

# **Hunt Memorial Hospital District**

Independent Auditor's Report and Financial Statements

September 30, 2021 and 2020

**Hunt Memorial Hospital District**  
**September 30, 2021 and 2020**

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## Independent Auditor's Report

Board of Directors  
Hunt Memorial Hospital District  
Greenville, Texas

We have audited the accompanying financial statements of Hunt Memorial Hospital District (the District), as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic 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 audits. We conducted our audits 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 entity'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 entity'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 the District as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits 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.

*BKD, LLP*

Dallas, Texas  
January 31, 2022

# Hunt Memorial Hospital District

## Management's Discussion and Analysis

### Years Ended September 30, 2021 and 2020

#### ***Introduction***

This management's discussion and analysis of the financial performance of Hunt Memorial Hospital District (the District) provides an overview of the District's financial activities for the years ended September 30, 2021 and 2020. It should be read in conjunction with the accompanying financial statements of the District.

#### ***Financial Highlights***

- Cash, cash equivalents and investments increased in 2021 by \$16,002,177 or 23.3%, and increased in 2020 by \$48,533,520 or 244.7%.
- Total liabilities increased by \$17,163,138 or 22.6% in 2021, and increased by \$36,767,566 or 94.2% in 2020.
- The District's net position increased in 2021 by \$13,921,687 or 18.1%, and increased in 2020 by \$9,193,924 or 13.6%.
- The District reported operating losses in 2021 of \$14,423,444, and in 2020 of \$11,867,025. The operating loss in 2021 changed unfavorably by \$2,556,419 or 21.5% over the operating loss reported in 2020. The operating loss in 2020 changed favorably by \$2,081,302 or 14.9% over the operating loss reported in 2019.
- Net nonoperating revenues increased by \$13,387,340 or 35.2% in 2021 compared to 2020, and increased by \$7,449,426 or 55.6% in 2020 compared to 2019.

#### ***Using This Annual Report***

The District's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity, and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

#### ***The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked about any hospital's finances is "Is the hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet 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. Using the accrual basis of accounting means that 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. The District’s total net position—the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources—is one measure of the District’s financial health or financial position. Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District’s patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the District.

### ***The Statement of Cash Flows***

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of 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 and cash equivalents during the reporting period.

### ***The District’s Net Position***

A summary of the District’s balance sheets are presented in the following table:

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Assets and Deferred Outflows of Resources</b>			
Cash and cash equivalents	\$ 24,397,236	\$ 31,227,744	\$ 5,465,061
Patient accounts receivable, net	27,419,677	18,468,891	17,994,230
Other current assets	22,019,181	15,732,108	15,231,076
Capital assets, net	59,310,773	53,798,753	55,713,112
Other noncurrent assets	50,546,619	33,319,516	12,115,353
Deferred outflows of resources	<u>27,601</u>	<u>89,250</u>	<u>155,940</u>
 Total assets and deferred outflows of resources	 <u>\$ 183,721,087</u>	 <u>\$ 152,636,262</u>	 <u>\$ 106,674,772</u>
<b>Liabilities</b>			
Long-term debt	\$ 47,087,974	\$ 16,752,975	\$ 20,268,576
Other current and noncurrent liabilities	<u>45,867,717</u>	<u>59,039,578</u>	<u>18,756,411</u>
 Total liabilities	 <u>92,955,691</u>	 <u>75,792,553</u>	 <u>39,024,987</u>
<b>Net Position</b>			
Net investment in capital assets	8,232,924	32,094,240	31,319,217
Unrestricted	<u>82,532,472</u>	<u>44,749,469</u>	<u>36,330,568</u>
 Total net position	 <u>90,765,396</u>	 <u>76,843,709</u>	 <u>67,649,785</u>
 Total liabilities and net position	 <u>\$ 183,721,087</u>	 <u>\$ 152,636,262</u>	 <u>\$ 106,674,772</u>

Total cash and investments increased at September 30, 2021 by \$16,002,177 or 23.3%, as compared to total cash and investments at September 30, 2020. This increase is substantially due to the proceeds from debt issued during the year discussed more fully in *Note 8*.

Total cash and investments increased at September 30, 2020 by \$48,533,520 or 244.7%, as compared to total cash and investments at September 30, 2019. The increased is substantially due to the receipt of Medicare Advance Payments and Provider Relief Funds discussed more fully in *Note 14*.

The most significant changes in the District's liabilities in 2021 is the issuance of Series 2020 bonds with a par value of \$27,915,000, and the recognition of the remaining Provider Relief Funds as revenue. The new debt issued is more fully discussed in *Note 8*. The Provider Relief Funds recognized as revenue are discussed more fully in *Note 14*.

The most significant change in the District's liabilities in 2020 is the receipt of both Medicare Advance Payments of \$24,241,988 and Provider Relief Funds received in advance of \$16,582,340, which were partially recognized as revenue with the remaining portion recorded as a liability. These payments are discussed more fully in *Note 14*.

### ***Operating Results and Changes in the District's Net Position***

The following table presents a summary of the District's revenues and expenses for each of the years ended September 30, 2021, 2020 and 2019.

**Table 2: Operating Results and Changes in Net Position**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Operating Revenues</b>			
Net patient service revenue	\$ 168,213,452	\$ 140,576,393	\$ 135,708,076
Supplemental Medicaid funding	13,266,867	15,436,689	11,660,663
Other	2,856,112	2,625,644	2,142,119
Total operating revenues	<u>184,336,431</u>	<u>158,638,726</u>	<u>149,510,858</u>
<b>Operating Expenses</b>			
Salaries and wages and employee benefits	103,103,805	90,485,272	86,655,331
Purchased services and professional fees	40,345,015	33,538,737	33,275,454
Supplies and other	47,755,426	38,923,993	35,350,332
Depreciation and amortization	7,555,629	7,557,749	8,178,068
Total operating expenses	<u>198,759,875</u>	<u>170,505,751</u>	<u>163,459,185</u>
<b>Operating Loss</b>	<u>(14,423,444)</u>	<u>(11,867,025)</u>	<u>(13,948,327)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Property taxes	17,934,881	15,026,465	13,786,258
Investment income	42,242	376,207	607,486
Noncapital grants and gifts	1,084,115	78,237	100,224
Interest expense	(1,251,971)	(680,928)	(798,187)
Provider relief funds	10,245,392	6,336,948	-
Other	113,028	(300,163)	(308,441)
Total nonoperating revenues, net	<u>28,167,687</u>	<u>20,836,766</u>	<u>13,387,340</u>
<b>Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Gifts</b>	13,744,243	8,969,741	(560,987)
<b>Capital Grants and Gifts</b>	<u>177,444</u>	<u>224,183</u>	<u>243,990</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 13,921,687</u>	<u>\$ 9,193,924</u>	<u>\$ (316,997)</u>

**Operating Loss**

The first component of the overall change in the District's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In 2021, 2020 and 2019, the District reported operating losses. This is consistent with the District's operating history, as the District was formed and is operated primarily to serve residents of Hunt County and the surrounding area. The District levies property taxes to provide sufficient resources to enable the facility to serve lower income and other residents.

The operating loss for 2021 increased by \$2,556,419 or 21.5% as to 2020. The components of the change in operating results are:

- An increase in net patient service revenue of \$27,637,059 or 19.7%
- A decrease in Supplemental Medicaid funding of \$2,169,822 or 14.1%
- An increase in supplies and other expenses of \$8,831,433 or 22.7%
- An increase salaries, wages, and employee benefits of \$12,618,533 or 13.9%
- An increase in purchased services and professional fees of \$6,806,278 or 20.3%

As a result of the ongoing COVID-19 pandemic, the District experienced higher patient volumes, higher patient acuity, increases in the number of uninsured and underinsured patients, and incremental expenses required for supplies and personal protective equipment. During the year ended September 30, 2021, the District has seen an increase in revenues in line with increased volumes and higher patient acuity.

Employee salaries, wages and benefits and purchased services and professional fees increased in connection with the increase in revenue and the District's retention and recruitment efforts.

The increase in supplies expense is due to the ongoing COVID-19 pandemic, and the need for personal protective equipment (PPE) required for the safety of District personnel and patients against COVID-19. In addition, supplies expense increased due to dispensing an increased volume of high cost drugs during the full fiscal year.

The operating loss for 2020 decreased by \$2,081,302 or 14.9%% as to 2019. The components of the change in operating results are:

- An increase in net patient service revenue of \$4,868,317 or 3.6%
- An increase in Supplemental Medicaid funding of \$3,776,026 or 32.4%
- An increase in supplies and other expenses of \$3,573,661 or 10.1%
- An increase in salaries, wages and employee benefits of \$3,829,941 or 4.4%
- A decrease in depreciation expense of \$620,319 or 7.6%

As a result of the COVID-19 pandemic, the District encountered government-imposed or recommended suspensions of elective procedures, declines in patient volumes, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure. However, despite lower volumes during the year ended September 30, 2020, the District has seen an increase in favorable payer mix, higher patient acuity and decreased purchased services and other operating expenses as a result of the clinic closures and restrictions.

Employee salaries, wages and benefits increased in connection with the increase in revenue and the District's retention and recruitment efforts.

The increase in supplies expense is due to the need for personal protective equipment (PPE) required for the safety of District personnel and patients against COVID-19. In addition, supplies expense increased due to dispensing an increased volume of high cost drugs this year.

### ***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses consist primarily of property taxes levied by the District, investment income, interest expense and provider relief funds. Overall, nonoperating revenue during 2021 increased by \$7,330,921 or 35.2%, as compared to 2020. The increase in nonoperating revenues is primarily due to recognition of \$10,644,487 in Provider Relief Funds, discussed more fully in *Note 14*. Property tax revenue increased \$2,908,416 or 19.4% over 2020.

## ***The District's Cash Flows***

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2021, 2020 and 2019, discussed earlier and capital asset and financing activities discussed below with one primary exception in 2020. Cash provided by operating activities increased significantly more than the decrease in the operating loss due to the accounting for the Medicare Advance Payments being recorded as a liability at September 30, 2020.

## ***Capital Asset and Debt Administration***

### ***Capital Assets***

At the end of 2021, the District had \$59,310,773 invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the accompanying financial statements. In 2021, the District purchased new equipment, made building improvements, and paid for construction projects totaling \$13,573,446.

### ***Debt***

In 2021, the District issued \$27,915,000 in Series 2020 Bonds to refund the Series 2008 Bonds, and to fund various hospital and capital expansion projects. At September 30, 2021, the District had \$44,103,798 in outstanding bond obligations. In 2021, the District entered into a capital lease for equipment with a balance of 1,171,975 at September 30, 2021. Additionally, the District entered into a note payable with a balance of \$5,711,836. Long-term debt transactions are discussed more fully in *Note 8*.

### ***Other Economic Factors***

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. The District's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The District has taken precautionary steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to its business. *Note 14* discusses further the impacts of COVID-19 and the related funding through Provider Relief Funds and Medicare advance payment program.

### ***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. Questions about this report and requests for additional financial information should be directed to HMHD Accounting Department, 4215 Joe Ramsey Blvd, Greenville, Texas 75401.

**Hunt Memorial Hospital District**  
**Balance Sheets**  
**September 30, 2021 and 2020**

**Assets and Deferred Outflows of Resources**

	<u>2021</u>	<u>2020</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 24,397,236	\$ 31,227,744
Cash internally designated for capital acquisitions	6,000,000	-
Short-term investments	3,626,761	4,021,179
Patient accounts receivable, net of allowance; 2021 – \$73,280,000 2020 – \$36,760,000	27,419,677	18,468,891
Property taxes receivable, net	830,680	752,437
Supplemental Medicaid funding receivable	4,879,472	4,476,812
Supplies	3,727,586	3,458,255
Prepaid expenses	2,337,245	2,641,827
Other current assets	<u>617,437</u>	<u>381,598</u>
Total current assets	<u>73,836,094</u>	<u>65,428,743</u>
<b>Noncurrent Cash and Investments</b>		
Investments	8,436,968	8,034,623
Held by trustee for self-insurance	506,490	512,081
Internally designated for capital acquisitions and operating activities	<u>41,569,567</u>	<u>24,739,218</u>
	<u>50,513,025</u>	<u>33,285,922</u>
<b>Capital Assets, Net</b>	<u>59,310,773</u>	<u>53,798,753</u>
<b>Other Assets</b>	<u>33,594</u>	<u>33,594</u>
Total assets	<u>183,693,486</u>	<u>152,547,012</u>
<b>Deferred Outflows of Resources</b>	<u>27,601</u>	<u>89,250</u>
Total assets and deferred outflows of resources	<u><u>\$ 183,721,087</u></u>	<u><u>\$ 152,636,262</u></u>

See Notes to Financial Statements

**Hunt Memorial Hospital District**  
**Balance Sheets (Continued)**  
**September 30, 2021 and 2020**

**Liabilities and Net Position**

	<u>2021</u>	<u>2020</u>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 3,899,635	\$ 4,306,234
Accounts payable	11,675,508	8,959,006
Provider relief funds	-	10,245,392
Medicare advance payments	9,742,910	3,300,000
Accrued expenses	10,528,685	10,128,247
Estimated amounts due to third-party payers	<u>337,294</u>	<u>685,711</u>
Total current liabilities	36,184,032	37,624,590
<b>Estimated Medical Malpractice Self-insurance Costs</b>	473,000	473,000
<b>Medicare Advance Payments</b>	9,210,685	20,941,988
<b>Long-term Debt</b>	<u>47,087,974</u>	<u>16,752,975</u>
Total liabilities	<u>92,955,691</u>	<u>75,792,553</u>
<b>Net Position</b>		
Net investment in capital assets	8,232,924	32,094,240
Unrestricted	<u>82,532,472</u>	<u>44,749,469</u>
Total net position	<u>90,765,396</u>	<u>76,843,709</u>
Total liabilities and net position	<u>\$ 183,721,087</u>	<u>\$ 152,636,262</u>

**Hunt Memorial Hospital District**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended September 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>		
Net patient service revenue, net of provision for uncollectible accounts; 2021 - \$72,862,094, 2020 - \$50,206,590	168,213,452	140,576,393
Supplemental Medicaid funding	13,266,867	15,436,689
Other	2,856,112	2,625,644
Total operating revenues	184,336,431	158,638,726
<b>Operating Expenses</b>		
Salaries and wages	85,252,117	74,446,723
Employee benefits	17,851,688	16,038,549
Purchased services and professional fees	40,345,015	33,538,737
Supplies and other	47,755,426	38,923,993
Depreciation and amortization	7,555,629	7,557,749
Total operating expenses	198,759,875	170,505,751
<b>Operating Loss</b>	<b>(14,423,444)</b>	<b>(11,867,025)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Property taxes	17,934,881	15,026,465
Investment income	42,242	376,207
Noncapital grants and gifts	1,084,115	78,237
Interest expense	(1,251,971)	(680,928)
Other	113,028	(300,163)
Provider relief funds	10,245,392	6,336,948
Total nonoperating revenues (expenses)	28,167,687	20,836,766
<b>Excess of Revenues Over Expenses     Before Capital Grants and Gifts</b>	13,744,243	8,969,741
<b>Capital Grants and Gifts</b>	177,444	224,183
<b>Increase in Net Position</b>	13,921,687	9,193,924
<b>Net Position, Beginning of Year</b>	76,843,709	67,649,785
<b>Net Position, End of Year</b>	<b>\$ 90,765,396</b>	<b>\$ 76,843,709</b>

**Hunt Memorial Hospital District**  
**Statements of Cash Flows**  
**Years Ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 153,534,980	\$ 141,356,375
Receipts from supplemental Medicaid funding programs	12,864,207	15,663,478
Payments to suppliers and contractors	(84,321,377)	(69,313,700)
Payments to employees	(103,143,264)	(88,777,360)
Other receipts, net	<u>2,621,816</u>	<u>26,677,239</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>(18,443,638)</u>	<u>25,606,032</u>
<b>Noncapital Financing Activities</b>		
Property taxes supporting operations	13,798,128	12,345,862
Noncapital grants and gifts	1,084,115	78,237
Provider relief funds	-	16,582,340
Donations made	<u>113,028</u>	<u>(300,163)</u>
Net cash and cash equivalents provided by noncapital financing activities	<u>14,995,271</u>	<u>28,706,276</u>
<b>Capital and Related Financing Activities</b>		
Principal paid on long-term debt	(5,396,233)	(3,803,445)
Interest paid on long-term debt	(1,663,947)	(921,741)
Proceeds from issuance of long-term debt	33,915,000	-
Premium on issuance of long-term debt	3,908,707	-
Property taxes to retire debt for acquisitions of capital assets	4,058,510	2,625,447
Purchase of capital assets	(12,209,636)	(4,284,370)
Proceeds from capital grants and gifts	<u>177,444</u>	<u>224,183</u>
Net cash and cash equivalents provided by (used in) capital and related financing activities	<u>22,789,845</u>	<u>(6,159,926)</u>
<b>Investing Activities</b>		
Investment return	40,699	380,868
Proceeds from disposition of investments	18,704,469	19,223,196
Purchase of investments	<u>(38,922,745)</u>	<u>(41,995,360)</u>
Net cash and cash equivalents used in investing activities	<u>(20,177,577)</u>	<u>(22,391,296)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(836,099)	25,761,086
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>31,739,825</u>	<u>5,978,739</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 30,903,726</u>	<u>\$ 31,739,825</u>

**Hunt Memorial Hospital District**  
**Statements of Cash Flows (Continued)**  
**Years Ended September 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>		
Cash and cash equivalents	\$ 24,397,236	\$ 31,227,744
Cash internally designated for capital acquisitions	6,000,000	-
Held by trustee for self-insurance, noncurrent	506,490	512,081
	<u>\$ 30,903,726</u>	<u>\$ 31,739,825</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>		
Operating loss	\$ (14,423,444)	\$ (11,867,025)
Depreciation and amortization	7,555,629	7,557,749
Provision for uncollectible accounts	72,862,094	50,206,590
Changes in operating assets and liabilities		
Patient accounts receivable	(81,812,880)	(50,681,251)
Supplemental Medicaid funding receivable	(402,660)	226,789
Estimated third-party payer settlements	(348,417)	1,104,408
Medicare advance payments	(5,288,393)	24,241,988
Accounts payable and accrued liabilities	3,613,478	4,398,956
Other assets and liabilities and deferred outflows of resources	(199,045)	417,828
	<u>\$ (18,443,638)</u>	<u>\$ 25,606,032</u>
<b>Supplemental Cash Flows Information</b>		
Capital assets acquisitions included in accounts payable	\$ 117,841	\$ 679,096
Capital assets purchased with capital lease obligation	\$ 1,363,810	\$ 1,073,120
Long term debt repaid directly through issuance of new debt	\$ 3,380,000	\$ -

# Hunt Memorial Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations and Reporting Entity***

Hunt Memorial Hospital District (the District) is a political subdivision of the state of Texas. The District has the authority to levy ad valorem taxes on property located within Hunt County. The District is comprised of Hunt Regional Medical Center, Greenville, Texas, Hunt Regional Home Health and Hunt Regional Medical Partners (Medical Partners). The District provides inpatient, outpatient, emergency and home care services for residents of Hunt County and surrounding areas.

Medical Partners is a Texas nonprofit health organization that operates primarily for the purpose of providing physician services to the District's patients. The District is the sole corporate member of Medical Partners and has the authority to exercise significant control over the financial operations of Medical Partners. As such, Medical Partners is presented as a blended component unit of the District. Separate financial statements of Medical Partners can be obtained by contacting the District's management.

##### ***Basis of Accounting and Presentation***

The accompanying financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

##### ***Use of Estimates***

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

**Hunt Memorial Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Cash Equivalents**

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers.

**Property Taxes**

The District received approximately 8.8% of its financial support from property taxes 2021 and 8.6% 2020. These funds were used as follows:

	<b>2021</b>	<b>2020</b>
Percentage used to support operations	77%	82%
Percentage used for debt service on bonds	23%	18%
	100%	100%

Property taxes are levied by the District on October 1 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1 when the value is assessed. Property taxes become due and payable when levied on October 1. This is the date on which an enforceable legal claim arises, and the District records a receivable for the property tax assessment, less an allowance for uncollectible property taxes. Property taxes are considered delinquent after January 31 of the following year. The District recorded an allowance for uncollectible property taxes of approximately \$811,000 and \$808,000 at September 30, 2021 and 2020, respectively.

The District’s property tax rate was \$0.188400 and \$0.189666 per \$100 valuation for 2021 and 2020, respectively, for the maintenance and operation fund. Property tax revenue for this fund was approximately \$13,859,000 and \$12,391,000 in 2021 and 2020, respectively. The District’s property tax rate was \$0.055415 and \$0.040334 per \$100 valuation for 2021 and 2020, respectively, for the interest and sinking fund. Property tax revenue for this fund was approximately \$4,076,000 and \$2,635,000 in 2021 and 2020, respectively.

**Risk Management**

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than general and professional liability and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District is self-insured for a portion of its exposure to risk of loss from general and professional liability and employee health claims. Annual estimated provisions are accrued for the self-insured portion of these claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

**Hunt Memorial Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

***Investments and Investment Income***

The District invests in Texas Local Government Investment Pool (TexPool), which is considered an investment for financial reporting. The District has an undivided beneficial interest in the pool of assets held by the Pool. Authorized investments include obligations of the United States or its agencies, direct obligations of the state of Texas or its agencies, certificates of deposit and repurchase agreements. The District's interest in TexPool is carried at amortized cost per share under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one-year or less at time of acquisition and in non-negotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income and the net change for the year in the fair value of investments carried at fair value.

***Patient Accounts Receivable***

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

***Supplies***

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method or market.

***Capital Assets***

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

Land improvements	5 – 25 years
Buildings and improvements	25 – 40 years
Equipment	3 – 20 years

# Hunt Memorial Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

#### ***Capital Asset Impairment***

The District evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, either accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended September 30, 2021 and 2020.

#### ***Compensated Absences***

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

#### ***Net Position***

Net position of the District are classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

#### ***Deferred Outflows/Inflows of Resources***

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources.

#### ***Net Patient Service Revenue***

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

# Hunt Memorial Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

#### ***Tobacco Settlement Revenue***

The District receives revenue that is the result of a settlement between various counties and hospital districts in Texas and the tobacco industry for tobacco-related health care costs. The District received approximately \$315,000 and \$284,000 in revenue from this settlement for the years ended September 30, 2021 and 2020, respectively. This revenue is recognized as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

#### ***Charity Care***

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

#### ***Income Taxes***

As a political subdivision under the laws of the state of Texas, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code (IRC) and a similar provision of state law. Medical Partners is exempt from income taxes under Section 501(a) of the IRC. Medical Partners is subject to federal income tax on any unrelated business taxable income.

#### ***Foundation***

The District is the beneficiary of the Hunt Memorial Hospital District Charitable Health Foundation (the Foundation), a separate legal entity with its own board of trustees. The Foundation is not reflected in the accompanying financial statements due to the insignificance (or immateriality) of the Foundation's activities to the District, thus far. The District received approximately \$177,000 and \$224,000 in contributions from the Foundation in 2021 and 2020, respectively.

#### **Note 2: Net Patient Service Revenue**

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

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

# Hunt Memorial Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

*Medicaid.* Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a mixture of fee schedules and cost reimbursement. The District is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid administrative contractor.

Approximately 67% and 72% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2021 and 2020, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

#### **Supplemental Medicaid Funding Revenue**

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

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

On December 21, 2017, HHSC received an approved extension from the Centers for Medicare and Medicaid Services (CMS) for the period of January 1, 2018 through September 30, 2022. Among other changes, the approved plan required a change in the methodology used to allocate UC funds and a phase out of the DSRIP program over the five-year period. On November 30, 2020, CMS approved an additional extension to extend the Waiver for an additional ten-year period through September 30, 2030. This latest extension would have ended the DSRIP pool effective September 30, 2021, expanded and added other direct payment programs and made other administrative changes to reflect CMS policy changes beginning September 1, 2021. On April 16, 2021, CMS rescinded the extension approval citing an improper exemption from the public notice and comment process originally granted. In August 2021, CMS indicated that new directed payment programs would not be approved, but offered to HHSC that the Uniform Hospital Rate Increase

# Hunt Memorial Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

Program (UHRIP) and DSRIP would be extended to September 30, 2022, while HHSC and CMS negotiated an extension and terms of the Waiver and new directed payment programs. In September 2021, HHSC accepted the terms of certain directed payment programs and an extension of the DSRIP pool through September 30, 2022. In November 2021, CMS notified HHSC that they did not believe HHSC accepted the August 2021 offer to extend UHRIP and DSRIP; in essence, the negotiations are stalled. HHSC is also seeking resolution through judicial action.

In 2019, the District began receiving supplemental payments through the Medicaid Graduate Medical Education (GME) program. The GME program provides reimbursement to support teaching hospitals that operate approved medical residency training programs in recognition of the higher costs incurred by teaching hospitals.

Total revenue recognized from these programs was approximately \$13,267,000 and \$15,437,000 for the years ended September 30, 2021 and 2020, respectively. The funding the District has received is subject to audit and is not representative of funding to be received in future years.

The funding from the DSH Program and the UC Pool has historically been limited by a federally determined Hospital Specific Limit (HSL) calculation and is subject to recoupment based on subsequent audit results. There has been litigation in U.S. district and circuit appellate courts regarding the legislative intent of certain aspects of the HSL calculation. On August 13, 2019, the D.C. Circuit Court of Appeals issued an opinion in the case of *Children's Hospital Association of Texas vs. Azar* that held that the HSL could be reduced by payments received from other third-party payers related to Medicaid eligible patients. On November 30, 2020, the case was decided, and final rule issued that reinstated the rule's original 2017 effective date. It is estimated that the final rule will not result in a recoupment of DSH Program and UC Pool funds the District has received.

In 2018, the District began to participate in the UHRIP. Under UHRIP, HHSC may direct managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals, increasing revenue from services provided to Medicaid managed care beneficiaries. The state's share of UHRIP funding is funded through intergovernmental transfers from certain hospitals, including the District. Revenue from UHRIP is recognized as a component of net patient service revenue.

### **Note 3: Deposits, Investments and Investment Income**

#### ***Deposits***

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

## Hunt Memorial Hospital District

### Notes to Financial Statements

### September 30, 2021 and 2020

State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At September 30, 2021, all of the District's deposits were either insured or collateralized in accordance with state law, with the exception of approximately \$75,000. At September 30, 2020, all of the District's deposits were either insured or collateralized in accordance with state law.

#### **Investments**

At September 30, 2021 and 2020, the District held the following investments:

September 30, 2021					
Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U.S. agency obligations	\$ 4,465,768	\$ -	\$ 4,213,023	\$ 252,745	\$ -
Money market fund	578,911	578,911	-	-	-
TexPool	41,569,468	41,569,468	-	-	-
Certificates of deposit - negotiable	7,019,149	3,047,850	3,971,299	-	-
	<u>\$ 53,633,296</u>	<u>\$ 45,196,229</u>	<u>\$ 8,184,322</u>	<u>\$ 252,745</u>	<u>\$ -</u>

  

September 30, 2020					
Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U.S. agency obligations	\$ 2,196,909	\$ -	\$ 2,196,909	\$ -	\$ -
Money market fund	2,576,716	2,576,716	-	-	-
TexPool	24,739,218	24,739,218	-	-	-
Certificates of deposit - negotiable	7,282,177	1,444,464	5,837,713	-	-
	<u>\$ 36,795,020</u>	<u>\$ 28,760,398</u>	<u>\$ 8,034,622</u>	<u>\$ -</u>	<u>\$ -</u>

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. This includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Federated Investors provides asset management and participant services for TexPool's operations under contract with the Comptroller.

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturities that are acceptable for certain types of investments.

**Hunt Memorial Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the District’s policy to limit its investments to U.S. Treasury and agency obligations or otherwise follow the restrictions of the *Texas Public Funds Investment Act*. At September 30, 2021, the District’s investments in TexPool and U.S. agency obligations were rated AAA and AA+, respectively, by Standard & Poor’s.

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 investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer as long as the restrictions of the *Texas Public Funds Investment Act* are followed.

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

	2021	2020
UBS Select Treasury	1.1%	7.0%
TexPool	77.5%	67.2%

**Summary of Carrying Values**

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

	2021	2020
Carrying value		
Deposits	\$ 30,903,726	\$ 31,739,825
Investments	53,633,296	36,795,020
	\$ 84,537,022	\$ 68,534,845
Included in the following balance sheets captions		
Cash and cash equivalents	\$ 24,397,236	\$ 31,227,744
Internally restricted cash	6,000,000	-
Short-term investments	3,626,761	4,021,179
Noncurrent cash and investments	50,513,025	33,285,922
	\$ 84,537,022	\$ 68,534,845

**Hunt Memorial Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

***Investment Income***

Investment income for the years ended September 30 consisted of:

	<b>2021</b>	<b>2020</b>
Interest and dividend income	\$ 172,938	\$ 264,949
Net increase (decrease) in fair value of investments	(130,696)	111,258
	\$ 42,242	\$ 376,207

**Note 4: Patient Accounts Receivable**

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

	<b>2021</b>	<b>2020</b>
Medicare	\$ 8,548,179	\$ 7,252,118
Medicaid	5,555,565	3,131,721
Other third-party payers	18,379,068	8,393,926
Patients	68,216,865	36,451,126
	100,699,677	55,228,891
Less allowance for uncollectible accounts	(73,280,000)	(36,760,000)
	\$ 27,419,677	\$ 18,468,891

**Hunt Memorial Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Note 5: Capital Assets**

Capital assets activity for the years ended September 30 was:

	<b>2021</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Land	\$ 1,337,543	\$ -	\$ -	\$ -	\$ 1,337,543
Land improvements	4,261,519	-	-	-	4,261,519
Buildings and improvements	102,428,349	-	-	-	102,428,349
Equipment	79,308,776	5,517,156	-	606,663	85,432,595
Construction in progress	1,694,384	7,495,035	-	(606,663)	8,582,756
	<u>189,030,571</u>	<u>13,012,191</u>	<u>-</u>	<u>-</u>	<u>202,042,762</u>
Less accumulated depreciation	<u>135,231,818</u>	<u>7,500,171</u>	<u>-</u>	<u>-</u>	<u>142,731,989</u>
Capital assets, net	<u>\$ 53,798,753</u>	<u>\$ 5,512,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,310,773</u>

  

	<b>2020</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Land	\$ 1,337,543	\$ -	\$ -	\$ -	\$ 1,337,543
Land improvements	4,261,519	-	-	-	4,261,519
Buildings and improvements	100,259,487	-	-	2,168,862	102,428,349
Equipment	75,303,363	2,971,651	-	1,033,762	79,308,776
Construction in progress	2,285,769	2,611,239	-	(3,202,624)	1,694,384
	<u>183,447,681</u>	<u>5,582,890</u>	<u>-</u>	<u>-</u>	<u>189,030,571</u>
Less accumulated depreciation	<u>127,734,569</u>	<u>7,497,249</u>	<u>-</u>	<u>-</u>	<u>135,231,818</u>
Capital assets, net	<u>\$ 55,713,112</u>	<u>\$ (1,914,359)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,798,753</u>

Construction in progress at September 30, 2021, primarily represents costs incurred to fund various capital improvements, including renovation and expansion hospital facilities. The facility expansion is being funded through the issuance of approximately \$28,000,000 in General Obligation bonds. See Note 8 for further discussion. The expansion and renovation will be completed in various dates through 2023.

**Hunt Memorial Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Note 6: Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses included in current liabilities at September 30 consisted of:

	<u>2021</u>	<u>2020</u>
Payable to suppliers, contractors and patient refunds	\$ 12,064,375	\$ 8,972,693
Payable to employees (including payroll taxes and benefits)	9,966,197	10,005,656
Accrued interest	<u>173,621</u>	<u>108,904</u>
	<u>\$ 22,204,193</u>	<u>\$ 19,087,253</u>

**Note 7: Risk Management**

***Professional and General Liability Risks***

The District is self-insured for professional and general liability risks. The District’s maximum liability for professional and general liability claims as a governmental unit under the Tort Claims Act is generally \$100,000 per individual and \$300,000 per occurrence.

Losses from asserted and unasserted claims identified under the District’s incident reporting system are accrued based on estimates that incorporate the District’s past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors.

It is reasonably possible that the District’s estimate of losses will change by a material amount in the near term.

Activity in the District’s accrued medical malpractice claims liability during 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 473,000	\$ 473,000
Current year claims incurred and changes in estimates for claims incurred in prior years	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 473,000</u>	<u>\$ 473,000</u>

**Hunt Memorial Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Employee Health Claims**

Substantially all of the District’s employees and their dependents are eligible to participate in the District’s employee health insurance plan. Commercial stop-loss insurance coverage is purchased for claims in excess of \$225,000. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported and is included in accrued expenses on the balance sheet. 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 reasonably possible 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 2021 and 2020 is summarized as follows:

	<b>2021</b>	<b>2020</b>
Balance, beginning of year	\$ 1,043,734	\$ 824,469
Current year claims incurred and changes in estimates for claims incurred in prior years	10,206,411	9,180,850
Claims and expenses paid	(10,065,318)	(8,961,585)
Balance, end of year	\$ 1,184,827	\$ 1,043,734

**Note 8: Long-term Obligations**

A summary of long-term debt follows:

	<b>2021</b>	<b>2020</b>
General obligation bonds, Series 2014	\$ 12,935,000	\$ 14,350,000
General obligation bonds, Series 2008	-	3,380,000
Revenue bonds, Series 2018	-	1,399,954
General obligation bonds, Series 2020	26,795,000	-
Note payable to bank	5,711,836	-
Capital lease	1,171,975	981,280
	46,613,811	20,111,234
Bond premium	4,373,798	947,975
	\$ 50,987,609	\$ 21,059,209

**Hunt Memorial Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

The following is a summary of long-term obligation transactions for the District for the years ended September 30, 2021 and 2020:

	<b>2021</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt					
Series 2014	\$ 14,350,000	\$ -	\$ (1,415,000)	\$ 12,935,000	\$ 1,490,000
Series 2008	3,380,000	-	(3,380,000)	-	-
Series 2018	1,399,954	-	(1,399,954)	-	-
Series 2020	-	27,915,000	(1,120,000)	26,795,000	980,000
Notes payable to bank	-	6,000,000	(288,164)	5,711,836	1,164,855
Capital lease	981,280	1,363,810	(1,173,115)	1,171,975	264,780
	<u>\$ 20,111,234</u>	<u>\$ 35,278,810</u>	<u>\$ (8,776,233)</u>	<u>\$ 46,613,811</u>	<u>\$ 3,899,635</u>

	<b>2020</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term debt					
Series 2014	\$ 15,705,000	\$ -	\$ (1,355,000)	\$ 14,350,000	\$ 1,415,000
Series 2008	3,870,000	-	(490,000)	3,380,000	510,000
Series 2018	3,266,559	-	(1,866,605)	1,399,954	1,399,954
Capital lease	-	1,073,120	(91,840)	981,280	981,280
	<u>\$ 22,841,559</u>	<u>\$ 1,073,120</u>	<u>\$ (3,803,445)</u>	<u>\$ 20,111,234</u>	<u>\$ 4,306,234</u>

**General Obligation Bonds – Series 2020**

The District issued the Hunt Memorial Hospital District General Obligation Refunding and Improvement Bonds, Series 2020 (Series 2020 Bonds) in the original amount of \$27,915,000 dated November 24, 2020, which bear interest at 3.0% to 5.0%. The bonds were issued to refund the District's outstanding Series 2008 Bonds, and to fund various hospital and capital expansion projects. The Series 2020 Bonds are payable in annual installments ranging from \$980,000 to \$2,015,000 through February 15, 2040. All of the Series 2020 Bonds outstanding may be redeemed at the District's option on or after February 15, 2030, at a price of par plus accrued interest to the redemption date. The Series 2020 Bonds constitute direct obligations of the District, payable from the levy and collection of annual property taxes. The Series 2020 Bonds were issued with an original premium of \$3,908,707, and the premium is being amortized as a reduction of interest expense using an effective interest method over the term of the debt. Premium amortization was \$299,362 for the year ended September 30, 2021.

# Hunt Memorial Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

#### ***Hospital Revenue Bonds – Series 2018***

The Series 2018 revenue bonds consist of Hunt Memorial Hospital District Hospital Revenue Bonds, Series 2018 (Series 2018 Bonds) in the original amount of \$4,199,682 dated April 17, 2018, bearing interest at an annual rate equal to 79% of one month LIBOR plus 1.21%. The bonds were issued to fund various capital expansion and facility improvement projects and are payable in quarterly installments of \$466,651 beginning April 17, 2019 through April 17, 2021. These bonds were paid off through regularly scheduled payments during the year ended September 30, 2021.

#### ***General Obligation Bonds – Series 2014***

The Series 2014 general obligation bonds payable consist of Hunt Memorial Hospital District General Obligation Refunding and Improvement Bonds, Series 2014 (Series 2014 Bonds) in the original amount of \$20,940,000 dated September 11, 2014, which bear interest at 2.0% to 5.0%. The bonds were issued to refund a portion of the District's outstanding General Obligation Bonds, Series 2005, and to fund various capital expansion and improvement projects. The Series 2014 Bonds are payable in annual installments ranging from \$410,000 to \$1,730,000 through February 15, 2034. All of the Series 2014 Bonds still outstanding may be redeemed at the District's option on or after February 15, 2024, at a price of par plus accrued interest to the redemption date. The Series 2014 Bonds constitute direct obligations of the District, payable from the levy and collection of annual property taxes. The Series 2014 Bonds were issued with an original premium of \$2,235,198. The premium is being amortized as a reduction of interest expense using an effective interest method over the term of the debt. Premium amortization was \$165,378 and \$184,227, in 2021 and 2020, respectively.

#### ***General Obligation Bonds – Series 2008***

The Series 2008 general obligation bonds payable consist of Hunt Memorial Hospital District General Obligation Refunding Bonds, Series 2008 (Series 2008 Bonds) in the original amount of \$8,150,000 dated April 15, 2008, which bear interest at 3.625% to 4.000%. The bonds were issued to refund the District's outstanding Variable Rate General Obligation Bonds, Series 2006 (Series 2006 Bonds). On November 24, 2020, the outstanding Series 2008 Bonds with maturity dates through February 15, 2026, were defeased with a portion of the proceeds of the Series 2020 Bonds.

#### ***Note Payable to Bank***

On April 19, 2021, the District entered into a loan agreement for \$6,000,000 with a bank to finance an equipment purchase related to a capital improvement project. The loan is payable in quarterly installments of \$313,454 beginning July 28, 2021, and continuing through April 28, 2026. The loan carries an interest rate of 1.68% and is secured by the equipment purchased with the loan proceeds.

**Hunt Memorial Hospital District**  
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Debt service requirements on the bonds and notes payable as of September 30, 2021, are as follows:

Year Ending September 30,	Total to be Paid	Bonds		Note Payable	
		Principal	Interest	Principal	Interest
2022	\$ 5,458,655	\$ 2,470,000	\$ 1,734,838	\$ 1,164,854	\$ 88,963
2023	5,627,655	2,770,000	1,603,838	1,184,618	69,199
2024	5,630,529	2,915,000	1,461,713	1,204,717	49,099
2025	5,631,029	3,065,000	1,312,213	1,225,157	28,659
2026	4,384,325	2,265,000	1,178,963	932,490	7,872
2027 – 2031	16,134,439	11,970,000	4,164,439	-	-
2032 – 2036	10,239,219	8,400,000	1,839,219	-	-
2037 - 2041	6,263,850	5,875,000	388,850	-	-
	<u>\$ 59,369,701</u>	<u>\$ 39,730,000</u>	<u>\$ 13,684,073</u>	<u>\$ 5,711,836</u>	<u>\$ 243,792</u>

**Capital Lease**

In 2020, the District entered into a \$1,073,120 capital lease for the purchase of equipment. The lease includes monthly payments of \$89,427, including principal and interest, with the final payment made in July 2021.

In 2021, the District entered into a \$1,363,810 capital lease for the purchase of equipment. The lease includes monthly payments of \$24,439, including principal and interest, with the final payment due in September 2025. The lease is secured by the related equipment.

Present value of future minimum lease payments as of September 30, 2021, are as follows:

Year Ending September 30,	
2022	\$ 293,274
2023	293,274
2024	293,274
2025	293,274
2026	65,408
Total minimum lease payments	1,238,504
Less amount representing interest	66,529
Present value of future minimum lease payments	<u>\$ 1,171,975</u>

**Hunt Memorial Hospital District**  
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**Note 9: Charity Care**

In support of its mission, the District voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. The costs of charity care provided under the District's charity care policy were approximately \$1,863,000 and \$2,627,000, for 2021 and 2020, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

**Note 10: Pension Plan**

The District contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the District's required contributions, determined in accordance with the terms of the plan and any discretionary contributions. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body. Contribution rates for plan members and the District expressed as a percentage of covered payroll were 3.8% and 1.5% and 3.0% and 1.2% for 2021 and 2020, respectively. Contributions actually made by plan members and the District aggregated approximately \$3,245,000 and \$1,270,000, during 2021, and \$2,251,000 and \$920,000, during 2020, respectively.

**Note 11: Litigation**

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's self-insurance program or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

**Note 12: Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

**Hunt Memorial Hospital District**  
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**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

**Recurring Measurements**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30:

	<b>Fair Value Measurements Using</b>			
	<b>Carrying Amount</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>September 30, 2021</b>				
Investments by fair value level				
Money market fund	\$ 578,911	\$ 578,911	\$ -	\$ -
U.S. agency obligations	4,465,768	-	4,465,768	-
Total investments by fair value level	<u>5,044,679</u>	<u>\$ 578,911</u>	<u>\$ 4,465,768</u>	<u>\$ -</u>
Investments at amortized cost	<u>48,588,617</u>			
Total investments	<u>\$ 53,633,296</u>			

	<b>Fair Value Measurements Using</b>			
	<b>Carrying Amount</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>September 30, 2020</b>				
Investments by fair value level				
Money market fund	\$ 2,576,716	\$ 2,576,716	\$ -	\$ -
U.S. agency obligations	2,196,909	-	2,196,909	-
Total investments by fair value level	<u>4,773,625</u>	<u>\$ 2,576,716</u>	<u>\$ 2,196,909</u>	<u>\$ -</u>
Investments at amortized cost	<u>32,021,395</u>			
Total investments	<u>\$ 36,795,020</u>			

# Hunt Memorial Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

#### **Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The District held no Level 3 investments as of September 30, 2021 or 2020.

#### **Note 13: Condensed Combining Information**

The following tables include condensed combining balance sheet information for the District and its blended component unit as of September 30, 2021 and 2020.

	<b>September 30, 2021</b>		
	<b>District</b>	<b>Medical Partners</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>			
Current assets	\$ 68,849,001	\$ 4,987,093	\$ 73,836,094
Noncurrent cash and investments	50,513,025	-	50,513,025
Capital assets, net	59,059,346	251,427	59,310,773
Other assets	33,594	-	33,594
Total assets	178,454,966	5,238,520	183,693,486
Deferred outflows of resources	27,601	-	27,601
Total assets and deferred outflows of resources	\$ 178,482,567	\$ 5,238,520	\$ 183,721,087
<b>Liabilities and Net Position</b>			
Current liabilities	\$ 35,584,132	\$ 599,900	\$ 36,184,032
Estimated medical malpractice self-insurance costs	473,000	-	473,000
Medicare advance payments	9,210,685	-	9,210,685
Long-term debt	47,087,974	-	47,087,974
Total liabilities	92,355,791	599,900	92,955,691
Net position			
Net investment in capital assets	7,981,497	251,427	8,232,924
Unrestricted	78,145,279	4,387,193	82,532,472
Total net position	86,126,776	4,638,620	90,765,396
Total liabilities and net position	\$ 178,482,567	\$ 5,238,520	\$ 183,721,087

**Hunt Memorial Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

	<b>September 30, 2020</b>		
	<b>District</b>	<b>Medical Partners</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>			
Current assets	\$ 62,798,268	\$ 2,630,475	\$ 65,428,743
Noncurrent cash and investments	33,285,922	-	33,285,922
Capital assets, net	53,453,843	344,910	53,798,753
Other assets	33,594	-	33,594
Total assets	149,571,627	2,975,385	152,547,012
Deferred outflows of resources	33,792	55,458	89,250
Total assets and deferred outflows of resources	\$ 149,605,419	\$ 3,030,843	\$ 152,636,262
<b>Liabilities and Net Position</b>			
Current liabilities	\$ 37,426,078	\$ 198,512	\$ 37,624,590
Estimated medical malpractice self-insurance costs	473,000	-	473,000
Medicare advance payments	20,941,988	-	20,941,988
Long-term debt	16,752,975	-	16,752,975
Total liabilities	75,594,041	198,512	75,792,553
Net position			
Net investment in capital assets	31,749,330	344,910	32,094,240
Unrestricted	42,262,048	2,487,421	44,749,469
Total net position	74,011,378	2,832,331	76,843,709
Total liabilities and net position	\$ 149,605,419	\$ 3,030,843	\$ 152,636,262

**Hunt Memorial Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the District and its blended component unit for the years ended September 30, 2021 and 2020.

	<b>September 30, 2021</b>		
	<b>District</b>	<b>Medical Partners</b>	<b>Total</b>
Operating revenues	\$ 173,144,154	\$ 11,192,277	\$ 184,336,431
Operating expenses	182,758,881	16,000,994	198,759,875
Operating loss	(9,614,727)	(4,808,717)	(14,423,444)
Nonoperating revenues, net	27,752,981	414,706	28,167,687
Capital grants and gifts	177,444	-	177,444
Intercompany transfers	(6,200,300)	6,200,300	-
Increase in net position	12,115,398	1,806,289	13,921,687
Net position, beginning of the year	74,011,378	2,832,331	76,843,709
Net position, end of year	\$ 86,126,776	\$ 4,638,620	\$ 90,765,396

	<b>September 30, 2020</b>		
	<b>District</b>	<b>Medical Partners</b>	<b>Total</b>
Operating revenues	\$ 148,924,405	\$ 9,714,321	\$ 158,638,726
Operating expenses	155,441,224	15,064,527	170,505,751
Operating loss	(6,516,819)	(5,350,206)	(11,867,025)
Nonoperating revenues, net	20,088,612	748,154	20,836,766
Capital grants and gifts	224,183	-	224,183
Intercompany transfers	(5,532,831)	5,532,831	-
Increase in net position	8,263,145	930,779	9,193,924
Net position, beginning of the year	65,748,233	1,901,552	67,649,785
Net position, end of year	\$ 74,011,378	\$ 2,832,331	\$ 76,843,709

**Hunt Memorial Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

The following tables include condensed combining statements of cash flows information for the District, and its blended component unit for the years ended September 30, 2021 and 2020.

	<b>September 30, 2021</b>		
	<b>District</b>	<b>Medical Partners</b>	<b>Total</b>
Net cash provided by (used in):			
Operating activities	\$ (19,968,335)	\$ 1,524,697	\$ (18,443,638)
Noncapital financing activities	14,580,565	414,706	14,995,271
Capital and related financing activities	22,789,845	-	22,789,845
Investing activities	<u>(20,177,577)</u>	<u>-</u>	<u>(20,177,577)</u>
Increase in cash and cash equivalents	(2,775,502)	1,939,403	(836,099)
Cash and cash equivalents, beginning of year	<u>29,431,697</u>	<u>2,308,128</u>	<u>31,739,825</u>
Cash and cash equivalents, end of year	<u><u>\$ 26,656,195</u></u>	<u><u>\$ 4,247,531</u></u>	<u><u>\$ 30,903,726</u></u>

	<b>September 30, 2020</b>		
	<b>District</b>	<b>Medical Partners</b>	<b>Total</b>
Net cash provided by (used in):			
Operating activities	\$ 24,708,995	\$ 897,037	\$ 25,606,032
Noncapital financing activities	27,958,122	748,154	28,706,276
Capital and related financing activities	(6,159,926)	-	(6,159,926)
Investing activities	<u>(22,391,296)</u>	<u>-</u>	<u>(22,391,296)</u>
Increase (decrease) in cash and cash equivalents	24,115,895	1,645,191	25,761,086
Cash and cash equivalents, beginning of year	<u>5,315,802</u>	<u>662,937</u>	<u>5,978,739</u>
Cash and cash equivalents, end of year	<u><u>\$ 29,431,697</u></u>	<u><u>\$ 2,308,128</u></u>	<u><u>\$ 31,739,825</u></u>

**Note 14: COVID-19 Pandemic & CARES Act Funding**

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home, and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

# Hunt Memorial Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

The District's pandemic response plan has multiple facets, and continues to evolve as the pandemic unfolds. The District has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

In addition, the District received \$24,241,988 of accelerated Medicare payments and \$16,582,340 in general and targeted Provider Relief Fund distributions, both, as provided for under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

The extent of the COVID-19 pandemic's adverse effect on the District's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the District's control and ability to forecast. Such factors include, but are not limited to, government-imposed or recommended suspensions of elective procedures, fluctuations in patient volumes, increased labor and contract costs, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the District cannot estimate the length or severity of the effect of the pandemic on the District's business. Potential future decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

#### ***Provider Relief Fund***

During the year ended September 30, 2020, the District received \$16,582,340 of distributions from the CARES Act Provider Relief Fund. Distributions from the Provider Relief Fund may be retained, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services. The District is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as eligibility requirements have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the District's operating revenues and expenses through year-end, the District recognized approximately \$10,245,000 and \$6,337,000, respectively, during the years ended September 30, 2021 and 2020, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenues-provider relief funds in the statements of revenues, expenses, and changes in net position.

The District has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of September 30, 2021. The District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Medical Center's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the District is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the District's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

# Hunt Memorial Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

#### *Medicare Accelerated and Advanced Payment Program*

During the year ended September 30, 2020, the District requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are being recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25 percent of the remittance advice payment, followed by a six-month payback period at 50 percent of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4 percent.

During the year ended September 30, 2020, the District received \$24,241,988 from these accelerated Medicare payment requests. During the year ended September 30, 2021, the District repaid approximately \$5,288,000 of the accelerated Medicare payments to CMS. The unapplied amount of accelerated Medicare payment requests of \$18,953,595 and \$24,241,988 as of September 30, 2021 and 2020, respectively, are recorded in Medicare Advance Payments in the accompanying balance sheets reflected as a liability. The District anticipates approximately \$9,743,000 will be repaid during 2022.

#### **Note 15: Subsequent Events**

In 2022, the District received \$5,088,329 and \$696,545 in funding from the American Rescue Plan and Provider Relief Funds, respectively, both as provided for under the CARES Act. Each award contains specific terms and conditions that must be followed when utilizing the funding.

In 2022, the District entered into an agreement for a computer system implementation with an approximate implementation cost of \$7,000,000 plus monthly operational expense. The obligation does not commence until the system go live date which is expected to be in 2023. This will be payable in monthly payments of approximately \$250,000 over sixteen years. The District will fund the implementation through operations and expects to recognize significant savings over the term of the agreement.