory sinking fund redemption as more particularly described herein (see "THE BONDS – Mandatory Redemption").

TAX MATTERS	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative minimum tax on individuals.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for (i) constructing, renovating, acquiring, repairing and equipping buildings for hospital purposes in the District, and (ii) paying the costs associated with the issuance of the Bonds (see "PLAN OF FINANCE" in the forepart of this Official Statement and "THE PROJECT" in Appendix A hereto).
RATING	The Bonds have been rated "A3" by Moody's Investors Service, Inc. ("Moody's") without regard to credit enhancement (see "OTHER INFORMATION - Rating").
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000, or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").
PAYMENT RECORD	The District has never defaulted in the payment of its debt.
DELIVERY	When issued, anticipated on or about October 7, 2014.

SELECTED FINANCIAL INFORMATION

Tax Year Ended 9/30	Estimated District Population [1]	Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2010	15,216	$ 898,626,315	$59,058	$ 2,711,349	0.30%	$ 178
2011	15,125	957,755,050	63,323	2.184.349	0.23%	144
2012	14,906	1,226,677,960	82,294	2,618,285	0.21%	176
2013	15,037	1,237,002,780	82,264	2,246,050	0.18%	149
2014	15,104	1,260,504,350	83,455	$26,274,841[3]	2.09%	1,740

(1) Source: Nolan County Hospital District

(2) As reported by the Nolan County Appraisal District; subject to change during the ensuing year.

(3) Includes the Bonds.

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

District Board of Directors

Board of Directors	Occupation	Position	Term Expires
Steve Holcomb	Self-employed	Chairman	5/2015
Kirby Andrews	Bank President/CEO	Vice Chairman	5/2015
Linda Kite	Health Promotion Coord.	Member	5/2015
Cheyenne Smith	Rock Resource Manager	Member	5/2016
Vickie May	Bank secretary	Member	5/2016
Jose Villafranca	Home builder	Member	5/2015
Vacant			

Selected Administrative Staff

Name	Position	Length of Service (Years)	Length in Current Position (Years)
Donna Boatright, RN, MSN	Chief Executive Officer	37	5
Rhonda Guelker	Chief Financial Officer	23	8
Julie Hall	Senior Business Director	17	8
Rosa Best, RN, MSN	Chief Nursing Officer	25	5
Ame Monroe, RN, MSN	Human Resources Officer	14	1

Consultants and Advisors

Government Capital Securities Corporation Southlake, Texas	Financial Advisor
McGuireWoods LLP Houston, Texas	Bond Counsel
Durbin & Company, L.L.P. Lubbock, Texas	Independent Auditor

For additional information regarding the District, please contact:

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Chief Executive Officer
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OFFICIAL STATEMENT

RELATING TO

$24,300,000
NOLAN COUNTY HOSPITAL DISTRICT
COMBINATION TAX AND REVENUE BONDS
SERIES 2014

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $24,300,000 Nolan County Hospital District Combination Tax and Revenue Bonds, Series 2014 (the "Bonds"). Except as otherwise defined herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms, respectively, in the order authorizing the issuance and sale of the Bonds (the "Order"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Nolan County Hospital District (the "District") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's financial advisor, Government Capital Securities Corporation, Southlake, Texas (the "Financial Advisor") by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER INFORMATION — Forward-Looking Statements Disclaimer").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement, in final form, will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access System ("EMMA"). See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

Description of the District

The District operates a hospital system in Nolan County, Texas known as Nolan County Hospital (the "Hospital") and performs an essential public service of providing hospital and medical care to the District's residents located in Nolan County, Texas (the "County"). The District is a hospital district created and existing pursuant to including Article IX, Section 9 of the Texas Constitution and Chapter 1082, Texas Special District Local Laws Code, as amended.

The District is a political subdivision located in the County and is governed by a seven member Board of Directors (the "Board") who serve staggered four-year terms with November elections being held biennially. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board has responsibility for the management, control of the District and its finances. The District covers approximately 914 square miles in the County. Board members are "public officers" under the Texas Constitution and, as a body, exercise sovereign functions of government independent of control of others, and serve without pay. See Appendix A hereto. The District is not affiliated with the County, which is a separate and distinct political subdivision.

PLAN OF FINANCE

Purpose

The Bonds will finance the renovation of approximately 19,000 square feet of existing facilities and the construction of approximately 21,300 square feet of new facilities including: new obstetrics department, completely renovated intensive care unit, surgery and laboratory, new outpatient dialysis facility, new MRI, new and renovated entrance and dining room, waiting and IT room, a new emergency generator and a facility wide nurse call system (collectively, the "Project"), and paying the costs associated with the issuance of the Bonds.

Sources and Uses of Proceeds

Sources of Funds	
Par Amount of the Bonds	$24,300,000.00
Net Reoffering Premium	1,477,511.20
Total Sources	$25,777,511.20
Uses of Funds	
Deposit to Project Fund	$25,212,000.00
Underwriters' Discount	201,199.89
Costs of Issuance[(1)]	364,311.31
Total Uses	$25,777,511.20

(1) Includes, among other things, counsel fees and other costs of issuing the Bonds.

THE BONDS

The Bonds are dated as of September 1, 2014, bear interest from their date of delivery, and mature on August 15, in the years and principal amounts and bear interest at per annum rates as shown on the inside front cover of this Official Statement. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2015. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one stated maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of and interest on the Bonds will be payable by BOKF, N.A., dba Bank of Texas, Austin, Texas, as the initial Paying Agent/Registrar for the Bonds (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

Authority for Issuance

The Bonds are being issued pursuant to the general laws of the State of Texas (the "State"), including particularly Article IX, Section 9 of the Texas Constitution, the Act, an election held in the District on May 10, 2014, and approved by a majority of the participating voters, and the Order.

Security and Source of Payment

The Bonds constitute direct obligations of the District payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the District (the "Ad Valorem Levy"). The District's combined ad valorem tax rate for both operations and maintenance and debt service cannot exceed $0.75 per $100 of taxable assessed valuation. The Act does not limit the amount of the District's $0.75 per $100 of taxable assessed valuation permitted tax levy that is available for debt service, but the combined tax rate for meeting the requirements of the Bonds together with any other ad valorem tax imposed for the District may not exceed $0.75 per $100 of taxable valuation.

Additionally, the Bonds are secured by a pledge of the Net Revenues. "Net Revenues" means the Gross Revenues of the District, less Operating Expenses incurred for the same period(s). "Gross Revenues" means all patient

revenues, third party reimbursement, rates, fees, charges, rents, taxes, and other income and receipts (exclusive of gifts, contributions or donations received specifically restricted to a particular purpose inconsistent with their use for the payments required pursuant to the Order) in each case, derived by or for the account of the District from the operation and ownership of the System, including proceeds from insurance, accounts receivable, inventory and other tangible and intangible property, agreements respecting Medicare, Medicaid and any other governmental health care programs, contract rights and other rights and assets now or hereafter owned, held or possessed by or on behalf of the District. "Operating Expenses" means the District's reasonable and necessary current expenses for operation, maintenance, repairs and ordinary restoration of the System. Operating Expenses include, without limiting the generality of the foregoing, administrative expenses, insurance premiums, legal and engineering expenses, payments to pension, retirement, health and hospitalization funds, any taxes, governmental charges, and any other expenses required to be paid by the District, all to the extent properly and directly attributable to the operation of the System. Operating Expenses do not include any provision for (a) depreciation, amortization or similar charges, (b) costs of expenses for new construction or (c) deposits or transfers of monies to the credit of any fund established under the Order. "System" means all facilities of the District, including but not limited to facilities constructed, purchased or otherwise acquired, furnished and equipped with the proceeds of the Bonds, together with all additions thereto, and betterments and replacements thereof, or any of the same, of any nature whatsoever.

The District also from time to time may grant a pledge of the Net Revenues to secure other indebtedness of the District, which lien may be senior to, on a parity with, or subordinate to, the lien on the Net Revenues securing the Bonds, in the sole discretion of the District. **There can be no assurance that the District will not grant a lien on the Net Revenues to secure indebtedness of the District that is senior to the lien on the Net Revenues securing the Bonds. If there shall exist any such senior lien on the Net Revenues, there can be no assurance that Net Revenues would be available to pay debt service on the Bonds.**

The Order does not create a mortgage or other security interest on real property of the District.

Tax Rate Limitation

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, within the limits prescribed by law. Pursuant to Article IX, Section 9, of the Texas Constitution and an election held in the District on June 3, 1989 and approved by a majority of the participating voters, the maximum ad valorem tax rate of the District is limited to $0.75 per $100 of assessed valuation for all purposes. The Election authorizing the levy of this constitutional tax in an amount sufficient, within the foregoing limitation, to pay the principal of and interest on the Bonds was held and approved by the voters on May 10, 2014.

Redemption Provisions

Optional Redemption. . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, 2025, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2024 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all the Bonds of a particular stated maturity are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Bond (or the principal amount thereof to be redeemed) will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Redemption. . . The Bonds maturing on August 15, 2037 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to their stated maturity and shall be redeemed in part at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on August 15 in the following years as set forth below:

Bonds Due August 15, 2037

Year	Principal Amount
2034	$1,440,000
2035	1,495,000
2036	1,555,000
2037	1,620,000*

*Stated maturity.

The principal amount of the Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption shall be reduced by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been purchased by the District and delivered to the Paying Agent/Registrar for cancellation or (ii) redeemed pursuant to the optional redemption provision described above and not theretofore credited against a mandatory sinking fund requirement.

Notice of Redemption . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN NOTWITHSTANDING WHETHER OR NOT ONE OR MORE REGISTERED OWNERS MAY HAVE FAILED TO RECEIVE SUCH NOTICE.

The District reserves the right, in the case of an optional redemption to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) the District retains the right to rescind such notice at any time prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

Defeasance

The Order provides for the defeasance of the Bonds when the payment on the Bonds to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or escrow agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally

deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid; provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There can be no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There can be no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

Neither the District nor either of the Underwriters can give or gives any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Authority ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on

file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Order. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, interest on, and redemption price of the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Use of Certain Terms in Other Sections of this Official Statement. . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Underwriters.

Effect of Termination of Book-Entry-Only System. . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange, and Registration" below.

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, N.A. dba Bank of Texas, Austin, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a bank or trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or upon prior redemption upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. The Paying Agent/Registrar shall not be required to make any such transfer or exchange with respect to Bonds (i) during the period commencing with the close of business on any Record Date and ending with the

opening of business on the next following principal or interest payment date or (ii) any portion of a Bond called for redemption prior to maturity, within 30 days prior to its redemption date.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Bondholder Remedies

The Order does not provide for the appointment of a trustee to represent the interests of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess, and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The District is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

Amendments to the Order

The District may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of Bonds aggregating in principal amount 51% of the aggregate principal amount of then outstanding Bonds that are subject to the proposed amendment, amend the Order; except that, without the consent of 100% of the holders in aggregate principal amount of the then outstanding Bonds, no such amendment may (1) make any change in the maturity of any outstanding Bonds, (2) reduce the rate of interest borne by any of the outstanding Bonds, (3) reduce the amount of principal of, or redemption premium, if any, payable on any outstanding Bonds, (4) modify the terms of payment of principal of or interest or redemption premium on outstanding Bonds or any of them or impose any condition with

respect to such payment or alter the pledge securing their payment or (5) change the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

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TAX INFORMATION

Ad Valorem Tax Law

The appraisal of property within the District is the responsibility of the Nolan County Appraisal District (the "Appraisal District"). Excluding agricultural and qualifying open-space land, which may be taxed on the basis of productive capacity, and other special appraisal rules applicable to certain specified types of property, the Appraisal District is required under the Title I of the Texas Tax Code, as amended (herein the "Property Tax Code"), to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property, and (2) the sum of (a) 10% of the appraised value of the property in the preceding year, (b) the appraised value of the property for the preceding year, and (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The District may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the District by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the Texas Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, other special appraisal rules, and the exemption of certain personal property from ad valorem taxation.

Under Article VIII, Section 1-b, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon

receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded. The District can make no representations or predictions concerning the impact such tax limitation would have on the District's tax rate, financial condition or ability to make debt service payments.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Certain property of the State and its political subdivisions; the United States of America and certain of its instrumentalities; charitable organizations; schools and other specified organizations; property exempt by federal law; and other property specified by the Texas Constitution, the Property Tax Code, and other State law are exempt in whole or in part from taxation.

Non-income producing personal property is exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." Under Section 11.253 of the Texas Tax Code, "Goods-in-Transit" are exempt from taxation unless a taxing unit opts out of the exemption. Goods-in-Transit are defined as tangible personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the state or outside the state; (ii) is detained at a location in the state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the state or outside the state not later than 175 days after the date the person acquired the property in or imported the property into the state; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory. A taxpayer may receive only one of the Freeport exemptions or the goods-in-transit exemptions for items of personal property.

A county or municipality may utilize tax increment financing through a Tax Increment Financing Zone ("TIF"), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit, including a hospital district within the boundaries of the TIF, that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total

appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the municipality created the reinvestment zone. Each taxing unit, including county hospital districts, can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation.

Application of Property Tax Code by the District

The District grants an optional $10,000 exemption to the market value of the residence homestead of persons 65 years of age or older or the disabled.

The District grants the percentage amounts of disabled veterans and the total exemption of tax for 100% of disabled veterans.

The District does not grant an additional exemption of 20% of the market value of residence homesteads.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District does not tax nonbusiness personal property.

Nolan County Appraisal District collects taxes for the District.

The District does not permit split payments, and discounts are not allowed.

The District offers a Freeport exemption. The District does not tax Freeport property if qualified.

The District does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

Effective Tax Rate and Rollback Tax Rate

By the later of September 30 or 60 days following the receipt by the District of the certified appraisal roll, the District adopts a tax rate per $100 taxable value for the current year. If the District does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the District for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the District must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The Board may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until it has held two public hearings on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the District by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities, counties and hospital districts in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. The

District is not authorized by State law to collect such tax. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Rollback Petition

Section 26.07 of the Property Tax Code provides voters desiring to roll back the tax levy with the guidelines for a valid petition and provides for 90 days for the collection of signatures of at least 7% of the registered voters in the jurisdiction according to the most recent official list of registered voters if the tax rate adopted for the current tax year would impose taxes for maintenance and operation expenses of $5 million or more, or at least 10% if the current year's tax rate is for maintenance and operation expenses of less than $5 million. The petition must be presented to the governing body of the jurisdiction on or before the 90th day after the tax levy. The governing body then has 20 days from the presentation of the petition to determine the validity of the petition and pass a resolution stating its finding. If the governing body determines that the petition is valid or it fails to act on the petition within such 20-day period an election must be called not less than 30 or more than 90 days on the question of rolling back the tax rate.

Taxes levied to pay debt of the District, including without limitation the Bonds and the Existing Bonds, are not subject to rollback.

Property Assessment and Tax Payment

Property within the District is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year as modified by a factor determined by the State comptroller. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

Penalties and Interest

The District has elected to transfer the responsibility of collecting taxes to the Nolan County Appraisal District. By the later of September 30 and 60 days after the certified appraisal roll is delivered to the District, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty from six percent (6%) to twelve percent (12%) of the amount of the tax, depending on the time of payment, and accrued interest at the rate of one percent (1%) per month. If the tax is not paid by the following July 1, an additional penalty of up to twenty percent (20%) may under certain circumstances be imposed by the District.

The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at twelve percent (12%), and interest increases at the rate of one percent (1%) each month. In addition, State law allows that, if an account is delinquent in July, an amount of up to twenty percent (20%) attorney's collection fee may be added to the total tax penalty and interest charge.

Under certain circumstances, taxes that become delinquent on the homestead of a taxpayer 65 years old or older incur interest of eight percent (8%) per annum with no additional penalties or interest assessed. In general, property subject to the District's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due the District and all other taxing entities. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status, unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TABLE 1 — VALUATION, EXEMPTIONS AND TAX DEBT

District Direct Debt

2014 Certified Taxable Assessed Valuation (100% of Estimated Market Value)	$1,260,504,350
Outstanding Debt	1,974,841
Plus: The Bonds	24,300,000
Total Direct Debt	$ 26,274,841
As a % of 2014 Certified Assessed Valuation	2.09%

Source: Nolan County Appraisal District

TABLE 2 — TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Tax Year 2014	Tax Year 2013	Tax Year 2012	Tax Year 2011	Tax Year 2010
Real Property	$1,268,106,660	$1,222,666,510	$1,074,723,790	$ 967,066,940	$ 928,366,530
Personal Property	99,163,880	109,426,580	89,317,412	78,356,560	69,975,920
Minerals	1,974,685,760	2,034,662,700	2,171,917,780	2,005,815,450	2,239,203,130
Gross Value	$3,341,956,300	$3,366,755,790	$3,335,958,982	$3,051,238,950	$3,237,545,580
Less Exemptions	2,081,451,950	2,129,753,010	2,109,281,022	2,093,483,900	2,338,919,265
Net Taxable Value	$1,260,504,350	$1,237,002,780	$1,226,677,960	$ 957,755,050	$ 898,626,315

Source: Nolan County Appraisal District

TABLE 3 — FUNDED DEBT HISTORY

Tax Year Ended 9/30	Estimated District Population [1]	Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2010	15,216	$ 898,626,315	$59,058	$ 2,711,349	0.30%	$ 178
2011	15,125	957,755,050	63,323	2.184.349	0.23%	144
2012	14,906	1,226,677,960	82,294	2,618,285	0.21%	176
2013	15,037	1,237,002,780	82,264	2,246,050	0.18%	149
2014	15,104	1,260,504,350	83,455	$26,274,841[3]	2.09%	1,740

(1) Source: Nolan County Hospital District

(2) As reported by the Nolan County Appraisal District; subject to change during the ensuing year.

(3) Includes the Bonds.

TABLE 4 — TAX RATE, LEVY AND COLLECTION HISTORY

Tax Year Ended 9/30	Tax Rate	Local Maintenance	Interest and Sinking Fund	Tax Levy	% Total Collections
2010	$0.25237	$ 0.20202	$ 0.05035	$ 2,267,851	97.49%
2011	0.25237	0.20422	0.04815	2,416,970	97.37%
2012	0.22176	0.20211	0.01965	2,720,549	98.26%
2013	0.25237	0.22873	0.02364	3,120,384	97.48%
2014	0.40397	0.24594	0.15803	5,118,768	N/A

Source: Nolan County Appraisal District

TABLE 5 —TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2013 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Oncor Electric Delivery Co	Utility	$ 66,837,830	5.30%
Buzzi Unicem USA (Lone Star)	Cement Factory	55,222,300	4.38%
Cholla Petroleum Inc.	Oil & Gas	44,293,250	3.51%
Merit Energy Corp	Oil & Gas	36,606,840	2.90%
Trent Wind Farm LP	Wind Farm	35,439,030	2.81%
US Gypsum Co	Sheetrock	31,380,070	2.49%
Sheridan Production Co LLC	Oil & Gas	25,407,030	2.02%
Clear Fork Inc	Oil & Gas	21,379,330	1.70%
Mitsubishi Power Systems	Wind Power Equip.	20,538,040	1.63%
Ludlum Measurements Inc	Electronic Equip.	20,267,870	1.61%
Total:		$ 357,371,590	28.35%

Source: Nolan County Appraisal District

Tax Debt Limitation

The District's ability to issue debt payable from taxes is limited by tax rate limitations imposed on the District by the Texas Constitution. The District's ad valorem tax rate for all purposes (debt service and maintenance operations) cannot exceed $0.75 per $100 of valuation. (See "THE BONDS - Tax Rate Limitation").

TABLE 6 — ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping Tax Debt was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table depicted as of 6/30/14 reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	As of	Total Debt[1]	Estimated % Overlapping	Overlapping Debt
Blackwell CISD	06/30/14	$ 5,320,000	80.92%	$ 4,304,944
Highland ISD	06/30/14	3,980,000	100.00%	3,980,000
Nolan County	06/30/14	14,984,000	100.00%	14,984,000
Roscoe Collegiate ISD	06/30/14	11,950,000	90.20%	10,778,900
Sweetwater ISD	06/30/14	12,094,041	95.90%	11,598,185
Sweetwater, City of	06/30/14	17,830,000	100.00%	17,830,000
Trent ISD	06/30/14	5,365,000	32.20%	1,727,530
Estimated (Net) Overlapping Debt				$65,203,559
The District[2][3]				26,274,841
Total Direct & Estimated Overlapping Debt				$91,478,400
As a % of 2014 Certified Taxable Assessed Valuation				7.26%

(1) Gross Debt.
(2) Includes the Bonds.
(3) Does not include outstanding debt payable from maintenance and operations taxes.

DEBT INFORMATION

TABLE 7 —DEBT SERVICE REQUIREMENTS

The following are the principal and interest payment requirements with respect to the Bonds and other outstanding debt of the District paid from ad valorem taxes for the years shown below.* For purposes of calculating the principal payable in any year, the relevant maturity is reflected.

Fiscal Year Ended 9/30	Prior Debt Service	The Bonds Principal	The Bonds Interest	Total Debt Service
2015	$ 353,732.25	$770,000.00	883,885.14	2,007,617.39
2016	351,944.71	665,000.00	1,017,712.50	2,034,657.21
2017	350,136.16	685,000.00	997,762.50	2,032,898.66
2018	348,306.37	715,000.00	970,362.50	2,033,668.87
2019	190,749.49	740,000.00	941,762.50	1,872,511.99
2020	190,749.49	770,000.00	912,162.50	1,872,911.99
2021	190,749.49	805,000.00	881,362.50	1,877,111.99
2022	190,749.49	835,000.00	849,162.50	1,874,911.99
2023	190,749.49	875,000.00	807,412.50	1,873,161.99
2024	190,749.49	920,000.00	763,662.50	1,874,411.99
2025	190,749.49	965,000.00	717,662.50	1,873,411.99
2026		1,000,000.00	686,300.00	1,686,300.00
2027		1,050,000.00	636,300.00	1,686,300.00
2028		1,100,000.00	583,800.00	1,683,800.00
2029		1,140,000.00	545,300.00	1,685,300.00
2030		1,195,000.00	488,300.00	1,683,300.00
2031		1,255,000.00	428,550.00	1,683,550.00
2032		1,320,000.00	365,800.00	1,685,800.00
2033		1,385,000.00	299,800.00	1,684,800.00
2034		1,440,000.00	244,400.00	1,684,400.00
2035		1,495,000.00	186,800.00	1,681,800.00
2036		1,555,000.00	127,000.00	1,682,000.00
2037		1,620,000.00	64,800.00	1,684,800.00
Totals	$2,739,365.92	$24,300,000.00	14,400,060.14	41,439,426.06

Average Annual Debt Service Requirements $1,801,714.18
Maximum Annual Debt Service Requirement (2016)..... $2,034,657.21

TABLE 8 — AUTHORIZED BUT UNISSUED TAX DEBT

Upon the issuance of the Bonds, the District will have no authorized but unissued bonds from the May 10, 2014 election.

TABLE 9 — OTHER OBLIGATIONS

The District is obligated under certain leases for equipment that are accounted for as capital leases. The amount outstanding for such leases as of September 30, 2013 is $14,273. (See Note 11 Long-Term Debt in Appendix B.) The District also has outstanding certain contractual obligations and revenue bonds as shown in Note 11-Long-Term Debt in Appendix B.

The District has a profit sharing plan available to all employees after they have completed 90 days of service. The Hospital matches individual employee's contributions up to 4% of their gross salary in effect upon entering the plan. Retirement benefits equal the amount accumulated to each individual's credit as of the date of retirement. The retirement plan expense for September 30, 2012 and 2013 were $284,976 and $267,422, respectively. (See Note 12 Profit Sharing Plan in Appendix B.)

FINANCIAL INFORMATION

TABLE 10 — CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (Dollars in Thousands)

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Operating Revenues:					
Net Patient Service Revenue	$ 19,214,770	$ 18,440,939	$ 15,979,067	$ 15,348,146	$ 15,903,995
Electronic Medical Record Stimulus	1,198,107	9,793	-	-	-
Other Revenue	458,091	279,134	3,3332,886	1,248,357	1,362,206
Total Operating Revenues	20,870,968	18,729,866	19,311,953	16,596,503	17,266,201
Operating Expenses:					
Salaries and benefits	15,530,024	14,772,842	13,107,173	12,558,763	11,990,704
Professional Fees & Purchased Services	4,317,833	4,758,433	4,502,153	4,445,726	4,361,594
Supplies	2,377,876	2,349,511	2,252,117	2,035,589	2,315,308
Other Operating	1,636,049	1,668,839	959,627	853,767	738,827
Depreciation and Amortization	1,407,304	1,210,237	982,388	1,023,064	964,403
Total Operating Expenses	25,269,086	24,759,862	21,803,458	20,916,909	20,373,836
Operating Income (Loss)	(4,398,118)	(6,029,996)	(2,491,505)	(4,320,406)	(3,107,635)
Nonoperating Revenues (Expenses):					
Property Tax Revenue	2,753,500	2,441,096	2,353,863	2,177,986	1,774,342
Payment in Lieu of Tax	1,723,643	2,027,496	2,354,818	2,488,692	1,347,872
Noncapital Grants and Contributions	14,509	3,490	11,375	14,663	695
Indigent Care Support	2,228,521	2,272,431	780,405	549,305	277,988
Intergovernmental Transfer	(1,532,901)	(1,329,191)	-	-	-
Investment Income	199,960	160,946	184,864	137,194	115,601
Interest Expense	(218,138)	(163,697)	(137,894)	(91,414)	(88,352)
Unrealized Gain (Loss) on Investment	(232,826)	17,802	57,632	15,955	133,062
Gain (Loss) on Disposal of Assets	16,010	(36,707)	-	-	-
Other	-	-	62,716	120,777	148,473
Total Nonoperating Revenues (Expenses	4,952,278	5,393,666	5,667,779	5,413,158	3,709,681
Excess of Revenues Over Expenses Before Capital Grants and Contributions	554,160	(636,330)	3,176,274	1,092,752	602,046

Capital Grants and Contributions	26,480	69,037	63,261	-	303,211
Increase (Decrease) in Net Position	580,640	(567,293)	3,239,535	1,092,752	905,257
Net Position, Beginning of Year	18,079,288	18,646,581	15,407,046	14,314,294	13,409,037
Net Position, End of Year	$ 18,659,928	$ 18,079,288	$ 18,646,581	$ 15,407,046	$ 14,314,294

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Financial Policies

The District's basic financial statements are prepared in accordance with Statement No. 34 of the Governmental Accounting Standards Board (GASB), Basic Financial Statement, and Management's Discussion and Analysis, for State and Local Governments, which establishes standards for external financial reporting for all state and local governmental entities, which include a balance sheet, a statement of revenue, expenses, and changes in net assets, and a direct method statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted.

Additionally, the financial statements of the District are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements.

For more information regarding the District's accounting policies, see "Note 1: Nature of Operations and Significant Accounting Policies" in Appendix B.

Investments

The District invests its investable funds in investments authorized by State law in accordance with investment policies approved by the Board. Both State law and the District's investment policies are subject to change.

Investment Authority and Investment Practices of the District

Under State law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) where: (a) the funds are invested by the Town through a broker (selected from a list adopted by the Town) or a depository institution that has a main office or branch office in the State and that is selected by the District; (b) the broker or depository institution selected by the District arranges for the deposit of funds in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (d) the depository institution, broker, clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3, or certain entities described in Section 2257.041(d) of the Texas Government Code selected by the District acts as a custodian for the District with respect to the certificates of deposit issued for the account of the District; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State, (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party

designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (12) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (13) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

State law requires that investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest District funds without express written authority from the Board.

Additional Investment Provisions

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (4) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investment Strategies

The District's approved investment policy conforms to State law and limits maturities of United States Treasury and United States Agency obligations to no more than ten (10) years and estimated average lives of mortgage securities to no more than five (5) years from the date of purchase.

The District's investment policy covers the investment portfolio of Nolan County Hospital District, also known as Rolling Plains Memorial Hospital. The maximum dollar weighted average maturity is two (2) years for the Hospital. The District maintains custody of its investments through existing banking relationships.

TABLE 11 - CURRENT INVESTMENTS[1]

As of June 30, 2014, the District's investable funds amounted to $4,109,649. The following summary itemizes the District's investment portfolio by type of security:

	Percent	Book Value	Market Value
Cash & Cash Equivalents	49.24%	$ 2,023,577	$ 2,023,577
Certificates of Deposit	3.94%	162,058	162,058
Long Term Investments[2]	46.82%	$ 1,924,014	$ 1,924,014
Total	100.00%	$ 4,109,649	$ 4,109,649

(1) Provided by Nolan County Hospital District

(2) Long Term Investments include Government & Agencies and Municipal Obligations, as provided by Nolan County Hospital District.

TAX MATTERS

Opinion of Bond Counsel – Federal Income Tax Status of Interest

Bond Counsel's opinion will state that, under current law, (i) interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of such Bonds) is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of the Code), interest on the Bonds is included in computing adjusted current earnings.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for federal income tax purposes under Section 103 of the Code. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS"). The District has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the treatment of interest on the Bonds, Bond Counsel is relying upon certifications of representatives of the District, the underwriter of such Bonds, and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the District. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed by such Bonds, limitations on the source of the payment of and the security for such Bonds and the obligation to rebate certain excess earnings on the gross proceeds of such Bonds to the United States Treasury. The tax compliance agreement to be entered into by the District with respect to the Bonds contains covenants (the "Covenants") under which the District has agreed to comply with such requirements. Failure by the District to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the tax compliance agreement, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments to any Note owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or

a substantially identical form, or to any Note owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any note is the excess of such note's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such note. The "issue price" of a note is the initial offering price to the public at which price a substantial amount of such Bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement (or, in the case of Bonds sold on a yield basis, the initial offering price derived from such yield), but is subject to change based on actual sales. OID on the Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes of federal income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Note in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Note is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Note, the amount of OID that is treated as having accrued on such OID Note is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the note after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "note premium" on that note (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note, determined based on constant yield principles. An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax

consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Bonds.

Possible Legislative or Regulatory Action

Legislation and regulations affecting tax-exempt notes are continually being considered by the United States Congress, the United States Treasury Department (the "Treasury Department"), and the IRS. In addition, the IRS has established an expanded audit and enforcement program for tax-exempt notes. There can be no assurance that legislation enacted or proposed after the date of issue of the Bonds or an audit initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving the Bonds or other tax-exempt notes will not have an adverse effect on the tax status or the market price of the Bonds or on the economic value of the tax-exempt status of the interest thereon.

CONTINUING DISCLOSURE OF INFORMATION

In the Continuing Disclosure Agreement, the District has undertaken to provide to the MSRB certain information more particularly described below for the benefit of the registered owners of the Bonds. The District is required to comply with the Continuing Disclosure Agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the Continuing Disclosure Agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. This information currently is available free of charge from the MSRB via EMMA at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in Tables 1 through 5, inclusive, and 7 herein, and in Appendix B. The District will update and provide this information within six months after the end of each fiscal year ending in or after 2014. The District will provide the updated information to the MSRB.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's internet web site (currently EMMA) or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements and operating data of the type described in the preceding paragraph by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District will also provide timely notices of certain events to the MSRB through EMMA. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if

material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Availability of Information

The District has agreed to provide the foregoing information only as described above. The general public currently is able to access continuing disclosure information filed with the MSRB on EMMA free of charge at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

Compliance with Prior Undertakings

Prior to the issuance of the Bonds, the District has never entered into a continuing disclosure undertaking.

OTHER INFORMATION

Rating

The Bonds have been rated "A3" by Moody's. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's, and none of the District, the Financial Advisor and the Underwriters makes any representation as to the appropriateness of the rating. There can be no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely Moody's, if in the judgment of Moody's, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Litigation and Regulatory Matters

It is the opinion of District management that there is no pending litigation against the District that would have a material adverse financial impact upon the District's financial condition or its operations.

At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds will not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Matters

The District will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State approving the issuance of the Bonds and to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable pursuant to section 103(a) of the Code from gross income of the owners thereof for federal income tax purposes under existing law and is not an item of preference for purposes of the federal alternative minimum tax, subject to the matters described under "TAX

MATTERS" herein. A form of such opinion is attached hereto as Appendix C. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds, also will be furnished. Bond Counsel did not take part in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds under the captions "PLAN OF FINANCE - Purpose", "THE BONDS" (except the subcaptions "Book-Entry-Only System" and "Bondholder Remedies"), "REGISTRATION, TRANSFER AND EXCHANGE," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except the subcaptions "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Bonds for Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Matters" under the caption "OTHER INFORMATION," and such firm is of the opinion that the information relating to the Bonds and legal issues contained under such captions and subcaptions is a fair and accurate description of the laws and legal issues addressed therein, and with respect to the Bonds, such information conforms to the Order. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinions may accompany the Bonds deposited with DTC or may be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. In addition, certain legal matters will be passed upon for the Underwriters by Andrews Kurth LLP, Houston, Texas, as counsel for the Underwriters.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney or firm, as applicable, rendering such opinion does not become an insurer or guarantor of the expression of professional judgment, or the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from District records, audited financial statements and other sources, which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Financial Advisor

In its role as Financial Advisor, Government Capital Securities Corporation has relied on the District for certain information concerning the District and the Bonds. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

The Financial Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at the respective prices indicated on the inside front cover of this Official Statement, less an underwriting discount of $201,199.89, and no accrued interest. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the

Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

Certain of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed and may in the future perform various financial advisory and investment banking services for the District for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, regulatory and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, regulatory and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Miscellaneous

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District, This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers to be reliable. There is no guarantee that any of the assumptions or estimates

contained herein will ever be realized. All of the summaries of the statutes, documents and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to the original documents in all respects.

The Order authorizing the issuance of the Bonds approved the form and content of this Official Statement and any addenda, supplement or amendment hereto and authorized its further use in the re-offering of the Bonds by the Underwriters.

/s/ Steve Holcomb
President, Board of Directors
Nolan County Hospital District

APPENDIX A

GENERAL INFORMATION REGARDING
NOLAN COUNTY HOSPITAL DISTRICT

GENERAL INFORMATION REGARDING NOLAN COUNTY HOSPITAL DISTRICT

THE DISTRICT

The Nolan County Hospital District (the "District") is a political subdivision of the State of Texas (the "State") located in Nolan County, Texas (the "County"). The District currently operates the Rolling Plains Memorial Hospital (the "Hospital") in the City of Sweetwater, Texas (the "City"), and provides health and wellness facilities/services. The Hospital is a public acute care hospital and provides inpatient, outpatient and emergency care services for residents of the District. Admitting physicians are primarily practitioners in the local area.

The District was created pursuant to Article IX, Section 9 of the Texas Constitution and Chapter 1082, Texas Special District Local Laws Code, as amended. At an election held on June 3, 1989, the voters residing in the District approved the District's authority to levy annual taxes at a rate not to exceed $0.75 per $100 valuation of taxable valuation for all hospital purposes, including the payment of debt service on bonds secured by such tax. See "DESCRIPTION OF THE DISTRICT" in the forepart of this Official Statement for more information regarding the District and its facilities.

THE COUNTY

General

The County has an economy based on industry and agriculture. Mineral resources include gypsum, wind, natural gas and oil. The economy is based on these and supporting businesses and industry, as well as tourism. The Texas Almanac designates cotton, feed grains and livestock as the local agricultural products. The County is a rural area and a member of the West Central Texas Workforce Development region. The City of Sweetwater is the county seat of the County.

Population

According to the United States Census Bureau (the "Census Bureau"), the County had an estimated population of 15,037 as of 2013. The County is comprised of approximately 268,820 square miles, with a population density of 16.5 residents per square mile compared to a State-wide population density of 99 residents per square mile, in each case as of April 1, 2013, using Census Bureau estimates. Of the 254 counties in the State, the County ranked 140 in population as of 2010, using Census Bureau estimates. According to county-based population estimates from the Census Bureau, the County's population fell from an estimated 15,216 as of July 1, 2010 to an estimated 15,037 as of July 1, 2013, a decrease of approximately 1%. During the same time period, the State population increased from an estimated 25,145,561 residents to an estimated 26,448,193 residents, an increase of 5%.

Population Trends in the County

As of July 1	Population
2013	15,037
2012	14,906
2011	15,125
2010	15,217

Source: United States Census Bureau

Unemployment Rates

According to Texas Workforce Commission unemployment figures for July 2013, the County had an unemployment rate of 5.1%, compared to a State-wide unemployment rate of 6.4% for the same month. The table below sets forth the employment rates for the County and the State for July of each of the last five years.

	July 2013	July 2012	July2011	July 2010	July 2009
Nolan County	5.1%	5.5%	6.6%	6.9%	6.2%
State of Texas	6.4%	7.0%	8.2%	8.1%	7.8%

Source: Texas Workforce Commission

GOVERNANCE

Board of Directors

The District is governed by a seven-member board that is elected by the voters of the District as listed on page iv of the forepart of this Official Statement.

Key Administrative Staff

The District's key administrative staff consists of the following individuals:

Chief Executive Officer. Donna Boatright, RN MSN. 5+ years as CEO and 37 years in healthcare, 28 in CNO role.

Chief Financial Officer. Rhonda Guelker, CPA. 8+ years as CFO and 23 years in healthcare finance.

Senior Business Director. Julie Hall, 8+ years as Senior Business Director and 17 years in business office management.

Chief Nursing Officer. Rosa Best, RN MSN. 5+ years as CNO and 25 years in healthcare.

Human Resources Officer. Ame Monroe. 1 year as HR Director and 14 years as HR Assistant.

HOSPITAL FACILITIES

County is approximately 220 miles west of the Dallas-Fort Worth metropolitan statistical area. The 2010 census for the County showed a population of 15,216. The Hospital is a PPS hospital with 85 licensed beds. These beds are licensed for both acute care and swing bed (intermediate) care. There are 13 Physicians on staff. The Hospital's emergency room is a Level IV trauma certified.

The District provides a wide array of continuing care and outpatient services, including the following:

- 85 Licensed Acute Care Beds
- Emergency Department
- Physical Therapy
- Swing Bed
- CT-Imaging
- Ultrasound Imaging
- Cardiac Rehabilitation
- Obstetrics
- Surgery
- Intensive care
- Home Health/Home Health Assistive Services

- MRI

The Hospital was erected in 1976. The closest tertiary facilities are approximately 40 miles away in the Abilene metropolitan area.

THE PROJECT

The Project consists of the renovation of approximately 19,000 square feet of existing facilities and the construction of approximately 21,300 square feet of new facilities including: new obstetrics department, completely renovated intensive care unit, surgery and laboratory, new outpatient dialysis facility, new MRI, new and renovated entrance and dining room, waiting and IT room, a new emergency generator and a facility wide nurse call system.

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OPERATIONS AND UTILIZATION OF THE HOSPITAL

Hospital Services

The Hospital provides general medical and surgical care for inpatient, outpatient, and emergency room patients, and participates in the Medicare and Medicaid programs. Emergency room services are available on a 24-hour per day, seven-day per week basis. The inpatient, outpatient/ancillary services offered by the Hospital include the following:

Inpatient Services	Outpatient/Ancillary Services
Medical surgical	Lab
ICU	Radiology
Obstetrics	PT
	CR
	Surgery
	ED
	Imaging Services including:
	CT
	NM
	US
	Mammo
	MRI
	R&F
	PT/CR
	Cardiopulmonary

Accreditation and Licensing

Texas Home Health License

Joint Commission Accreditation

Historical Utilization Data

Total Patients Admitted at the Hospital

Fiscal Year Ended 9/30	Adults & Children (Inpatient)	Swing bed	Observation	Total
2009	1,662	133	NA	NA
2010	1,388	153	467	2,008
2011	1,290	95	392	1,777
2012	1,065	76	135	1,276
2013	1,252	77	486	1,815

Service Days of Care at the Hospital

Fiscal Year Ended 9/30	Adults & Children (Inpatient)	Swing bed	Total
2009	5,855	875	6,730
2010	5,487	1,055	6,542
2011	4,986	620	5,606
2012	4,464	497	4,961
2013	5,155	508	5,663

Average Daily Census at the Hospital

Fiscal Year Ended 9/30	Adults & Children Inpatient	Swing bed	Total
2009	16.04	2.40	18.44
2010	15.03	2.89	17.92
2011	13.66	1.70	15.36
2012	12.20	1.36	13.56
2013	14.12	1.39	15.51

Average Length of Stay at the Hospital

Fiscal Year Ended 9/30	Acute Care	Swing bed
2009	3.60	6.43
2010	4.03	6.99
2011	3.94	6.49
2012	4.23	6.51
2013	4.09	6.60

Average % of Occupancy at the Hospital

Fiscal Year Ended 9/30	Average % of Occupancy Licensed
2009	18.87%
2010	17.69%
2011	16.07%
2012	14.35%
2013	16.62%

Medicare Statistics for the Hospital

Fiscal Year Ended 9/30	Admissions	Discharges	Days of Care	& of Inpatients
2009	1,032	1,111	4,285	49%
2010	981	983	4,528	50%
2011	894	894	3,824	54%
2012	642	643	3,167	50%
2013	849	848	3,722	47%

Medicaid Statistics for the Hospital

Fiscal Year Ended 9/30	Admissions	Discharges	Days of Care	& of Inpatients
2009	414	414	959	18%
2010	335	337	698	16%
2011	329	328	779	18%
2012	257	260	705	22%
2013	402	0417	953	24%

Competitor Hospitals

Health Facilities. The Hospital is the only acute care hospital in the County as of July 2014. The Hospital has a combined average total bed capacity of approximately 85, compared to a statewide ratio of 122.2 beds per hospital, according to statistical reports from the Texas Department of State Health Services ("TDSHS"). According to the Texas State Board of Pharmacy data for 2013, there are five licensed pharmacies in Nolan County. The total number of licensed pharmacies in the State as of 2012 is 6,652.

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APPENDIX B

NOLAN COUNTY HOSPITAL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013

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NOLAN COUNTY HOSPITAL DISTRICT
d/b/a ROLLING PLAINS MEMORIAL HOSPITAL
SWEETWATER, TEXAS

For the Years Ended September 30, 2013 and 2012

DURBIN & COMPANY, L.L.P.

Certified Public Accountants

2950-50th Street

Lubbock, Texas 79413

(806) 791-1591

Fax (806) 791-3974

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management
Nolan County Hospital District
dba Rolling Plains Memorial Hospital
Sweetwater, Texas

We have audited the accompanying financial statements of Nolan County Hospital District dba Rolling Plains Memorial Hospital, (the "District") which comprise the statements of net position, as of September 30, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nolan County Hospital District dba Rolling Plains Memorial Hospital as of September 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Nolan County Hospital District dba Rolling Plains Memorial Hospital as of September 30, 2012, were audited by other auditors whose report dated June 24, 2013 expressed an unmodified opinion on those statements.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A-1 through A-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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.

Durbin & Company, L. L. P.
March 17, 2014

NOLAN COUNTY HOSPITAL DISTRICT
d/b/a ROLLING PLAINS MEMORIAL HOSPITAL
SWEETWATER, TEXAS

Management's Discussion and Analysis

For the Years Ended September 30, 2013 and 2012

NOLAN COUNTY HOSPITAL DISTRICT
DBA ROLLING PLAINS MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARS ENDED SEPTEMBER 2013 & 2012
UNAUDITED

Our discussion and analysis of Nolan County Hospital District dba Rolling Plains Memorial Hospital's (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended September 30, 2013 and 2012. Please read it in conjunction with the District's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The District's net position reflects a $580,640 or 3.2% increase in 2013, and a ($567,293) or (3.1%) decrease in 2012.
- Net patient service revenue increased by $773,831 or 4.2% in 2013 and decreased by ($223,056) or (1.2%) in 2012.
- The District reported an operating loss of ($4,398,118) in 2013 compared to an operating loss of ($6,029,996) in 2012. The operating loss was a decrease of $1,631,378 or 27.1% over the loss reported in 2012.
- Total operating expenses increased in 2013 by $509,224 or 2.1% in comparison to the increase of $1,899,802 or 8.3% in 2012.

USING THIS ANNUAL REPORT

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

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

Our analysis of the District's finances begins on page A-2. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District's patient base and measures

of the quality of service it provides to the community, as well as local economic factors to access the overall health of the District.

The Statement of Cash Flows

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

THE DISTRICT'S NET POSITION

The District's net position is the difference between its assets and liabilities reported in the Statement of Net Position on page 1 and 2. The District's net position increased by $580,640 or 3.2% in 2013 and decreased ($567,293) or (3.1%) in 2012 as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Position

Assets:	2013	2012	2011
Current Assets	$ 7,219,185	$ 8,836,398	$ 7,528,864
Capital Assets (net)	14,612,955	11,367,727	8,866,086
Other Non-Current Assets	5,670,924	6,518,758	7,281,315
Total Assets	$27,503,064	$ 26,722,883	$ 23,676,265
Liabilities and Net Position:			
Long-Term Debt Outstanding	$ 6,023,558	$ 5,876,434	$ 2,324,084
Other Current and Non-Current	2,819,578	2,767,161	2,705,600
Total Liabilities	8,843,136	8,643,595	5,029,684
Net Position	18,659,928	18,079,288	18,646,581
Total Liabilities and Net Position	$27,503,064	$ 26,722,883	$ 23,676,265

A significant component of the change in the District's assets is the decrease in cash and assets whose use is limited as a result of funding construction and renovations of District facilities. Also, the District acquired a new contractual obligation.

OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION

In 2013, the District's net position increased $580,640, and in 2012 net position decreased by ($567,293). The following table reflects the operating results from fiscal year 2013, 2012, and 2011:

Table 2: Operating Results and Changes in Net Position

	2013	2012	2011
OPERATING REVENUES:			
Net Patient Service Revenue	$ 19,214,770	$ 18,440,939	$ 18,663,995
Electronic Medical Record Stimulus	1,198,107	9,793	1,572,567
Other Revenue	458,091	279,134	251,165
Total Operating Revenues	20,870,968	18,729,866	20,487,727
OPERATING EXPENSES:			
Salaries and Employee Benefits	15,530,024	14,772,842	14,231,241
Professional Fees and Purchased Services	4,317,833	4,758,433	3,741,515
Supplies and Other Operating	4,013,925	4,018,350	3,904,915
Depreciation and Amortization	1,407,304	1,210,237	982,389
Total Operating Expenses	25,269,086	24,759,862	22,860,060
Operating Income (Loss)	(4,398,118)	(6,029,996)	(2,372,333)
NONOPERATING REVENUES (EXPENSES):			
Property Tax Revenue	2,753,500	2,441,096	2,353,863
Payment in Lieu of Tax	1,723,643	2,027,496	2,354,818
Noncapital Grants and Contributions	14,509	3,490	11,375
Indigent Care Support	2,228,521	2,272,431	1,762,261
Intergovernmental Transfer	(1,532,901)	(1,329,191)	(981,856)
Investment Income	199,960	160,946	184,752
Interest Expense	(218,138)	(163,697)	(137,893)
Unrealized Gain (Loss) on Investment	(232,826)	17,802	57,632
Gain (Loss) on Disposal of Assets	16,010	(36,707)	(69,930)
Total Nonoperating Revenues (Expenses)	4,952,278	5,393,666	5,535,022
Excess of Revenues Over Expenses Before Capital Grants and Contributions	554,160	(636,330)	3,162,689
Capital Grants and Contributions	26,480	69,037	63,261
Increase (Decrease) in Net Position	580,640	(567,293)	3,225,950
Net Position, Beginning of Year	18,079,288	18,646,581	15,407,046
Net Position, End of Year	$ 18,659,928	$ 18,079,288	$ 18,632,996

The first component of the overall change in the District's net position is its operating loss - generally, the difference between net patient service revenues and the expenses incurred to perform those services. The District has reported an operating loss this year of ($4,398,118) with a reported loss in the prior year of ($6,029,996).

The primary components of the decrease in operating loss for 2013 are:

- Net patient service revenue increased $773,831, or 4.2%, in 2013.
- Salaries and benefits increased $757,182, or 5.1%, in 2013.
- Depreciation expense increased $197,067 or 16.3%, in 2013.

The primary components of the decrease in operating loss for 2012 are:

- Net patient service revenue decreased ($233,056) or (1.2%) in 2012.
- Salaries and benefits expense increased $541,601 or 3.8% in 2012.
- Depreciation expense increased $227,848 or 23.2% in 2012.

The future of net revenues is almost impossible to predict since the District relies on the reimbursement by Medicare, Medicaid and other Third-Party payors, local population trends, economy, and other factors.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of property taxes levied by the District, payment in lieu of taxes, and interest revenue and investment earnings.

Grants, Contributions, and Endowments

The District received grants from local, state and federal agencies, as well as contributions from individuals and private organizations.

THE DISTRICT'S CASH FLOWS

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses previously discussed. Net patient service revenue is consistently reported between years. However, the timing of cash collections is reported in different years due to the estimated third-party payor settlements which went from a $217,541 receivable in 2012 to a $912,164 receivable in 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had $14,612,955 invested in capital asset, net of accumulated depreciation, as detailed in Note 9 of the financial statements, compared to $11,367,727 in 2012.

The District had a balance of $738,174 in construction in progress at September 30, 2013 compared to $877,009 at September 30, 2012. This amount is for current year construction in progress is for construction of a cardiac rehab. Total cost of the project is estimated to be $2,017,398 and will be placed into service during the 2014 fiscal year.

Debt

During fiscal year 2013, the District acquired a new capital obligation totaling $761,250. At year the District had $6,029,799 in contractual obligations, revenue bonds, notes payable and capital lease obligations outstanding. The District paid $ 638,228 on long-term debt during the current fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact, Donna Boatright, Administrator/CEO of Nolan County Hospital District dba Rolling Plains Memorial Hospital at 200 East Arizona, Sweetwater, Texas

NOLAN COUNTY HOSPITAL DISTRICT
d/b/a ROLLING PLAINS MEMORIAL HOSPITAL
SWEETWATER, TEXAS

Financial's

For the Years Ended September 30, 2013 and 2012

NOLAN COUNTY HOSPITAL DISTRICT
DBA ROLLING PLAINS MEMORIAL HOSPITAL

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2013 AND 2012

ASSETS:	2013	2012
CURRENT ASSETS		
Cash and Cash Equivalents	$ 344,377	$ 4,016,824
Assets Whose Use is Limited	924,141	152,505
Patient Accounts Receivable, Net of Allowance	2,638,658	2,591,291
Estimated Third-Party Payor Settlements	1,053,352	509,208
Other Receivables	914,912	561,802
Inventory of Supplies	598,110	529,360
Prepaid and Other Current Assets	745,635	475,408
Total Current Assets	7,219,185	8,836,398
ASSETS WHOSE USE IS LIMITED - LONG TERM	5,524,411	6,283,519
CAPITAL ASSETS		
Land	154,237	154,237
Construction-in-Progress	738,174	877,009
Depreciable Capital Assets, Net	13,720,544	10,336,481
Total Capital Assets, Net	14,612,955	11,367,727
DEFERRED OUTFLOWS OF RESOURCES	-	88,726
OTHER ASSETS	146,513	146,513
Total Assets	$ 27,503,064	$ 26,722,883

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

NOLAN COUNTY HOSPITAL DISTRICT
DBA ROLLING PLAINS MEMORIAL HOSPITAL

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2013 AND 2012

LIABILITIES AND NET POSITION:	2013	2012
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 578,508	$ 615,117
Notes Payable	6,241	30,343
Accounts Payable	1,299,640	987,568
Accrued Payroll, Benefits, and Related Liabilities	1,120,150	1,047,533
Self-Funded Health Insurance	148,782	308,782
Estimated Third-Party Payor Settlements	141,188	291,667
Other Accrued Liabilities	103,577	101,268
Total Current Liabilities	3,398,086	3,382,278
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	5,445,050	5,261,317
Total Liabilities	8,843,136	8,643,595
NET POSITION		
Invested in Capital Assets Net of Related Debt	8,583,156	5,460,950
Designated		
For Debt Service	924,141	152,505
Unrestricted	9,152,631	12,465,833
Total Net Position	18,659,928	18,079,288
Total Liabilities and Net Position	$ 27,503,064	$ 26,722,883

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

NOLAN COUNTY HOSPITAL DISTRICT
DBA ROLLING PLAINS MEMORIAL HOSPITAL

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
OPERATING REVENUES:		
Net Patient Service Revenue	$ 19,214,770	$ 18,440,939
Electronic Medical Record Stimulus	1,198,107	9,793
Other Revenue	458,091	279,134
Total Operating Revenues	20,870,968	18,729,866
OPERATING EXPENSES:		
Salaries	12,169,285	11,593,385
Employee Benefits	3,360,739	3,179,457
Professional Fees and Purchased Services	4,317,833	4,758,433
Supplies	2,377,876	2,349,511
Other Operating	1,636,049	1,668,839
Depreciation and Amortization	1,407,304	1,210,237
Total Operating Expenses	25,269,086	24,759,862
Operating Income (Loss)	(4,398,118)	(6,029,996)
NONOPERATING REVENUES (EXPENSES):		
Property Tax Revenue	2,753,500	2,441,096
Payment in Lieu of Tax	1,723,643	2,027,496
Noncapital Grants and Contributions	14,509	3,490
Indigent Care Support	2,228,521	2,272,431
Intergovernmental Transfer	(1,532,901)	(1,329,191)
Investment Income	199,960	160,946
Interest Expense	(218,138)	(163,697)
Unrealized Gain (Loss) on Investment	(232,826)	17,802
Gain (Loss) on Disposal of Assets	16,010	(36,707)
Total Nonoperating Revenues (Expenses)	4,952,278	5,393,666
Excess of Revenues Over Expenses Before Capital Grants and Contributions	554,160	(636,330)
Capital Grants and Contributions	26,480	69,037
Increase (Decrease) in Net Position	580,640	(567,293)
Net Position, Beginning of Year	18,079,288	18,646,581
Net Position, End of Year	$ 18,659,928	$ 18,079,288

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

NOLAN COUNTY HOSPITAL DISTRICT
DBA ROLLING PLAINS MEMORIAL HOSPITAL

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	$ 18,472,780	$ 19,351,464
Other Receipts and Payments, net	1,313,845	107,550
Payments to Suppliers and Contractors	(5,882,492)	(6,137,693)
Payments to Employees	(15,617,407)	(14,428,848)
Net Cash Provided by (Used in) Operating Activities	(1,713,274)	(1,107,527)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	199,960	160,946
Proceeds From Sale of Investments	844,246	1,313,571
Net Cash Provided by (Used in) Investing Activities	1,044,206	1,474,517
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	26,480	69,037
Proceeds from Issuance of Long-Term Debt and Notes Payable	761,250	3,581,000
Principal Payments on Long-Term Debt and Notes Payable	(638,228)	(639,757)
Interest Payments on Long-Term Debt and Notes Payable	(226,586)	(203,547)
Purchase of Capital Assets	(4,780,622)	(3,730,784)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(4,857,706)	(924,051)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	2,753,500	2,441,096
Payment in Lieu of Taxes	1,723,643	2,027,496
Noncapital Grants and Contributions	14,509	2,415
Payments for Intergovernmental Transfers	(1,780,551)	(1,100,910)
Net Cash Provided by (Used in) Noncapital Financing Activities	2,711,101	3,370,097
Net Increase (Decrease) in Cash and Cash Equivalents	(2,815,673)	2,813,036
Cash and Cash Equivalents, Beginning of Year	5,104,862	2,291,826
Cash and Cash Equivalents, End of Year	$ 2,289,189	$ 5,104,862

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

NOLAN COUNTY HOSPITAL DISTRICT
DBA ROLLING PLAINS MEMORIAL HOSPITAL

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
RECONCILIATION OF CASH AND EQUIVALENTS TO THE STATEMENTS OF NET POSITIO		
Cash and equivalents presented under the following titles:		
Cash and Cash Equivalents	$ 344,377	$ 4,016,824
Assets Whose Use is Limited - Current	924,141	152,505
Assets Whose Use is Limited - Long Term	1,020,671	935,533
	$ 2,289,189	$ 5,104,862
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITII		
Operating Income (Loss)	$ (4,398,118)	$ (6,029,996)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Used in Operating Activities:		
Depreciation and Amortization	1,407,304	1,210,237
Provision for Bad Debts	3,534,652	3,059,230
Indigent Care Support	2,228,521	2,272,431
(Increase) Decrease in:		
Accounts Receivable	(3,582,019)	(2,929,746)
Prepaid Expenses and Other Current Assets	(444,437)	(187,447)
Estimated Third-Party Payor Settlements	(694,623)	781,041
Increase (Decrease) in:		
Accounts Payable	312,072	369,695
Accrued Salaries and Benefits Payable	72,617	106,696
Other Accrued Liabilities	(149,243)	240,332
Net Cash Provided By (Used in) Operating Activities	$ (1,713,274)	$ (1,107,527)

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

NOLAN COUNTY HOSPITAL DISTRICT
DBA ROLLING PLAINS MEMORIAL HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Nolan County Hospital District dba Rolling Plains Memorial Hospital (the "District") located in Sweetwater, TX was created by a law of the State of Texas in 1989. The District is governed by a 7 member board of directors who are elected by the residents of the hospital district. The District operates a public 85 bed Hospital. As dictated by state law creating the District, the District is responsible for the health care of indigent residents of Sweetwater, Texas and is funded, in part, by ad valorem taxes on real and personal property within the jurisdiction.

Enterprise Fund Accounting – The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The District has elected to apply the provisions based on Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement.*

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

Cash and Cash Equivalents - The District considers highly liquid investments with an original maturity of three months or less to be cash equivalents, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.

Patient Accounts Receivable - The allowance for estimated uncollectible patient accounts receivable is maintained at a level which, in management's judgment, is adequate to absorb patient account balance write-offs inherent in the billing process. The amount of the allowance is based on management's evaluation of the collectability of patient accounts receivable, including the nature of the accounts, credit concentrations, and trends in historical write-off experience, specific impaired accounts, and economic conditions. Allowances for uncollectibles and contractuals are generally determined by applying historical percentages to financial classes within accounts receivable. The allowances are increased by a provision for bad debt expenses and contractual adjustments, and reduced by write-offs, net of recoveries.

Investments – Investments are carried at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

Inventory of Supplies - Inventory is stated at historical cost using the First-In, First-Out (FIFO) method.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources - Deferred outflows of resources represent bond issuance cost that are capitalized and amortized on the effective interest method over the life of the bond issue.

Assets Whose Use is Limited - Assets whose use is limited include assets set aside by the board of directors to be used for capital expenditures and debt service in accordance with indenture agreements. The board retains control and may at its discretion subsequently use these assets for other purposes.

Capital Assets – Capital assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment life. Such amortization is included in depreciation and amortization in the financial statements. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets. The District has elected to capitalize expenditures over $3,000 and provide for depreciation of capital assets by the straight-line method at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life as follows:

Land Improvements	15 to 20 years
Building (Components)	5 to 50 years
Fixed Equipment	7 to 25 years
Major Moveable Equipment	3 to 20 years

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

Operating Revenues and Expenses – For purposes of display, the District's statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses result from exchange transactions associated with providing health care services - the District's principal activity. Non-exchange revenues and expenses, including taxes, grants and contributions, and intergovernmental transfers received for purposes other than capital asset acquisition, are reported as non-operating revenues and expenses. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Federal Income Taxes - The District is a governmental entity and is qualified as a tax-exempt organization; therefore, no expense has been provided for income taxes in the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Compensated Absences – Upon termination, employees of the District are compensated for any vacation time earned, but not taken. Compensated absence liability as of September 30, 2013 and 2012 was $528,439, and is included in accrued expense.

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

Risk Management - The District is exposed to various risks of loss from torts: theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disaster; and employee health, dental, and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters except for employee health coverage for which the District is partially self-insured. The District became self-insured in January 2011.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to presentation in the current year financial statements.

Newly Adopted Accounting Pronouncements

GASB Statement No. 63 - – GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. All applicable provisions have been applied to the District's financial statements.

GASB Statement No. 65 – The District has early implemented the provisions of GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standard that re-classify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The cumulative effects of the implementation of this Standard have been applied to the District's financial statements. The current year effect was approximately $87,000, which is recorded in operating expenses in the accompanying statements of revenues, expenses, and changes in net position. The early implementation of this Standard had no effect on prior years' net position.

NOTE 2 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Inpatient acute care service and rehabilitation services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services and distinct part unit psychiatric services are paid at prospectively determined per-diem rates that are based on the patient's acuity. Certain inpatient non-acute services are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medical fiscal intermediary.

Medicaid - Inpatient services are paid under prospectively determined rates per discharge, which include reimbursement for capital costs, based on a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined rates are not subject to retroactive adjustment. Outpatient services are paid based on the lower of reasonable costs or customary charges, a fee schedule or blended rates.

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

Net patient service revenue is comprised as follows:

	2013	2012
Routine Patient Services	$ 3,617,115	$ 2,975,846
Ancillary Patient Services		
Inpatient	12,109,303	11,257,335
Outpatient	28,307,240	26,653,745
Gross Patient Service Revenue	44,033,658	40,886,926
Charity	(1,364,627)	(1,357,678)
Third-Party Contractual Adjustments	(21,851,067)	(20,372,847)
Provision for Bad Debts	(3,534,652)	(3,059,230)
Medicaid Supplemental Payments and Other Credits	1,931,458	2,343,768
Net Patient Service Revenue	$19,214,770	$18,440,939

Estimated Third-Party Payor Settlements - Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE 2 - NET PATIENT SERVICE REVENUE (CONTINUED)

Anticipated final settlement amounts from current and prior years' cost reports are recorded in the financial statements as they are determined by the District. Estimated third-party payor settlements recorded in current assets (liabilities) at September 30, 2013 and 2012 are $912,164 and $217,541, respectively.

Charity Care - The value of charity care provided by the District based upon its established rates, was $1,364,627 in 2013 and $1,357,678 in 2012. ASU 2010-23 requires charity care to be disclosed on a cost basis. The District utilizes the cost to charge ratios, as calculated based on its most recent cost reports, to determine the total cost. The District's cost of providing charity care was $1,169,987 and $718,352 for the years ended September 30, 2013 and 2012, respectively.

NOTE 3 – INVESTMENTS

The District's investments are reported at fair value, as discussed in Note 1. At September 30, 2013 and 2012, the District has the following investments and maturities, all of which were held by the District.

September 30, 2013		Maturity (in years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
U.S Government Agencies	$4,191,719	$ -	$1,649,881	$1,395,898	$1,145,940
Mutual Funds	110,621	110,621	-	-	-
Common Stock	201,400	176,570	-	-	-
	$4,503,740	$287,191	$1,649,881	$1,395,898	$1,145,940

September 30, 2012		Maturity (in years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
U.S Government Agencies	$5,062,751	$353,230	$2,717,167	$ 424,613	$1,567,741
Mutual Funds	105,699	105,699	-	-	-
Common Stock	179,536	179,536	-	-	-
	$5,347,986	$638,465	$2,717,167	$ 424,613	$1,567,741

The carrying amounts of investments are included in the District's with Assets Whose Use Is Limit – long term.

NOTE 3 – INVESTMENT (CONTINUED)

The District's investments may be exposed to the following types of risks.

Interest Rate Risk - Interest rate risk is the risk that market values of investments will change based on changes in market interest rates. The money market mutual funds considered an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The District places no limit, except for mutual funds, on the amount it may invest in any one issuer.

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2013 and 2012, all bank balances were insured or collateralized by U.S. government securities held by the District's third-party agent or the pledging financial institution in the name of the District.

NOTE 5 – ASSETS USE LIMITED

The components of assets whose use is limited are set forth in the following table. Investments are stated at fair value and are comprised of cash and certificates of deposit, U.S. Government Agencies, Mutual Funds and Common Stocks.

	2013	2012
Assets Limited as to use - Current		
Internally designated for Capital Equipment		
Cash & Equivalents	$ 750,011	$ -
Internal designated for Debt Service	$ 174,130	$ 152,505
Total Assets Whose Use is Limited - Current	$ 924,141	$ 152,505

NOTE 5 – ASSETS USE LIMITED (CONTINUED)

Assets Limited as to use - Long Term		
Internally designated for Capital Equipment:		
Cash Equivalents	$ 1,020,671	$ 935,533
Other Investments - Long Term	4,503,740	5,347,986
Total Assets Whose Use is Limited - Long Term	$ 5,524,411	$ 6,283,519

NOTE 6 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at September 30:

	2013	2012
Gross Accounts Receivable	$ 9,302,218	$ 9,428,288
Less: Allowance for Bad Debts	(210,487)	(589,697)
Allowance for Contractuals	(6,453,073)	(6,247,300)
Accounts Receivable, Net of Allowance	$ 2,638,658	$ 2,591,291

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

	2013	2012
Medicare	33%	38%
Medicaid	17%	15%
Other Third-Party Payors	24%	24%
Patients	26%	23%
Total	100%	100%

NOTE 7– PROPERTY TAXES RECEIVABLE

Property taxes are levied on October 1 of each year and become delinquent as of February 1 of the following year. Taxes are reported as revenues in the period for which they are levied. For the years ended September 30, 2013 and 2012, taxes were assessed at rates of $0.22176 and $0.25237 per $100 valuation. Tax revenue net of related expenses for 2013 and 2012 was $2,753,500 and $2,441,096, respectively. As of September 30, 2013 and 2012, the balance of property taxes receivable, its related allowance for uncollectible taxes and deferred tax revenue are as follows:

NOTE 7– PROPERTY TAXES RECEIVABLE (CONTINUED)

	2013	2012
Taxes Receivables	$ 131,445	$ 150,480
Allowanace for Uncollectable Taxes	(131,445)	(150,480)
Net Taxes Receivable	$ -	$ -

NOTE 8 – PAYMENTS IN LIEU OF TAXES

These represent payments to the District for offering tax abatement on wind development projects. These agreements are primarily entered into to facilitate economic development. As a result, the District will forego assessing and collecting property taxes on wind farms according to the terms of the contracts. Payments are reported as revenues in period for which they are paid. As of September 30, 2013 and 2012 the revenue for payments in lieu of taxes was $1,723,643 and $2,027,496, respectively.

NOTE 9 – CAPITAL ASSETS

The following is a summary of capital assets at cost less accumulated depreciation:

	Balance 09/30/12	Additions	Deletions	Transfers	Balance 09/30/13
Land	$ 154,237	$ -	$ -	$ -	$ 154,237
Land improvements	187,229	5,979	-	-	193,208
Building and improvements	12,298,259	3,859,209	-	573,977	16,731,445
Equipment	9,140,083	252,226	(78,247)	-	9,314,062
Construction in progress	877,009	435,142	-	(573,977)	738,174
Totals at Historical Cost	22,656,817	4,552,556	(78,247)	-	27,131,126
Less Accumulated Depreciation for:					
Land improvements	(176,602)	(5,177)	-	-	(181,779)
Building and improvements	(4,659,394)	(510,760)	-	-	(5,170,154)
Equipment	(6,453,094)	(791,391)	78,247	-	(7,166,238)
Total Accumulated Depreciation	(11,289,090)	(1,307,328)	78,247	-	(12,518,171)
Capital Assets, Net	$ 11,367,727	$ 3,245,228	$ -	$ -	$ 14,612,955

The balance of $738,174 in construction in progress is for the construction of a cardiac rehab. Total cost of the project is estimated to be $2,017,398 and will be placed into service during the 2014 fiscal year.

NOTE 9 – CAPITAL ASSETS (CONTINUED)

	Balance 09/30/11	Additions	Deletions	Transfers	Balance 09/30/12
Land	$ 154,237	$ -	$ -	$ -	$ 154,237
Land improvements	187,866	-	(637)	-	187,229
Building and improvements	8,651,236	3,965,061	(318,038)	-	12,298,259
Equipment	8,702,573	1,029,219	(591,709)	-	9,140,083
Construction in progress	2,131,424	2,717,346	(3,971,761)	-	877,009
Totals at Historical Cost	19,827,336	7,711,626	(4,882,145)	-	22,656,817
Less Accumulated Depreciation for:					
Land improvements	(171,521)	(5,718)	637	-	(176,602)
Building and improvements	(4,601,817)	(375,196)	317,619	-	(4,659,394)
Equipment	(6,187,913)	(820,602)	555,421	-	(6,453,094)
Total Accumulated Depreciation	(10,961,251)	(1,201,516)	873,677	-	(11,289,090)
Capital Assets, Net	$ 8,866,085	$ 6,510,110	$ (4,008,468)	$ -	$ 11,367,727

NOTES 10 – NOTES PAYABLE

Following is a summary of notes payable at September 30:

	Balance 09/30/12	Additions	Reductions	Balance 09/30/13	Due Within One Year
Notes Payable					
Abbott Note	$ 30,343	$ -	$ (24,102)	$ 6,241	$ 6,241

	Balance 09/30/11	Additions	Reductions	Balance 09/30/12	Due Within One Year
Notes Payable					
Abbott Note	$ 53,119	$ -	$ (22,776)	$ 30,343	$ 24,102

The terms and due date of the District's Notes Payable at September 30, 2013 and 2012 is as follows:

- Note payable to Abbott Laboratories, Inc. for $109,500 with an interest rate of 5.67%, collateralized by the equipment. The note matures December 1, 2013.

NOTE 11– LONG-TERM DEBT

Following is a summary of long-term debt at September 30:

	Balance 09/30/12	Additions	Reductions	Balance 09/30/13	Due Within One Year
Long Term Debt					
Capital Lease Labarrington	$ 24,624	$ -	$ (10,351)	$ 14,273	$ 14,273
Capital Lease Siemens	86,461	-	(86,461)	-	-
	111,085	-	(96,812)	14,273	14,273
Revenue Bonds					
Series 2012 A&B	3,581,000	-	(190,000)	3,391,000	192,000
Contractual Obligations					
Series 2013	-	761,250	-	761,250	149,109
Series 2010	1,854,349	-	(107,314)	1,747,035	113,126
Series 2009	215,000	-	(105,000)	110,000	110,000
Series 2008	115,000	-	(115,000)	-	-
Total Long-Term Debt	$5,876,434	$ 761,250	$(614,126)	$6,023,558	$578,508

	Balance 09/30/11	Additions	Reductions	Balance 09/30/12	Due Within One Year
Long Term Debt					
Capital Lease Labarrington	$ 34,110	$ -	$ (9,486)	$ 24,624	$ 10,350
Capital Lease Siemens	166,956	-	(80,495)	86,461	86,461
	201,066	-	(89,981)	111,085	96,811
Revenue Bonds					
Series 2012 A&B	-	3,581,000	-	3,581,000	190,000
Contractual Obligations					
Series 2010	1,956,349	-	(102,000)	1,854,349	108,306
Series 2009	315,000	-	(100,000)	215,000	105,000
Series 2008	225,000	-	(110,000)	115,000	115,000
Series 2007	215,000	-	(215,000)	-	-
Total Long-Term Debt	$2,912,415	$3,581,000	$(616,981)	$5,876,434	$615,117

NOTE 11– LONG-TERM DEBT (CONTINUED)

Following is a schedule of maturities for long-term debt for each of the next five years.

	Long-Term Debt			Capital Lease Obligations	
For the Year Ending September 30,	Principal	Interest	Total	Principal	Interest
2014	$ 564,235	$ 217,546	$ 781,781	$ 11,558	$ 538
2015	466,524	197,541	664,065	2,715	-
2016	480,549	181,787	662,336	-	-
2017	494,828	165,511	660,339	-	-
2018	510,374	148,703	659,077	-	-
2019-2023	1,990,625	517,572	2,508,197	-	-
2024-2028	1,502,150	126,195	1,628,345	-	-
Total	$ 6,009,285	$ 1,554,855	$ 7,564,140	$ 14,273	$ 538

The terms and due dates of the District's long-term debt at September 30, 2013 and 2012 is as follows:

- Capital lease obligation to Associates of Barrington, Inc. bearing interest at 8.75%, due in 72 monthly installments of $981 which includes interest, collateralized by equipment with a depreciable value of $32,491, and matures September 2014.
- Capital lease obligation to Siemens Diagnostics Finance Company, bearing interest at 7.17%, due in 60 monthly installments of $7,488 which includes interest, collateralized by equipment with a depreciable value of $376,624, and matures August 2013.
- Revenue Bonds - Series 2012 A&B Revenue Bonds (collectively referred to as the Bonds) with interest rates of 3.15% and 3.82%. Interest is payable semi-annually in June and December. Principal payments are due annually in June the Bonds mature June 15, 2027.
- Public Property Finance Contractual Obligations Series 2013, with an interest rate of 5.85%. Interest is payable semi-annually in February and August. Principal payments are due annually in February. Final payment due February 2018. Contractual Obligation is secured by the District's tax levy and all other revenue.
- Public Property Finance Contractual Obligations Series 2010, with an interest rate of 4.45%. Principle and interest is payable annually in July. Final payment due July 2025. Contractual Obligation is secured by the District's tax levy and all other revenue.
- Public Property Finance Contractual Obligations Series 2009, with an interest rate of 4.75%. Interest is payable semi-annually in February and August. Principal payments are due annually in February. Final payment due February 2014. Contractual Obligation is secured by the District's tax levy and all other revenue.
- Public Property Finance Contractual Obligations Series 2008, with an interest rate of 4.85%. Interest is payable semi-annually in February and August. Principal payments are due annually in February. Final payment due February 2013. Contractual Obligation is secured by the District's tax levy and all other revenue.

NOTE 11– LONG-TERM DEBT (CONTINUED)

The amount of interest cost incurred was $218,138 in 2013 and $163,697 in 2012 , all of which was charged to operations.

Bond Series 2013: Nolan County Hospital District dba Rolling Plains Memorial Hospital Revenue Bond, Series 2013, was issued to renovate the hospital. In accordance with the bond indenture, the following covenants are required:

- Debt Service Ratio: The District is to maintain a debt service ratio of 1.30 to 1.00. For the year ended September 30, 2013 the debt service ratio was 4.75.

- Maintain Revenues: The District is to maintain revenues in amounts sufficient to pay the principle and interest of the bonds and any other obligations secured by pledged revenues.

NOTE 12 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM

The District participated in the Section 1115 Demonstration Waiver Program, a program designed to benefit rural community hospitals. This program is facilitated through the Hospital providing an intergovernmental transfer whereby federal matching funds are provided to supplement the Hospital for the shortfall in Medicaid funding. In connection with this program, the Hospital provided intergovernmental transfers of $632,649 and $0, and received $1,889,029 and $1,008,321 for the years ended September 30, 2013 and 2012, respectively. The Hospital recognized revenue of $906,380 and $1,008,321 for the years ended September 30, 2013 and 2012, respectively. The respective revenue is included within net patient service revenue in the combined statements of revenues, expenses, and changes in net position.

As part of the Section 1115 Demonstration Waiver Program, the District is eligible to receive incentive payments through the Delivery System Reform Incentive Payment Program (DSRIP). This incentive program is designed to improve the experience of care, improve the health of populations, and containing costs. By participating in the DSRIP program, the District provides an intergovernmental transfer to finance the non-federal share of the incentive payments. In connection with this program, the District provided intergovernmental transfers of $96,880 and received $238,034 for the year ended September 30, 2013. The District recognized net revenue of $141,154 for the year ended September 30, 2013. The respective revenue is included within other revenue in the statements of revenues, expenses, and changes in net position.

NOTE 12 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM (CONTINUED)

Under the demonstration waiver, the District is part of an indigent care affiliation agreement with the Service Organization of the Big Country, a non-profit corporation, and affiliated hospitals. This agreement is intended to increase funding for the Medicaid population and to access federal funding for the indigent population. Under this program, the District contributes certain governmental funds to the State of Texas. The Service Organization of the Big County then provides care to the Medicaid and non-Medicaid indigent in the region and surrounding communities. These services were valued at $2,228,521 and $2,272,431 as of September 30, 2013 and 2012, respectively. As part of the affiliation agreement, the District provided $1,780,552 and $1,100,910 in funding to the program for the years ended September 30, 2013 and 2012, respectively. Additionally, the District has funded $648,672 and $401,022 which have been recorded as prepaid expenses and other current assets in the accompanying statement of net position at September 30, 2013 and 2012, respectively.

NOTE 13 – ELECTRONIC HEALTH RECORDS

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009,* provides for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (E.H.R.). Payment under the Medicare program are based on Medicare's portion of the undepreciated E.H.R. cost in the year the Hospital satisfies the meaningful use requirements, and is included in the CMS Medicare cost report. Payments under the Medicaid program are generally made for up to three years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period.

The final amount for any payment year is determined based upon an audit by the administrative contractor. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The District recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period. The District met the requirements under the Medicare and Medicaid programs and has recorded revenue of $1,198,107 and $9,793 for the years ended 2013 and 2012, respectively, which is included within operating revenues in the statements of revenues, expenses and changes in net position.

NOTE 14 – MEDICAID DISPROPORTIONATE SHARE

The Indigent Health Care and Treatment Act, passed by the 69th Texas Legislature in 1985, first apportioned funds to the Texas Department of Human Services (DHS) to provide assistance to hospitals providing a disproportionate share of indigent health care. The State of Texas created a mechanism whereby governmental transfers were made between selected district and country hospitals to generate additional federal matching funds. Hospitals participating in the Medicaid program that meet the conditions of participation and that serve a disproportionate share of low-income patients as defined by state law are eligible for additional reimbursement from the disproportionate share hospital fund. There are direct and indirect implied expectations regarding purposes of this funding. The focus of the funds is to benefit the health care needs of the medically indigent, including recipients of Medicaid benefits, those eligible for Medicaid benefits, the uninsured poor, and others for whom the cost of medical and hospital care has exceeded their ability to pay. However, state and federal law offer considerable flexibility to recipient hospital regarding specific use of funds. For State Fiscal Year 2013, no state disproportionate share funds were disbursed. Because the funds have not been disbursed, the District recorded a receivable in the amount of $643,491 at September 30, 2013. The District recognized $643,491 in disproportionate share revenue for the year ending September 30, 2013. During 2012 the District recognized $711,989 in disproportionate share revenue.

NOTE 15 – EMPLOYEE HEALTH CLAIMS

The District is partially self-funded for health claims of participating employees and dependents up to $50,000 per individual. Commercial stop-loss insurance coverage is purchased for claims in excess of the individual amount. The District has a stop loss receivable of $165,769 recorded on the statement of net position in other current assets. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonable that the District's estimate will change by a material amount in the near term. Activity in the District's accrued employee health claims liability during 2013 and 2012 is summarized as follows:

	2013	2012
Balance, Beginning of Year	$ 308,782	$ 71,484
Current Year Claims Incurred and Changes in Estimates for Claims Incurred in Prior Years	1,219,335	1,330,524
Claims and Expenses Paid	(1,379,335)	(1,093,226)
Balance, End of Year	$ 148,782	$ 308,782

NOTE 16– PROFIT SHARING PLAN

The District has a profit sharing plan, Rolling Plains Memorial Hospital Exclusive Benefit Plan available to all employees after they have completed 90 days of service. The District matches individual employee contributions up to 4% of their gross salary, excluding overtime, in effect upon entering the plan. Retirement benefits equal the amount accumulated to each individual's credit as of the date of retirement. The District retirement plan expenses for the years ending September 30, 2013 and 2012 were $284,976 and $267,422.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Litigation – The District is a unit of government covered by the Texas Tort Claims Acts which, by statute, limits its liability to $100,000 per person/$300,000 per occurrence. These limits coincide with the malpractice insurance coverage maintained by the District. The District, from time to time, may be subject to claims and suits for other damages as well. In the opinion of management, the ultimate resolution of the above types of legal proceedings will not have a material effect on the District's financial position or results of operations.

Leases – The District leases various equipment and facilities under operating leases expiring at various dates. Total rental expense, including operating leases, in 2013 and 2012 was $52,350 and $63,170, respectively.

NOTE 18 – RELATED PARTY

The District from time to time, conducts business with organizations that are affiliated with board members. This is often a result of a limited number of vendors in smaller communities. It was noted during fiscal year 2013 that the District maintains bank accounts at a bank that a board member is the president. The board member has fully disclosed this this relationship.

NOTE 19 – SUBSEQUENT EVENTS

The District is currently considering issuing Revenue Bonds in the amount of approximately $25million for the purpose of Hospital Renovations. If approved by the Board of Directors, the issuance will then be voted on by the residents of Nolan County. If approved by the residents, the District anticipates issuing the bonds during the 2014 fiscal year.

The date to which events occurring after September 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is March 17, 2014, which is the date on which the financial statements were available to be issued.

APPENDIX C

FORM OF BOND COUNSEL OPINION

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October 7, 2014

We have acted as Bond Counsel in connection with the issuance by the Nolan County Hospital District (the "District") of the Nolan County Hospital District Combination Tax and Revenue Bonds, Series 2014 (the "Bonds"), dated September 1, 2014, in the aggregate principal amount of $24,300,000. The Bonds are issuable in fully registered form only, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the order (the "Order") adopted by the Board of Directors of the District authorizing their issuance.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds, as described in the Order. The transcript contains certified copies of certain proceedings of the District; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1 of this issue.

We have not been requested to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Capitalized terms used herein and not otherwise defined have the meaning assigned in the Order. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Based on such examination, it is our opinion as follows:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

(2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds. The Bonds are further payable from a pledge of the Net Revenues of the District in accordance with the Order.

Also based on our examination as described above, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds, including any accrued "original issue discount" properly allocable to the holders of the Bonds, is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For purposes of the alternative minimum tax imposed on corporations under Section 56 of the Code, interest on the Bonds is included in computing adjusted current earnings. The "original issue discount" on any Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In providing the opinion set forth in the foregoing paragraph, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the District. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The Order and the District's tax certificate for the Bonds (the "Tax Certificate") contain covenants (the "Covenants") under which the District has agreed to comply with such requirements. Failure by the District to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes. We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Order and Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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