




Hunt Memorial Hospital District

Independent Auditor's Report and Financial Statements

September 30, 2023 and 2022



Hunt Memorial Hospital District
September 30, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Hunt Memorial Hospital District
Greenville, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hunt Memorial Hospital District (the District), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in *Note 1* to the financial statements, on October 1, 2022, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

FORVIS,LLP

**Dallas, Texas
February 20, 2024**

Hunt Memorial Hospital District

Management's Discussion and Analysis

Years Ended September 30, 2023 and 2022

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, 2023 and 2022. It should be read in conjunction with the accompanying financial statements of the District. In addition, the 2021 balances included in this management's discussion and analysis have not been restated to reflect the adoption of GASB 96, *Subscription-Based Information Technology Arrangements (SBITA)* that was required to be adopted for the fiscal year ended September 30, 2023 and retroactively restated the amounts reported in the 2022 financial statements.

Financial Highlights

- Cash, cash equivalents and investments decreased in 2023 by \$28,199,538 or 68.1%, and decreased in 2022 by \$43,116,402 or 51.0%.
- Total liabilities increased by \$30,073,449 or 39.4% in 2023, and decreased by \$18,287,542 or 19.3% in 2022.
- The District's net position decreased in 2023 by \$16,561,411 or 17.6%, and increased in 2022 by \$3,350,712 or 3.7%.
- The District reported operating losses in 2023 of \$38,911,253, and in 2022 of \$21,204,633, an increase of \$17,706,620. The operating loss in 2022 increased by \$6,875,914 or 48.0% over the operating loss reported in 2021.
- Net nonoperating revenues decreased by \$1,688,923 or 7.1% in 2023 compared to 2022 and decreased by \$4,283,437 or 15.3% in 2022 compared to 2021.
- In June 2023, the District went live with a new enterprise resource planning (ERP) system, as well as a new electronic health record (EHR) system in July 2023. These two system conversions resulted in one-time costs of \$3,017,646.

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 cash came 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	2023	2022 (As Restated)	2021
Assets			
Cash and cash equivalents	\$ 796,091	\$ 5,843,406	\$ 24,397,236
Patient accounts receivable, net	32,334,444	26,659,476	27,419,677
Other current assets	13,970,395	14,021,609	16,370,490
Capital assets, net	93,160,465	83,721,552	58,138,798
Lease assets, net	10,611,835	6,782,854	2,732,412
Subscription assets, net	21,432,360	281,036	-
Other noncurrent assets	13,139,783	34,953,885	58,289,979
Total assets	185,445,373	172,263,818	187,348,592
Deferred Outflows of Resources	-	-	27,601
Total assets and deferred outflows of resources	\$ 185,445,373	\$ 172,263,818	\$ 187,376,193
Liabilities			
Long-term debt	\$ 42,519,758	\$ 41,682,351	\$ 46,180,779
Lease liabilities	10,981,600	6,953,169	2,813,575
Subscription liabilities	20,872,235	203,702	-
Other current and noncurrent liabilities	32,009,605	27,470,527	45,602,937
Total liabilities	106,383,198	76,309,749	94,597,291
Deferred Inflows of Resources	1,507,478	1,837,961	2,013,506
Net Position			
Net investment in capital assets	47,626,651	42,707,362	34,583,647
Unrestricted	29,928,046	51,408,746	56,181,749
Total net position	77,554,697	94,116,108	90,765,396
Total liabilities, deferred inflows of resources and net position	\$ 185,445,373	\$ 172,263,818	\$ 187,376,193

Total cash and investments decreased at September 30, 2023 by \$28,199,538 or 68.1%, as compared to total cash and investments at September 30, 2022. This decrease is primarily due to utilizing the proceeds from the 2020 debt issuance for construction and facility expansion projects.

Total cash and investments decreased at September 30, 2022 by \$43,116,402 or 51.0%, as compared to total cash and investments at September 30, 2021. This decrease is primarily due to utilizing the proceeds from the 2020 debt issuance for construction and facility expansion projects as well as the District repaying the Medicare Advance Payment liability in the amount of \$18,956,595 in 2022, as discussed in *Note 13*.

The most significant changes in the District's liabilities in 2023 is the increase in subscription liabilities, due to the addition of significant SBITA agreements in 2023, as discussed more fully in *Note 9*.

The most significant changes in the District's liabilities in 2022 is the decrease in Medicare Advance Payments of \$18,953,595, which were paid in full in fiscal year 2022 in accordance with the repayment terms, as discussed more fully in *Note 9* and *Note 13*.

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, 2023, 2022 and 2021.

Table 2: Operating Results and Changes in Net Position

	2023	2022 (As Restated)	2021
Operating Revenues			
Net patient service revenue	\$ 186,650,665	\$ 176,176,485	\$ 168,213,452
Supplemental Medicaid funding	10,707,015	12,262,877	13,266,867
Other	3,106,958	2,494,321	2,856,112
Total operating revenues	<u>200,464,638</u>	<u>190,933,683</u>	<u>184,336,431</u>
Operating Expenses			
Salaries and wages and employee benefits	125,722,582	106,545,754	103,103,805
Purchased services and professional fees	45,403,520	50,129,337	40,345,015
Supplies and other	56,438,372	46,872,239	47,087,150
Depreciation and amortization	11,811,417	8,590,986	8,129,180
Total operating expenses	<u>239,375,891</u>	<u>212,138,316</u>	<u>198,665,150</u>
Operating Loss	<u>(38,911,253)</u>	<u>(21,204,633)</u>	<u>(14,328,719)</u>
Nonoperating Revenues (Expenses)			
Property taxes	22,202,383	19,539,479	17,934,881
Investment income (loss)	1,221,920	(450,831)	42,242
Noncapital grants and gifts	128,613	837,935	1,084,115
Interest expense	(2,403,795)	(1,624,149)	(1,346,696)
Provider Relief Fund revenue	-	6,077,956	10,245,392
Other, net	951,481	(590,865)	113,028
Total nonoperating revenues, net	<u>22,100,602</u>	<u>23,789,525</u>	<u>28,072,962</u>
Income (Loss) Before Capital Grants and Gifts	(16,810,651)	2,584,892	13,744,243
Capital Grants and Gifts	<u>249,240</u>	<u>765,820</u>	<u>177,444</u>
Increase (Decrease) in Net Position	<u>\$ (16,561,411)</u>	<u>\$ 3,350,712</u>	<u>\$ 13,921,687</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 2023, 2022 and 2021, 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 2023 increased by \$17,706,620 or 83.5% as to 2022. The components of the change in operating results are:

- An increase in net patient service revenue of \$10,474,180 or 5.9%
- An increase salaries, wages, and employee benefits of \$19,176,828 or 18.0%
- A decrease in purchased services and professional fees of \$4,725,817 or 9.4%
- An increase in supplies and other expenses of \$9,566,133 or 20.4%

In 2023, net patient service revenue increased primarily from patient volume increases and higher patient acuity.

Salaries and employee benefits expense increased primarily from additional staffing and wage increases due to a national nursing and staffage shortage.

Purchased services and professional fees decreased as contract labor shifted to employed personnel.

Supplies and other expenses increased due to higher usage and inflationary price increases.

The operating loss for 2022 increased by \$6,875,914 or 48.0% as to 2021. The components of the change in operating results are:

- An increase in net patient service revenue of \$7,963,033 or 4.7%
- An increase salaries, wages, and employee benefits of \$3,441,949 or 3.3%
- An increase in purchased services and professional fees of \$9,784,322 or 24.3%

In 2022, net patient service revenue increased primarily from patient volume increases due to the COVID-19 pandemic and higher patient acuity.

Salaries and employee benefits expense increased primarily from additional staffing required by the COVID-19 pandemic and wage increases due to a national nursing and staffage shortage.

Purchased services and professional fees increased due to patient acuity levels and increased patient volumes, as well as increases in inflation caused by national supply chain issues and rising demand.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the District, interest expense and Provider Relief Fund revenue. Overall, nonoperating revenue decreased during 2023 by \$1,688,923 or 7.1%, as compared to 2022. The decrease in nonoperating revenues is primarily due to recognizing less Provider Relief Fund Revenue in 2023 as compared to 2022, discussed more fully in *Note 13*. Property tax revenue increased \$2,662,904 or 13.6% over 2022 due to increases in property values.

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 2023, 2022 and 2021, discussed earlier and capital asset and financing activities discussed below with one primary exception in 2022. Cash provided by operating activities decreased significantly more than the increase in the operating loss due to the Medicare Advance Payments being paid back in 2022.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2023, the District had \$93,160,465 invested in capital assets, net of accumulated depreciation, as detailed in *Note 6* to the accompanying financial statements. In 2023, the District purchased new equipment, made building improvements, and paid for construction projects totaling \$17,961,576.

At September 30, 2022, the District had \$83,721,552 invested in capital assets, net of accumulated depreciation, as detailed in *Note 6* to the accompanying financial statements. In 2022, the District purchased new equipment, made building improvements, and paid for construction projects totaling \$33,374,004.

Lease Assets

At September 30, 2023 and 2022, the District had \$10,611,835 and \$6,782,854 invested in lease assets, net of accumulated amortization, as detailed in *Note 6* to the accompanying financial statements.

SBITA Assets

At September 30, 2023 and 2022, the District had \$21,432,360 and \$281,036 invested in SBITA assets, net of accumulated amortization, as detailed in *Note 6* to the accompanying financial statements.

Debt

At September 30, 2023 and 2022, the District had \$48,831,004 and \$45,636,969 in outstanding bond obligations and notes payable. Long-term debt transactions are discussed more fully in *Note 9*.

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, 2023 and 2022

Assets

	2023	2022 (As Restated)
Current Assets		
Cash	\$ 796,091	\$ 5,843,406
Short-term investments	909,776	2,197,843
Patient accounts receivable, net of allowance; 2023 – \$58,040,000, 2022 – \$59,930,000	32,334,444	26,659,476
Property taxes receivable, net	946,584	798,548
Supplemental Medicaid funding receivable	2,634,907	2,460,913
Estimated amounts due from third-party payers	1,553,100	1,099,137
Leases receivable - current	299,740	400,004
Supplies	5,082,269	4,223,478
Prepaid expenses	2,173,040	2,551,580
Other current assets	370,979	290,106
Total current assets	47,100,930	46,524,491
Noncurrent Cash and Investments		
Investments	6,294,041	9,178,166
Held by trustee for self-insurance	692,485	672,718
Held by trustee for capital acquisition	3,605,689	7,256,392
Internally designated for capital acquisitions and operating activities	923,000	16,272,095
Total noncurrent cash and investments	11,515,215	33,379,371
Capital Assets, Net	93,160,465	83,721,552
Lease Assets, Net	10,611,835	6,782,854
Subscription Assets, Net	21,432,360	281,036
Leases Receivable - Noncurrent	1,334,204	1,540,920
Other Assets	290,364	33,594
Total assets	\$ 185,445,373	\$ 172,263,818

Hunt Memorial Hospital District
Balance Sheets (Continued)
September 30, 2023 and 2022

Liabilities, Deferred Inflows of Resources and Net Position

	2023	2022 (As Restated)
Current Liabilities		
Current maturities of long-term debt	\$ 6,311,246	\$ 3,954,618
Current portion of lease liabilities	1,299,083	1,064,054
Current portion of subscription liabilities	2,666,323	123,724
Accounts payable	17,123,157	14,335,943
Accrued expenses	7,927,067	7,470,343
Estimated amounts due to third-party payers	175,135	1,236,623
	<hr/>	<hr/>
Total current liabilities	35,502,011	28,185,305
Estimated Medical Malpractice Self-insurance Costs	473,000	473,000
Long-term Debt	42,519,758	41,682,351
Lease Liabilities, Noncurrent	9,682,517	5,889,115
Subscription Liabilities, Noncurrent	18,205,912	79,978
	<hr/>	<hr/>
Total liabilities	106,383,198	76,309,749
Deferred Inflows of Resources - Leases	1,507,478	1,837,961
	<hr/>	<hr/>
Net Position		
Net investment in capital assets	47,626,651	42,707,362
Unrestricted	29,928,046	51,408,746
	<hr/>	<hr/>
Total net position	77,554,697	94,116,108
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position	\$ 185,445,373	\$ 172,263,818
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Hunt Memorial Hospital District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2023 and 2022

	2023	2022 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2023 - \$66,346,000, 2022 - \$51,618,000	\$ 186,650,665	\$ 176,176,485
Supplemental Medicaid funding	10,707,015	12,262,877
Other	3,106,958	2,494,321
Total operating revenues	200,464,638	190,933,683
Operating Expenses		
Salaries and wages	104,700,267	89,953,258
Employee benefits	21,022,315	16,592,496
Purchased services and professional fees	45,403,520	50,129,337
Supplies and other	56,438,372	46,872,239
Depreciation and amortization	11,811,417	8,590,986
Total operating expenses	239,375,891	212,138,316
Operating Loss	(38,911,253)	(21,204,633)
Nonoperating Revenues (Expenses)		
Property taxes	22,202,383	19,539,479
Investment income (loss)	1,221,920	(450,831)
Noncapital grants and gifts	128,613	837,935
Interest expense	(2,403,795)	(1,624,149)
Other, net	951,481	(590,865)
Provider Relief Fund revenue	-	6,077,956
Total nonoperating revenues, net	22,100,602	23,789,525
Income (Loss) Before Capital Grants and Gifts	(16,810,651)	2,584,892
Capital Grants and Gifts	249,240	765,820
Increase (Decrease) in Net Position	(16,561,411)	3,350,712
Net Position, Beginning of Year	94,116,108	90,765,396
Net Position, End of Year	\$ 77,554,697	\$ 94,116,108

Hunt Memorial Hospital District
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022 (As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	\$ 176,847,600	\$ 158,366,970
Receipts from supplemental Medicaid funding programs	10,870,601	15,481,814
Payments to suppliers and contractors	(96,613,411)	(98,952,661)
Payments to employees	(124,533,224)	(109,314,347)
Other receipts, net	2,791,313	2,151,152
	<u>(30,637,121)</u>	<u>(32,267,072)</u>
Net cash used in operating activities		
Cash Flows From Noncapital Financing Activities		
Property taxes supporting operations	17,884,142	15,405,597
Noncapital grants and gifts	128,613	1,099,557
Receipt of Provider Relief Funds	-	5,784,875
Other noncapital financing activities, net	-	(303,832)
	<u>18,012,755</u>	<u>21,986,197</u>
Net cash provided by noncapital financing activities		
Cash Flows From Capital and Related Financing Activities		
Proceeds from disposal of capital assets	1,272,791	-
Principal paid on long-term debt	(4,798,063)	(3,634,854)
Principal paid on lease liabilities	(1,357,039)	(993,951)
Interest paid on long-term debt and lease liabilities	(2,218,201)	(2,140,925)
Principal paid on subscription liabilities	(2,593,846)	(125,040)
Interest paid on subscription liabilities	(484,268)	-
Proceeds from issuance of long-term debt	6,500,000	-
Property taxes to retire debt for acquisitions of capital assets	4,170,205	4,166,014
Purchase of capital assets	(18,006,349)	(30,951,213)
Proceeds from capital grants and gifts	249,240	765,820
Principal payments received on leases receivable	393,373	388,884
Interest payments received on leases receivable	69,301	142,375
	<u>(16,802,856)</u>	<u>(32,382,890)</u>
Net cash used in capital and related financing activities		
Cash Flows From Investing Activities		
Investment return	1,227,684	(452,637)
Proceeds from disposition of investments	34,323,982	24,803,321
Purchase of investments	(8,128,492)	(6,074,521)
	<u>27,423,174</u>	<u>18,276,163</u>
Net cash provided by investing activities		
Decrease in Cash	(2,004,048)	(24,387,602)
Cash, Beginning of Year	6,516,124	30,903,726
Cash, End of Year	\$ 4,512,076	\$ 6,516,124

Hunt Memorial Hospital District
Statements of Cash Flows (Continued)
Years Ended September 30, 2023 and 2022

	2023	2022 (As Restated)
Reconciliation of Cash to the Balance Sheets		
Cash	\$ 796,091	\$ 5,843,406
Held by trustee for capital acquisition	3,023,500	-
Held by trustee for self-insurance	692,485	672,718
	<u>\$ 4,512,076</u>	<u>\$ 6,516,124</u>
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (38,911,253)	\$ (21,204,633)
Depreciation and amortization	11,811,417	8,590,986
Provision for uncollectible accounts	66,345,820	51,618,239
Changes in operating assets and liabilities		
Patient accounts receivable	(72,020,788)	(50,858,038)
Supplemental Medicaid funding receivable	(974,372)	3,218,937
Estimated third-party payer settlements	(715,073)	(1,000,186)
Medicare advance payments	-	(18,953,595)
Accounts payable and accrued liabilities	5,088,753	(2,498,969)
Other assets and liabilities	(835,479)	(746,929)
Deferred inflows of resources - leases	(426,146)	(432,884)
	<u>\$ (30,637,121)</u>	<u>\$ (32,267,072)</u>
 Noncash Investing, Capital and Financing Activities		
Capital assets acquisitions included in accounts payable	\$ 498,859	\$ 2,540,632
Lease obligations incurred for lease assets	\$ 5,385,470	\$ 5,133,545
SBITA obligations incurred for SBITA assets	\$ 23,262,379	\$ 142,696
Note payable issued for purchase of capital assets	\$ 1,997,000	\$ -

Hunt Memorial Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

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 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 or voluntary nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The District first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities 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, 2023 and 2022

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.

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.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the District:

Land improvements	2 - 25 years
Buildings	35 - 40 years
Leasehold improvements	5 - 10 years
Equipment	3 - 5 years
Computer software	3 - 5 years

Hunt Memorial Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease and Subscription Asset Impairment

The District evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended September 30, 2023 and 2022.

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.

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.

Hunt Memorial Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

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.

Deferred Inflows of Resources

The District reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

Net Position

Net position of the District is classified in two components on its balance sheets.

- Net investment in capital assets consists of capital, lease and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings and lease and subscription liabilities used to finance the purchase, use, 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 or restricted net position.

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.

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.

The costs of charity care provided under the District's charity care policy were approximately \$2,719,000 and \$3,611,000 for 2023 and 2022, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Hunt Memorial Hospital District
Notes to Financial Statements
September 30, 2023 and 2022

Property Taxes

The District received approximately 10% and 9% of its financial support from property taxes in 2023 and 2022, respectively. These funds were used as follows:

	2023	2022
Percentage used to support operations	81%	79%
Percentage used for debt service on bonds	19%	21%
	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 \$902,000 and \$901,000 at September 30, 2023 and 2022, respectively.

The District’s property tax rate was \$0.169445 and \$0.185632 per \$100 valuation for 2023 and 2022, respectively, for the maintenance and operation fund. Property tax revenue for this fund was approximately \$18,004,000 and \$15,380,000 in 2023 and 2022, respectively. The District’s property tax rate was \$0.039511 and \$0.050199 per \$100 valuation for 2023 and 2022, respectively, for the interest and sinking fund. Property tax revenue for this fund was approximately \$4,198,000 and \$4,159,000 in 2022 and 2021, respectively.

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 \$294,000 and \$766,000 in contributions from the Foundation in 2023 and 2022, respectively, which are included as capital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Hunt Memorial Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

Change in Accounting Principle

On October 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, using a retrospective method of adoption to all SBITAs in place and not yet completed at the beginning of the earliest period presented, October 1, 2021. The statement requires governmental entities to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The 2022 financial statements and notes to the financial statements were restated to reflect the impact of this adoption.

The effect of the changes made to the accompanying financial statements as of and for the year ended September 30, 2022, are shown below.

	2022 (As Previously Reported)	Effect of Adoption	2022 (As Restated)
Balance Sheet			
Prepaid expenses	2,709,543	(157,963)	2,551,580
Total current assets	46,682,454	(157,963)	46,524,491
Subscription assets, net	-	281,036	281,036
Total assets	172,140,745	123,073	172,263,818
Accrued expenses	7,469,193	1,150	7,470,343
Current portion of subscription liabilities	-	123,724	123,724
Total current liabilities	28,060,431	124,874	28,185,305
Subscription liabilities, noncurrent	-	79,978	79,978
Total liabilities	76,104,897	204,852	76,309,749
Net investment in capital assets	42,630,028	77,334	42,707,362
Unrestricted net position	51,567,859	(159,113)	51,408,746
Total liabilities, deferred inflows of resources and net position	172,140,745	123,073	172,263,818
Statement of Revenues, Expenses and Changes in Net Position			
Supplies and other	46,943,533	(71,294)	46,872,239
Depreciation and amortization	8,444,945	146,041	8,590,986
Total operating expenses	212,063,569	74,747	212,138,316
Operating loss	(21,129,886)	(74,747)	(21,204,633)
Interest expense	(1,617,117)	(7,032)	(1,624,149)
Total nonoperating revenue, net	23,796,557	(7,032)	23,789,525
Income (loss) before capital grants and gifts	2,666,671	(81,779)	2,584,892
Increase (decrease) in net position	3,432,491	(81,779)	3,350,712
Statement of Cash Flows			
Payments to suppliers and contractors	(99,077,701)	125,040	(98,952,661)
Net cash used in operating activities	(32,392,112)	125,040	(32,267,072)
Principal paid on subscription liabilities	-	(125,040)	(125,040)
Net cash used in capital and related financing activities	(32,257,850)	(125,040)	(32,382,890)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating loss	(21,129,886)	(74,747)	(21,204,633)
Depreciation and amortization	8,444,945	146,041	8,590,986
Other assets and liabilities	(800,675)	53,746	(746,929)
Net cash used in operating activities	(32,392,112)	125,040	(32,267,072)
Noncash Investing, Capital and Financing Activities			
SBITA obligations incurred for SBITA assets	-	142,696	142,696

Hunt Memorial Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

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.

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 70% and 66% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2023 and 2022, 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 (HHS) approved a Medicaid section 1115(a) demonstration entitled "Texas Health Transformation and Quality Improvement Program" (Waiver). The Waiver expanded existing Medicaid managed care programs and established two funding pools that assist providers with uncompensated care costs (UC Pool) and promote health system transformation (DSRIP Pool).

Hunt Memorial Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

On April 22, 2022, CMS approved an extension of the Waiver through September 30, 2030. The extension provides for the continuation of the UC Pool and an expansion of directed payment programs, which transitions participating hospitals away from the DSRIP program which ended on September 30, 2021, and was not extended under the Waiver extension. CMS also approved an expansion of directed payment programs, which transitions participating hospitals away from the DSRIP program. One of the new directed payment programs is the Comprehensive Hospital Increased Reimbursement Program (CHIRP), which adds a quality component to the existing Uniform Hospital Rate Increase Program (UHRIP).

Under UHRIP, HHSC directed managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals. CHIRP also provides for rate increases similar to UHRIP but also provides for a rate enhancement above the UHRIP rate, based upon a percentage of estimated average commercial reimbursement. Participating hospitals may opt into this second component. The UHRIP program transitioned on August 31, 2021, and the CHIRP program began on September 1, 2021. CHIRP will require annual approval by CMS and has been approved through August 31, 2024. Revenue from UHRIP and CHIRP is estimated based on patient claims and known program factors and are recognized as a component of net patient service revenue. Both programs also include additional payment and recoupment provisions based on certain quality measures.

The District receives supplemental payments through the Public Hospital 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.

The District participates in the Public Hospital Augmented Reimbursement Program (HARP). HARP is a statewide supplemental program that provides Medicaid payments to hospitals for inpatient and outpatient services that serve Texas Medicaid fee-for-service patients. The program serves as a financial transition for providers historically participating in the DSRIP program and provides additional funding to hospitals to assist in offsetting the cost hospitals incur while providing Medicaid services.

Total revenue recognized from all programs (excluding UHRIP and CHIRP, which are recorded as a component of net patient service revenue) was approximately \$10,707,000 and \$12,263,000 in 2023 and 2022, respectively, and is included as Supplemental Medicaid funding in the statements of revenues, expenses and changes in net position. Accounts receivable under these programs was approximately \$2,635,000 and \$2,461,000 at September 30, 2023 and 2022, respectively, which is included as estimated amounts due from third-party payers on the accompanying balance sheets.

The programs described above are subject to review and scrutiny by both the Texas Legislature and CMS, and the programs could be modified or terminated based on new legislation or regulation in future periods. The funding the District has historically received from these programs is not representative of funding to be received in future years.

Hunt Memorial Hospital District
Notes to Financial Statements
September 30, 2023 and 2022

Note 3: Deposits and Investments

Deposits

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

State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At September 30, 2023, approximately \$2,800,000 of the District’s deposits were not insured or collateralized in accordance with state law. At September 30, 2022, all of the District’s deposits were either insured or collateralized in accordance with state law.

Investments

At September 30, 2023 and 2022, the District held the following investments:

Type	Fair Value	September 30, 2023			
		Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U.S. agency obligations	\$ 5,530,389	\$ -	\$ 5,530,389	\$ -	\$ -
Money market fund	232	232	-	-	-
TexPool	1,505,189	1,505,189	-	-	-
Certificates of deposit - negotiable	1,673,345	-	1,673,345	-	-
	<u>\$ 8,709,155</u>	<u>\$ 1,505,421</u>	<u>\$ 7,203,734</u>	<u>\$ -</u>	<u>\$ -</u>

Type	Fair Value	September 30, 2022			
		Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U.S. agency obligations	\$ 6,582,772	\$ -	\$ 6,582,772	\$ -	\$ -
Money market fund	526,077	526,077	-	-	-
TexPool	23,527,920	23,527,920	-	-	-
Certificates of deposit - negotiable	4,267,727	1,671,766	2,595,961	-	-
	<u>\$ 34,904,496</u>	<u>\$ 25,725,763</u>	<u>\$ 9,178,733</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.

Hunt Memorial Hospital District
Notes to Financial Statements
September 30, 2023 and 2022

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.

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, 2023, 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:

	2023	2022
TexPool	17.3%	67.4%
Federal Home Loan Bank (FHLB)	42.3%	12.3%
Federal Farm Credit Bank (FFCB)	21.0%	4.0%

Summary of Carrying Values

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

	2023	2022
Carrying value		
Deposits	\$ 4,511,927	\$ 6,516,124
Investments	8,709,155	34,904,496
	\$ 13,221,082	\$ 41,420,620
Included in the following balance sheets captions		
Cash and cash equivalents	\$ 796,091	\$ 5,843,406
Short-term investments	909,776	2,197,843
Noncurrent cash and investments	11,515,215	33,379,371
	\$ 13,221,082	\$ 41,420,620

Hunt Memorial Hospital District
Notes to Financial Statements
September 30, 2023 and 2022

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:

	2023	2022
Medicare	\$ 8,625,499	\$ 8,264,255
Medicaid	5,499,789	5,269,453
Other third-party payers	14,349,749	13,748,768
Patients	61,899,407	59,307,000
	90,374,444	86,589,476
Less allowance for uncollectible accounts	(58,040,000)	(59,930,000)
	\$ 32,334,444	\$ 26,659,476

Note 5: Leases Receivable

The District leases a portion of its office space to various third parties, the terms of which expire 2024 through 2026. Various leases include escalation in payments on the anniversary of the commencement of the lease at various intervals. The leases were measured based upon the aggregate incremental lease borrowing rate at lease commencement.

Revenue recognized under lease contracts during the years ended September 30, 2023 and 2022, were approximately \$464,000 and \$761,000, respectively, which includes both lease revenue and interest.

Note 6: Capital, Lease and Subscription Assets

Capital assets activity for the years ended September 30 was:

	2023				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 1,386,793	\$ 3,533,574	\$ (390,611)	\$ -	\$ 4,529,756
Land improvements	4,261,519	-	-	-	4,261,519
Buildings and improvements	104,597,211	407,387	(545,585)	38,360,206	142,819,219
Equipment	88,234,743	34,545	(162,423)	8,654,668	96,761,533
Construction in progress	35,179,585	13,986,070	-	(47,014,874)	2,150,781
	233,659,851	17,961,576	(1,098,619)	-	250,522,808
Less accumulated depreciation	149,938,299	8,143,873	(719,829)	-	157,362,343
Capital assets, net	\$ 83,721,552	\$ 9,817,703	\$ (378,790)	\$ -	\$ 93,160,465

Hunt Memorial Hospital District
Notes to Financial Statements
September 30, 2023 and 2022

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 1,337,543	\$ 49,250	\$ -	\$ -	\$ 1,386,793
Land improvements	4,261,519	-	-	-	4,261,519
Buildings and improvements	104,597,211	-	-	-	104,597,211
Equipment	84,532,187	3,702,556	-	-	88,234,743
Construction in progress	5,986,795	29,622,198	(429,408)	-	35,179,585
	<u>200,715,255</u>	<u>33,374,004</u>	<u>(429,408)</u>	<u>-</u>	<u>233,659,851</u>
Less accumulated depreciation	142,576,457	7,361,842	-	-	149,938,299
Capital assets, net	<u>\$ 58,138,798</u>	<u>\$ 26,012,162</u>	<u>\$ (429,408)</u>	<u>\$ -</u>	<u>\$ 83,721,552</u>

Lease assets activity for the years ended September 30, 2023 and 2022, was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Building	\$ 7,125,646	\$ 5,385,470	\$ (1,134,877)	\$ -	\$ 11,376,239
Equipment	1,357,041	-	-	-	1,357,041
Other	165,147	-	(58,200)	-	106,947
	<u>8,647,834</u>	<u>5,385,470</u>	<u>(1,193,077)</u>	<u>-</u>	<u>12,840,227</u>
Less accumulated amortization	1,864,980	1,556,489	(1,193,077)	-	2,228,392
Lease assets, net	<u>\$ 6,782,854</u>	<u>\$ 3,828,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,611,835</u>

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Building	\$ 1,994,764	\$ 5,130,882	\$ -	\$ -	\$ 7,125,646
Equipment	1,357,041	-	-	-	1,357,041
Other	165,148	2,663	(2,664)	-	165,147
	<u>3,516,953</u>	<u>5,133,545</u>	<u>(2,664)</u>	<u>-</u>	<u>8,647,834</u>
Less accumulated amortization	784,541	1,083,103	(2,664)	-	1,864,980
Lease assets, net	<u>\$ 2,732,412</u>	<u>\$ 4,050,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,782,854</u>

Hunt Memorial Hospital District
Notes to Financial Statements
September 30, 2023 and 2022

Subscription asset activity for the years ended September 30, 2023 and 2022, was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription-based IT assets	\$ 427,077	\$ 23,262,379	\$ (98,335)	\$ -	\$ 23,591,121
Less accumulated amortization	146,041	2,111,055	(98,335)	-	2,158,761
Subscription assets, net	<u>\$ 281,036</u>	<u>\$ 21,151,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,432,360</u>
	2022 (As Restated)				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription-based IT assets	\$ 284,381	\$ 142,696	\$ -	\$ -	\$ 427,077
Less accumulated amortization	-	146,041	-	-	146,041
Subscription assets, net	<u>\$ 284,381</u>	<u>\$ (3,345)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,036</u>

Note 7: Accounts Payable and Accrued Expenses

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

	2023	2022
Payable to suppliers and contractors	\$ 16,361,013	\$ 12,160,467
Payable for patient refunds	-	2,275,066
Payable to employees (including payroll taxes and benefits)	8,316,960	7,204,730
Accrued interest	372,251	166,023
	<u>\$ 25,050,224</u>	<u>\$ 21,806,286</u>

Note 8: 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.

The accruals and fiscal year activity (current year expenses and claim payments made) for professional and general liability are not material in 2023 and 2022.

Hunt Memorial Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

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 2023 and 2022 is summarized as follows:

	2023	2022
Balance, beginning of year	\$ 430,678	\$ 1,184,827
Current year claims incurred and changes in estimates for claims incurred in prior years	11,319,734	8,613,468
Claims and expenses paid	(10,424,474)	(9,367,617)
Balance, end of year	1,325,938	\$ 430,678

Note 9: Long-term Obligations

The following is a summary of long-term obligation transactions for the District for the years ended September 30, 2023 and 2022:

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2014	\$ 11,445,000	\$ -	\$ (1,570,000)	\$ 9,875,000	\$ 1,665,000
Series 2020	25,815,000	-	(1,200,000)	24,615,000	1,250,000
Notes payable	4,546,982	8,497,000	(2,028,063)	11,015,919	3,396,246
	41,806,982	8,497,000	(4,798,063)	45,505,919	6,311,246
Plus bond premium	3,829,987	-	(504,902)	3,325,085	-
Total long-term debt	45,636,969	8,497,000	(5,302,965)	48,831,004	6,311,246
Other long-term liabilities					
Lease liabilities	6,953,169	5,385,470	(1,357,039)	10,981,600	1,299,083
Subscription liabilities	203,702	23,262,379	(2,593,846)	20,872,235	2,666,323
Total other long-term liabilities	7,156,871	28,647,849	(3,950,885)	31,853,835	3,965,406
Total long-term obligations	\$ 52,793,840	\$ 37,144,849	\$ (9,253,850)	\$ 80,684,839	\$ 10,276,652

Hunt Memorial Hospital District
Notes to Financial Statements
September 30, 2023 and 2022

	2022 (As Restated)				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2014	\$ 12,935,000	\$ -	\$ (1,490,000)	\$ 11,445,000	\$ 1,570,000
Series 2020	26,795,000	-	(980,000)	25,815,000	1,200,000
Notes payable	5,711,836	-	(1,164,854)	4,546,982	1,184,618
	<u>45,441,836</u>	<u>-</u>	<u>(3,634,854)</u>	<u>41,806,982</u>	<u>3,954,618</u>
Plus bond premium	4,373,798	-	(543,811)	3,829,987	-
Total long-term debt	<u>49,815,634</u>	<u>-</u>	<u>(4,178,665)</u>	<u>45,636,969</u>	<u>3,954,618</u>
Other long-term liabilities					
Lease liabilities	2,813,575	5,133,545	(993,951)	6,953,169	1,064,054
Subscription liabilities	186,046	142,696	(125,040)	203,702	123,724
Medicare Advance Payments - <i>Note 13</i>	18,953,595	-	(18,953,595)	-	-
Total other long-term liabilities	<u>21,953,216</u>	<u>5,276,241</u>	<u>(20,072,586)</u>	<u>7,156,871</u>	<u>1,187,778</u>
Total long-term obligations	<u>\$ 71,768,850</u>	<u>\$ 5,276,241</u>	<u>\$ (24,251,251)</u>	<u>\$ 52,793,840</u>	<u>\$ 5,142,396</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 approximately \$380,000 and \$398,000 for the years ended September 30, 2023 and 2022, respectively, and is included as a reduction of interest expense in the accompanying statements of revenues, expenses and changes in net position.

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

Hunt Memorial Hospital District

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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 approximately \$125,000 and \$146,000, in 2023 and 2022, respectively, and is included as a reduction of interest expense in the accompanying statements of revenues, expenses and changes in net position.

Notes Payable

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.

On October 4, 2022, the District entered into a loan agreement for \$6,500,000 with a bank to finance an equipment purchase related to a capital improvement project. The loan is payable in quarterly installments of \$723,869 beginning April 4, 2023, and continuing through October 4, 2027. The loan carries an interest rate of 4.01% and is secured by the equipment purchased with the loan proceeds.

On June 7, 2023, the District entered into an asset purchase agreement for \$1,997,000 to purchase the equipment, furnishings, inventories, supplies, etc. of an urgent care facility. A \$500,000 downpayment was due in two equal payments – the first \$250,000 was paid at the preliminary closing in June 2023 and the second \$250,000 was paid at the final closing in October 2023. The remaining balance of the purchase price, will be seller financed at 8% for 24 months at \$67,705 per month, commencing in October 2023.

Debt service requirements on the bonds and notes payable as of September 30, 2023, are as follows:

Year Ending September 30,	Total to be Paid	Bonds		Notes Payable	
		Principal	Interest	Principal	Interest
2024	\$ 8,140,730	\$ 2,915,000	\$ 1,461,713	\$ 3,396,246	\$ 367,771
2025	7,891,229	3,065,000	1,312,213	3,275,901	238,115
2026	5,832,063	2,265,000	1,178,963	2,256,484	131,616
2027	4,891,300	2,375,000	1,068,563	1,377,658	70,079
2028	4,166,407	2,490,000	952,538	709,630	14,239
2029 – 2033	13,982,969	10,870,000	3,112,969	-	-
2034 – 2038	8,636,488	7,470,000	1,166,488	-	-
2039 - 2040	3,131,950	3,040,000	91,950	-	-
	<u>\$ 56,673,136</u>	<u>\$ 34,490,000</u>	<u>\$ 10,345,397</u>	<u>\$ 11,015,919</u>	<u>\$ 821,820</u>

Hunt Memorial Hospital District
Notes to Financial Statements
September 30, 2023 and 2022

Lease Liabilities

The District leases equipment and office space, the terms of which expire in various years through 2037. Various leases include escalation in payments on the anniversary of the commencement of the lease at various intervals. The leases were measured based upon the aggregate incremental lease borrowing rate at lease commencement.

During the years ended September 30, 2023 and 2022, the District recognized approximately \$1,689,000 and \$1,640,000, respectively, of rental expense for variable payments, short-term and cancellable leases that are not included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of September 30, 2023:

Year Ending September 30,	Total to be Paid	Principal	Interest
2024	\$ 1,713,842	\$ 1,299,083	\$ 414,759
2025	1,681,727	1,319,385	362,342
2026	1,344,025	1,029,065	314,960
2027	1,254,989	978,629	276,360
2028	1,229,807	992,925	236,882
2029 – 2033	4,403,416	3,749,571	653,845
2034 – 2037	<u>1,733,696</u>	<u>1,612,942</u>	<u>120,754</u>
	<u>\$ 13,361,502</u>	<u>\$ 10,981,600</u>	<u>\$ 2,379,902</u>

Subscription Liabilities

The District has various SBITAs, the terms of which expire in various years through 2033. The subscriptions were measured at the present value of subscription payments expected to be made during the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance. During the years ended September 30, 2023 and 2022, the District recognized approximately \$5,100,000 and \$4,500,000, respectively, of subscription expense for variable payments, short-term and cancellable subscriptions that are not included in the measurement of the subscription liability.

Hunt Memorial Hospital District
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The following is a schedule by year of payments under the SBITAs as of September 30, 2023:

Year Ending September 30,	Total to be Paid	Principal	Interest
2024	\$ 3,444,861	\$ 2,666,323	\$ 778,538
2025	3,275,011	2,600,551	674,460
2026	2,923,296	2,346,298	576,998
2027	2,923,287	2,441,917	481,370
2028	2,886,701	2,504,623	382,078
2029 – 2033	8,829,265	8,312,523	516,742
	\$ 24,282,421	\$ 20,872,235	\$ 3,410,186

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 3.9% and 3.8% for both 2023 and 2022, respectively. Contributions actually made by plan members and the District aggregated approximately \$4,059,000 and \$2,045,000, during 2023, and \$3,436,000 and \$1,307,000, during 2022, respectively.

Note 11: 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
- 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

Hunt Memorial Hospital District
Notes to Financial Statements
September 30, 2023 and 2022

Recurring Measurements

The following table presents the fair value measurements of assets 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:

	Fair Value Measurements Using			
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2023				
Investments by fair value level				
Money market fund	\$ 232	\$ 232	\$ -	\$ -
U.S. agency obligations	5,530,389	-	5,530,389	-
Total investments by fair value level	<u>5,530,621</u>	<u>\$ 232</u>	<u>\$ 5,530,389</u>	<u>\$ -</u>
Investments at amortized cost	<u>3,178,534</u>			
Total investments	<u>\$ 8,709,155</u>			
September 30, 2022				
Investments by fair value level				
Money market fund	\$ 526,077	\$ 526,077	\$ -	\$ -
U.S. agency obligations	6,582,772	-	6,582,772	-
Total investments by fair value level	<u>7,108,849</u>	<u>\$ 526,077</u>	<u>\$ 6,582,772</u>	<u>\$ -</u>
Investments at amortized cost	<u>27,795,647</u>			
Total investments	<u>\$ 34,904,496</u>			

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, 2023 or 2022.

Hunt Memorial Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

Note 12: Condensed Combining Information

The following tables include condensed combining balance sheet information for the District and its blended component unit as of September 30, 2023 and 2022.

Assets	September 30, 2023			September 30, 2022 (As Restated)		
	District	Medical Partners	Total	District	Medical Partners	Total
Current Assets						
Cash and cash equivalents	\$ 801,911	\$ (5,820)	\$ 796,091	\$ 1,551,643	\$ 4,291,763	\$ 5,843,406
Short-term investments	909,776	-	909,776	2,197,843	-	2,197,843
Patient accounts receivable, net	30,589,437	1,745,007	32,334,444	26,189,129	470,347	26,659,476
Property taxes receivable, net	946,584	-	946,584	798,548	-	798,548
Supplemental Medicaid funding receivable	2,634,907	-	2,634,907	2,460,913	-	2,460,913
Estimated amounts from third-party payers	1,450,727	102,373	1,553,100	1,026,475	72,662	1,099,137
Leases receivable - current	299,740	-	299,740	400,004	-	400,004
Supplies	5,082,269	-	5,082,269	4,223,478	-	4,223,478
Prepaid expenses	2,172,942	98	2,173,040	2,512,244	39,336	2,551,580
Other current assets	370,979	-	370,979	290,106	-	290,106
Total current assets	45,259,272	1,841,658	47,100,930	41,650,383	4,874,108	46,524,491
Noncurrent Cash and Investments						
Investments	6,294,041	-	6,294,041	9,178,166	-	9,178,166
Held by trustee for self-insurance	692,485	-	692,485	672,718	-	672,718
Held by trustee for capital acquisition	3,605,689	-	3,605,689	7,256,392	-	7,256,392
Internally designated for capital acquisitions and operating activities	923,000	-	923,000	16,272,095	-	16,272,095
Total noncurrent cash and investments	11,515,215	-	11,515,215	33,379,371	-	33,379,371
Capital Assets, Net	92,912,176	248,289	93,160,465	83,440,224	281,328	83,721,552
Lease Assets, Net	10,611,835	-	10,611,835	6,561,592	221,262	6,782,854
Subscription Assets, Net	21,432,360	-	21,432,360	281,036	-	281,036
Leases Receivable - Noncurrent	1,334,204	-	1,334,204	1,540,920	-	1,540,920
Other Assets	290,364	-	290,364	33,594	-	33,594
Total assets	\$ 183,355,426	\$ 2,089,947	\$ 185,445,373	\$ 166,887,120	\$ 5,376,698	\$ 172,263,818
Liabilities, Deferred Inflows of Resources and Net Position						
Current Liabilities						
Current maturities of long-term debt	\$ 6,311,246	\$ -	\$ 6,311,246	\$ 3,954,618	\$ -	\$ 3,954,618
Current portion of lease liabilities	1,299,083	-	1,299,083	1,023,629	40,425	1,064,054
Current portion of subscription liabilities	2,666,323	-	2,666,323	123,724	-	123,724
Accounts payable	14,348,550	2,774,607	17,123,157	14,265,482	70,461	14,335,943
Accrued expenses	7,809,654	117,413	7,927,067	7,340,675	129,668	7,470,343
Estimated amounts due to third-party payers	175,135	-	175,135	1,236,623	-	1,236,623
Total current liabilities	32,609,991	2,892,020	35,502,011	27,944,751	240,554	28,185,305
Estimated Medical Malpractice Self-insurance Costs	473,000	-	473,000	473,000	-	473,000
Long-term Debt	42,519,758	-	42,519,758	41,682,351	-	41,682,351
Lease liabilities, Noncurrent	9,682,517	-	9,682,517	5,708,278	180,837	5,889,115
Subscription liabilities, Noncurrent	18,205,912	-	18,205,912	79,978	-	79,978
Total liabilities	103,491,178	2,892,020	106,383,198	75,888,358	421,391	76,309,749
Deferred Inflows of Resources - Leases	1,507,478	-	1,507,478	1,837,961	-	1,837,961
Net Position						
Net investment in capital assets	47,378,362	248,289	47,626,651	42,426,034	281,328	42,707,362
Unrestricted	30,978,408	(1,050,362)	29,928,046	46,734,767	4,673,979	51,408,746
Total net position	78,356,770	(802,073)	77,554,697	89,160,801	4,955,307	94,116,108
Total liabilities, deferred inflows of resources and net position	\$ 183,355,426	\$ 2,089,947	\$ 185,445,373	\$ 166,887,120	\$ 5,376,698	\$ 172,263,818

Hunt Memorial Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

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, 2023 and 2022.

	September 30, 2023			September 30, 2022 (As Restated)		
	District	Medical Partners	Total	District	Medical Partners	Total
Operating Revenues						
Net patient service revenue	\$ 174,442,532	\$ 12,208,133	\$ 186,650,665	\$ 162,918,837	\$ 13,257,648	\$ 176,176,485
Supplemental Medicaid funding	10,707,015	-	10,707,015	12,262,877	-	12,262,877
Other	2,942,777	164,181	3,106,958	2,336,552	157,769	2,494,321
Total operating revenues	<u>188,092,324</u>	<u>12,372,314</u>	<u>200,464,638</u>	<u>177,518,266</u>	<u>13,415,417</u>	<u>190,933,683</u>
Operating Expenses						
Salaries and wages	95,988,564	8,711,703	104,700,267	77,958,637	11,994,621	89,953,258
Employee benefits	19,958,127	1,064,188	21,022,315	15,538,955	1,053,541	16,592,496
Purchased services and professional fees	40,392,127	5,011,393	45,403,520	47,986,832	2,142,505	50,129,337
Supplies and other	53,182,129	3,256,243	56,438,372	43,991,887	2,880,352	46,872,239
Depreciation and amortization	11,749,428	61,989	11,811,417	8,352,596	238,390	8,590,986
Total operating expenses	<u>221,270,375</u>	<u>18,105,516</u>	<u>239,375,891</u>	<u>193,828,907</u>	<u>18,309,409</u>	<u>212,138,316</u>
Operating Loss	<u>(33,178,051)</u>	<u>(5,733,202)</u>	<u>(38,911,253)</u>	<u>(16,310,641)</u>	<u>(4,893,992)</u>	<u>(21,204,633)</u>
Nonoperating Revenues (Expenses)						
Property taxes	22,202,383	-	22,202,383	19,539,479	-	19,539,479
Investment income (loss)	1,221,920	-	1,221,920	(450,831)	-	(450,831)
Noncapital grants and gifts	131,409	(2,796)	128,613	837,935	-	837,935
Interest expense	(2,403,795)	-	(2,403,795)	(1,624,149)	-	(1,624,149)
Other, net	951,481	-	951,481	(590,865)	-	(590,865)
Provider Relief Fund revenue	-	-	-	5,784,875	293,081	6,077,956
Total nonoperating revenues (expenses)	<u>22,103,398</u>	<u>(2,796)</u>	<u>22,100,602</u>	<u>23,496,444</u>	<u>293,081</u>	<u>23,789,525</u>
Income (Loss) Before Capital Grants and Gifts and Transfers	<u>(11,074,653)</u>	<u>(5,735,998)</u>	<u>(16,810,651)</u>	<u>7,185,803</u>	<u>(4,600,911)</u>	<u>2,584,892</u>
Capital Grants and Gifts and Transfers						
Intercompany Transfers	21,382	(21,382)	-	(4,917,598)	4,917,598	-
Capital Grants and Gifts	249,240	-	249,240	765,820	-	765,820
Total capital grants and gifts and transfers	<u>270,622</u>	<u>(21,382)</u>	<u>249,240</u>	<u>(4,151,778)</u>	<u>4,917,598</u>	<u>765,820</u>
Increase (Decrease) in Net Position	<u>(10,804,031)</u>	<u>(5,757,380)</u>	<u>(16,561,411)</u>	<u>3,034,025</u>	<u>316,687</u>	<u>3,350,712</u>
Net Position, Beginning of Year	<u>89,160,801</u>	<u>4,955,307</u>	<u>94,116,108</u>	<u>86,126,776</u>	<u>4,638,620</u>	<u>90,765,396</u>
Net Position, End of Year	<u>\$ 78,356,770</u>	<u>\$ (802,073)</u>	<u>\$ 77,554,697</u>	<u>\$ 89,160,801</u>	<u>\$ 4,955,307</u>	<u>\$ 94,116,108</u>

Hunt Memorial Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

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, 2023 and 2022.

	September 30, 2023		
	District	Medical Partners	Total
Net cash provided by (used in):			
Operating activities	\$ (26,339,538)	\$ (4,297,583)	\$ (30,637,121)
Noncapital financing activities	18,012,755	-	18,012,755
Capital and related financing activities	(16,802,856)	-	(16,802,856)
Investing activities	27,423,174	-	27,423,174
Increase (decrease) in cash	2,293,535	(4,297,583)	(2,004,048)
Cash, beginning of year	4,999,863	4,291,763	6,516,124
Cash, end of year	\$ 7,293,398	\$ (5,820)	\$ 4,512,076

	September 30, 2022 (As Restated)		
	District	Medical Partners	Total
Net cash provided by (used in):			
Operating activities	\$ (32,018,223)	\$ (248,849)	\$ (32,267,072)
Noncapital financing activities	21,693,116	293,081	21,986,197
Capital and related financing activities	(32,382,890)	-	(32,382,890)
Investing activities	18,276,163	-	18,276,163
Increase (decrease) in cash	(24,431,834)	44,232	(24,387,602)
Cash, beginning of year	29,431,697	4,247,531	30,903,726
Cash, end of year	\$ 4,999,863	\$ 4,291,763	\$ 6,516,124

Note 13: 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.

As discussed below, the District received accelerated Medicare payments and general and targeted Provider Relief Fund distributions as provided for under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Hunt Memorial Hospital District

Notes to Financial Statements

September 30, 2023 and 2022

Provider Relief Fund

From inception of the pandemic through September 30, 2023, the District had received approximately \$22,200,000 of distributions from the CARES Act Provider Relief Fund (the Provider Relief Fund), of which approximately \$0 and \$5,754,000 were received during the years ended September 30, 2023 and 2022, respectively. These distributions from the Provider Relief Fund are not subject to repayment, 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 U.S. Department of Health and Human Services.

The District is accounting for such payments as conditional contributions. Payments are recognized as other non-operating revenue once the applicable terms and conditions required to retain the funds 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, the District recognized approximately \$0 and \$6,078,000 of Provider Relief Fund Revenue for the years ended September 30, 2023 and 2022, respectively.

The terms and conditions governing the Provider Relief Funds 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, the District's ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

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. The District's outstanding balance related to the accelerated Medicare payments was \$0 at September 30, 2022.

Note 14: Subsequent Events

In October 2023, the District issued the Hunt Memorial Hospital District Hospital Revenue Bonds, Series 2023A and Series 2023B in the amounts of \$6,070,000 and \$13,150,000, respectively (collectively, the Series 2023 Bonds). The Series 2023 Bonds were issued for the purpose of acquiring, constructing, repairing, renovating and equipping buildings and improvements. Principal payments are due annually commencing in February 2024 and interest payments are due quarterly, beginning in February 2024. The Series 2023 Bonds mature in fiscal year 2033 and are secured by the District's operating revenues. The Series 2023 Bonds contain restrictive covenants, including maintaining a debt service coverage ratio of at least 1.50:1, maintaining 65 days of cash on hand and maintaining a cash to indebtedness ratio of at least 0.80:1.



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

Independent Auditor's Report

Board of Directors
Hunt Memorial Hospital District
Greenville, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Hunt Memorial Hospital District (the District), which comprise the District's balance sheet as of September 30, 2023, 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, and have issued our report thereon dated February 20, 2024, which contained an *Emphasis of Matter* paragraph regarding a change in accounting principle.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Purpose of This Report

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

FORVIS,LLP

**Dallas, Texas
February 20, 2024**

Hunt Memorial Hospital District

Schedule of Findings and Responses

Year Ended September 30, 2023

Reference Number	Finding
2023-001	<p>Financial Reporting Process</p> <p>Criteria: Financial statements should be prepared in accordance with generally accepted accounting principles, and internal controls over financial reporting should be designed and operating effectively.</p> <p>Condition: The District’s financial statements required material adjusting entries to properly state the balance sheet and statement of revenues, expenses and changes in net position. Monthly reconciliations and a formal review process were not performed on all balance sheet accounts resulting in inaccurate financial information and patient accounts receivable was not correctly valued at September 30, 2023.</p> <p>Most notably, based on an analysis of the age and payer classifications of the patient accounts receivable at September 30, 2023 and cash collected in the four months subsequent to year-end, an adjustment was proposed and recorded to reduce the value of patient accounts receivable by a material amount. This was attributable to management not preparing an appropriate accounts receivable model at year end to assist in determining the estimated net realizable value of accounts receivable.</p> <p>Material entries were proposed in several other financial statement areas, including accounts payable, capital assets and accrued expenses due to a lack of monthly reconciliations and formal review processes.</p> <p>Effect: Material adjusting entries were proposed.</p> <p>Cause: Monthly reconciliations and a formal review process were not performed on all significant balance sheet accounts. In June and July 2023, the District went live with a new enterprise resource planning (ERP) system and a new electronic health record (EHR) system, which lead to difficulties in obtaining reports and processes as the District acclimated to the new systems in a short amount of time, prior to year-end.</p> <p>Recommendation: Monthly reconciliations and a formal review process should be performed on all balance sheet accounts in a timely manner. Resolution of unreconciled variances should also be completed in a timely manner.</p> <p>Views of responsible officials and planned corrective actions: The District’s monthly reconciliations and review processes prior to the ERP and EHR system conversion followed historical processes that resulted in sufficient internal controls for our organization. This conversion impacted many of these processes significantly, which we believe to be an isolated event due to the complexities of a system conversion of this magnitude. We are actively refining processes, reconciliations and reporting within the new ERP and EHR systems to ensure appropriate internal controls moving forward.</p>