Hunt Memorial Hospital District

Independent Auditor's Report and Financial Statements

September 30, 2024 and 2023

Hunt Memorial Hospital District
Contents
September 30, 2024 and 2023

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Independent Auditor's Report

Board of Directors
Hunt Memorial Hospital District
Greenville, Texas

Opinion

We have audited the financial statements of Hunt Memorial Hospital District (District) as of and for the years ended September 30, 2024 and 2023 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, 2024 and 2023 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). 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.

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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Forvis Mazars, LLP

Dallas, Texas
February 21, 2025

Introduction

This management's discussion and analysis of the financial performance of Hunt Memorial Hospital District (District) provides an overview of the District's financial activities for the years ended September 30, 2024 and 2023. It should be read in conjunction with the accompanying financial statements of the District.

Financial Highlights

- Cash and investments decreased in 2024 by $2,129,939, or 16.1%, and decreased in 2023 by $28,199,538, or 68.1%.
- Total liabilities increased by $43,551,278, or 40.9%, in 2024, and increased by $30,073,449 or 39.4% in 2023.
- The District's net position decreased in 2024 by $23,174,432, or 29.9%, and decreased in 2023 by $16,561,411, or 17.6%.
- The District reported operating losses in 2024 of $48,514,784 and in 2023 of $38,911,253, an increase of $9,603,531. The operating loss in 2023 increased by $17,706,620, or 83.5%, over the operating loss reported in 2022.
- Net nonoperating revenues increased by $2,838,956, or 12.8%, in 2024 compared to 2023 and decreased by $1,688,923, or 7.1%, in 2023 compared to 2022.

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, Liabilities, Deferred Inflows of Resources, and Net Position

	2024	2023	2022
ASSETS			
Cash	$ 2,926,367	$ 796,091	$ 5,843,406
Patient accounts receivable, net	37,575,408	32,334,444	26,659,476
Other current assets	16,116,478	13,970,395	14,021,609
Capital assets, net	104,182,898	93,160,465	83,721,552
Lease assets, net	18,418,917	10,611,835	6,782,854
Subscription assets, net	18,357,996	21,432,360	281,036
Other noncurrent assets	8,634,279	13,139,783	34,953,885
Total Assets	$ 206,212,343	$ 185,445,373	$ 172,263,818
LIABILITIES			
Long-term debt	$ 52,631,297	$ 42,519,758	$ 41,682,351
Lease liabilities	19,046,926	10,981,600	6,953,169
Subscription liabilities	18,205,912	20,872,235	203,702
Other current and noncurrent liabilities	60,050,341	32,009,605	27,470,527
Total Liabilities	149,934,476	106,383,198	76,309,749
DEFERRED INFLOWS OF RESOURCES	1,897,602	1,507,478	1,837,961
Net Position			
Net investment in capital assets	44,544,977	47,626,651	42,707,362
Unrestricted	9,835,288	29,928,046	51,408,746
Total Net Position	54,380,265	77,554,697	94,116,108
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 206,212,343	$ 185,445,373	$ 172,263,818

Total cash and investments decreased at September 30, 2024 by $2,129,939, or 16.1%, as compared to total cash and investments at September 30, 2023. 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, 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.

The most significant changes in the District's liabilities in 2024 is the increase in accounts payable, which increased by $24,408,602 due to decreased cash flows to pay off current liabilities. Long-term debt increased in 2024 due to the issuance of new debt.

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.

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, 2024, 2023, and 2022.

Table 2: Operating Results and Changes in Net Position

	2024	2023	2022
Operating Revenues			
Net patient service revenue	$ 201,026,632	$ 186,650,665	$ 176,176,485
Supplemental Medicaid funding	5,885,663	10,707,015	12,262,877
Other	5,866,830	3,106,958	2,494,321
Total Operating Revenues	212,779,125	200,464,638	190,933,683
Operating Expenses			
Salaries and wages and employee benefits	142,315,345	125,722,582	106,545,754
Purchased services and professional fees	42,943,005	45,403,520	50,129,337
Supplies and other	62,146,342	56,438,372	46,872,239
Depreciation and amortization	13,889,217	11,811,417	8,590,986
Total Operating Expenses	261,293,909	239,375,891	212,138,316
Operating Loss	(48,514,784)	(38,911,253)	(21,204,633)
Nonoperating Revenues (Expenses)			
Property taxes	25,591,705	22,202,383	19,539,479
Investment income (loss)	1,352,784	1,221,920	(450,831)
Interest expense	(4,298,176)	(2,403,795)	(1,624,149)
Provider Relief Fund revenue	-	-	6,077,956
Other, net	2,293,245	1,080,094	247,070
Total Nonoperating Revenues, Net	24,939,558	22,100,602	23,789,525
Income (Loss) Before Capital Grants and Gifts	(23,575,226)	(16,810,651)	2,584,892
Capital Grants and Gifts	400,794	249,240	765,820
Increase (Decrease) in Net Position	$ (23,174,432)	$ (16,561,411)	$ 3,350,712

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 2024, 2023 and 2022, 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 2024 increased by $9,603,531, or 24.7%, as compared to 2023. The components of the change in operating results are:

- An increase in net patient service revenue of $14,375,967, or 7.7%
- A decrease in supplemental Medicaid funding of $4,821,352, or 45.0%
- An increase salaries, wages, and employee benefits of $16,592,763, or 13.2%
- A decrease in purchased services and professional fees of $2,460,515, or 5.4%
- An increase in supplies and other expenses of $5,707,970, or 10.1%

In 2024, 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, as well as increased patient volumes. 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 2023 increased by $17,706,620, or 83.5%, as compared 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.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the District and interest. Overall, nonoperating revenue increased during 2024 by $2,838,956, or 12.8%, as compared to 2023. The increase in nonoperating revenues is primarily due to increases in property tax revenue, which increased $3,389,322, or 15.3%, over 2023 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 2024, 2023 and 2022, discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2024, the District had $104,182,898 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the accompanying financial statements. In 2024, the District purchased new equipment, made building improvements, and paid for construction projects totaling $19,270,522.

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.

Lease Assets

At September 30, 2024 and 2023, the District had $18,418,917 and $10,611,835, respectively, invested in lease assets, net of accumulated amortization, as detailed in Note 6 to the accompanying financial statements.

SBITA Assets

At September 30, 2024 and 2023, the District had $18,357,996 and $21,432,360, respectively, invested in SBITA assets, net of accumulated amortization, as detailed in Note 6 to the accompanying financial statements.

Debt

At September 30, 2024 and 2023, the District had $60,062,198 and $48,831,004 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 the District's Accounting Department, 4215 Joe Ramsey Blvd, Greenville, Texas 75401.

Hunt Memorial Hospital District
Balance Sheets
September 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash	$ 2,926,367	$ 796,091
Short-term investments	1,529,123	909,776
Patient accounts receivable, net of allowance	37,575,408	32,334,444
Property taxes receivable, net	1,066,698	946,584
Supplemental Medicaid funding receivable	5,197,882	2,634,907
Estimated amounts due from third-party payors	1,144,203	1,553,100
Leases receivable – current	304,408	299,740
Supplies	4,529,727	5,082,269
Prepaid expenses and other current assets	2,344,437	2,544,019
Total Current Assets	56,618,253	47,100,930
Noncurrent Cash and Investments		
Investments	4,243,697	6,294,041
Held by trustee for self-insurance	720,149	692,485
Held by trustee for capital acquisition	1,598,983	3,605,689
Internally designated for capital acquisitions and operating activities	72,824	923,000
Total Noncurrent Cash and Investments	6,635,653	11,515,215
Capital Assets, Net	104,182,898	93,160,465
Lease Assets, Net	18,418,917	10,611,835
Subscription Assets, Net	18,357,996	21,432,360
Leases Receivable, Noncurrent	1,746,689	1,334,204
Other Assets	251,937	290,364
Total assets	$ 206,212,343	$ 185,445,373

	2024	2023
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	$ 7,430,901	$ 6,311,246
Current portion of lease liabilities	2,420,733	1,299,083
Current portion of subscription liabilities	2,600,551	2,666,323
Accounts payable	41,531,759	17,123,157
Accrued expenses	9,911,188	7,927,067
Estimated amounts due to third-party payors	703,493	175,135
Total Current Liabilities	64,598,625	35,502,011
Estimated Medical Malpractice Self-insurance Costs	473,000	473,000
Long-Term Debt	52,631,297	42,519,758
Lease Liabilities, Noncurrent	16,626,193	9,682,517
Subscription Liabilities, Noncurrent	15,605,361	18,205,912
Total Liabilities	149,934,476	106,383,198
Deferred Inflows of Resources – Leases	1,897,602	1,507,478
Net Position		
Net investment in capital assets	44,544,977	47,626,651
Unrestricted	9,835,288	29,928,046
Total Net Position	54,380,265	77,554,697
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 206,212,343	$ 185,445,373

Hunt Memorial Hospital District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2024 and 2023

	2024	2023
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2024 – $73,661,000, 2023 – $66,346,000	$ 201,026,632	$ 186,650,665
Supplemental Medicaid funding	5,885,663	10,707,015
Other	5,866,830	3,106,958
Total Operating Revenues	212,779,125	200,464,638
Operating Expenses		
Salaries and wages	119,344,376	104,700,267
Employee benefits	22,970,969	21,022,315
Purchased services and professional fees	42,943,005	45,403,520
Supplies and other	62,146,342	56,438,372
Depreciation and amortization	13,889,217	11,811,417
Total Operating Expenses	261,293,909	239,375,891
Operating Loss	(48,514,784)	(38,911,253)
Nonoperating Revenues (Expenses)		
Property taxes	25,591,705	22,202,383
Investment income	1,352,784	1,221,920
Interest expense	(4,298,176)	(2,403,795)
Other nonoperating, net	2,293,245	1,080,094
Total Nonoperating Revenues, Net	24,939,558	22,100,602
Loss Before Capital Grants and Gifts	(23,575,226)	(16,810,651)
Capital Grants and Gifts	400,794	249,240
Decrease in Net Position	(23,174,432)	(16,561,411)
Net Position, Beginning of Year	77,554,697	94,116,108
Net Position, End of Year	$ 54,380,265	$ 77,554,697

Hunt Memorial Hospital District
Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 201,680,518	$ 176,847,600
Receipts from supplemental Medicaid funding programs	6,426,069	10,870,601
Payments to suppliers and contractors	(87,731,544)	(96,613,411)
Payments to employees	(140,860,826)	(124,533,224)
Other receipts	5,474,136	2,791,313
Net Cash Used in Operating Activities	(15,011,647)	(30,637,121)
Cash Flows From Noncapital Financing Activities		
Property taxes supporting operations	21,298,485	17,884,142
Other noncapital financing activities, net	2,293,245	128,613
Net Cash Provided by Noncapital Financing Activities	23,591,730	18,012,755
Cash Flows From Capital and Related Financing Activities		
Proceeds from disposal of capital assets	-	1,272,791
Principal paid on long-term debt	(7,526,246)	(4,798,063)
Principal paid on lease liabilities	(2,308,520)	(1,357,039)
Interest paid on long-term debt, lease, and subscription liabilities	(4,650,682)	(2,702,469)
Principal paid on subscription liabilities	(2,666,323)	(2,593,846)
Proceeds from issuance of long-term debt	19,220,000	6,500,000
Property taxes to retire debt for acquisitions of capital assets	4,173,106	4,170,205
Purchase of capital assets	(19,070,600)	(18,006,349)
Proceeds from capital grants and gifts	400,794	249,240
Principal and interest payments received on leases receivable	365,665	462,674
Net Cash Used in Capital and Related Financing Activities	(12,062,806)	(16,802,856)
Cash Flows From Investing Activities		
Investment return	1,352,784	1,227,684
Proceeds from disposition of investments	5,005,136	34,323,982
Purchase of investments	(2,204,655)	(8,128,492)
Net Cash Provided By Investing Activities	4,153,265	27,423,174
Increase (Decrease) in Cash	670,542	(2,004,048)
Cash, Beginning of Year	4,512,076	6,516,124
Cash, End of Year	$ 5,182,618	$ 4,512,076

	2024	2023
Reconciliation of Cash to the Balance Sheets		
Cash	$ 2,926,367	$ 796,091
Held by trustee for capital acquisition	1,536,102	3,023,500
Held by trustee for self-insurance	720,149	692,485
Total Cash and Cash Equivalents	$ 5,182,618	$ 4,512,076
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (48,514,784)	$ (38,911,253)
Depreciation and amortization	13,889,217	11,811,417
Provision for uncollectible accounts	73,661,049	66,345,820
Changes in operating assets and liabilities		
Patient accounts receivable	(78,902,013)	(72,020,788)
Supplemental Medicaid funding receivable	(1,859,482)	(974,372)
Estimated third-party payor settlements	233,762	(715,073)
Accounts payable and accrued liabilities	26,082,747	5,088,753
Other assets and liabilities	790,551	(835,479)
Deferred inflows of resources – leases	(392,694)	(426,146)
Net Cash Used in Operating Activities	$ (15,011,647)	$ (30,637,121)
Noncash Investing, Capital, and Financing Activities		
Capital assets acquisitions included in accounts payable	$ 698,781	$ 498,859
Lease obligations incurred for lease assets	$ 10,373,846	$ 5,385,470
Subscription obligations incurred for subscription assets	$ -	$ 23,262,379
Note payable issued for purchase of capital assets	$ -	$ 1,997,000

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

Nature of Operations and Reporting Entity

Hunt Memorial Hospital District (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.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, 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 TexPool. 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 Government Accounting Standards Board (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

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 and certain payments made 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, 2024 and 2023.

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.

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 assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheets.

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 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 payors 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 payors, 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 $2,383,000 and $2,719,000 for September 30, 2024 and 2023, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Property Taxes

The District received approximately 11% and 10% of its financial support from property taxes in 2024 and 2023, respectively. These funds were used as follows:

	2024	2023
Percentage used to support operations	84%	81%
Percentage used for debt service on bonds	16%	19%
	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 $1,120,000 and $902,000 at September 30, 2024 and 2023, respectively.

The District's property tax rate was $0.165387 and $0.169445 per $100 valuation for 2024 and 2023, respectively, for the maintenance and operation fund. Property tax revenue for this fund was approximately $21,399,000 and $18,004,000 in 2024 and 2023, respectively. The District's property tax rate was $0.032405 and $0.039511 per $100 valuation for 2024 and 2023, respectively, for the interest and sinking fund. Property tax revenue for this fund was approximately $4,193,000 and $4,198,000 in 2023 and 2022, 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 (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 $401,000 and $294,000 in contributions from the Foundation in 2024 and 2023, respectively, which is included as capital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 presentation. The reclassifications had no effect on the change in net position.

Note 2. Net Patient Service Revenue

The District has agreements with third-party payors 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% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for both the years ended September 30, 2024 and 2023. 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 healthcare, 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 healthcare 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).

On April 22, 2022, the Centers for Medicare & Medicaid Services (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, which has been approved through August 31, 2025. 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 $5,886,000 and $10,707,000 in 2024 and 2023, 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 $5,198,000 and $2,635,000 at September 30, 2024 and 2023, respectively, which is included as estimated amounts due from third-party payors on the accompanying balance sheets.

Funding from the DSH Program and UC Pool are limited to certain costs incurred. At September 30, 2024 and 2023, the District recorded an expected overpayment related to these programs of approximately $703,000 and $0, which is included in estimated amounts due to third-party payors on the 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.

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, 2024, approximately $1,286,000 of the District’s deposits were not insured or collateralized in accordance with state law. At September 30, 2023, approximately $2,800,000 of the District’s deposits was not insured or collateralized in accordance with state law.

Investments

The District held the following investments at September 30:

		September 30, 2024			
		Maturities in Years			
Type	Fair Value	Less Than 1	1–5	6–10	More Than 10
U.S. agency obligations	$ 4,271,103	$ 751,390	$ 3,519,713	$ -	$ -
Money market fund	229,406	229,406	-	-	-
TexPool	135,705	135,705	-	-	-
Certificates of deposit – negotiable	1,272,311	577,733	694,578	-	-
	$ 5,908,525	$ 1,694,234	$ 4,214,291	$ -	$ -

		September 30, 2023			
		Maturities in Years			
Type	Fair Value	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	-	-
	$ 8,709,155	$ 1,505,421	$ 7,203,734	$ -	$ -

The State Comptroller of Public Accounts (State Comptroller) 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 State Comptroller.

Interest Rate Risk

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

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, 2024, 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:

	2024	**2023**
TexPool	2.3%	17.3%
Federal Home Loan Bank (FHLB)	53.9%	42.3%
Federal Farm Credit Bank (FFCB)	18.4%	21.0%

Summary of Carrying Values

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

	2024	**2023**
Carrying value		
Deposits	$ 5,182,618	$ 4,511,927
Investments	5,908,525	8,709,155
	$ 11,091,143	$ 13,221,082
Included in the following balance sheets captions		
Cash and cash equivalents	$ 2,926,367	$ 796,091
Short-term investments	1,529,123	909,776
Noncurrent cash and investments	6,635,653	11,515,215
	$ 11,091,143	$ 13,221,082

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 payor agreements. Patient accounts receivable consisted of the following at September 30:

	2024	**2023**
Medicare	$ 16,110,614	$ 8,625,499
Medicaid	10,272,446	5,499,789
Other third-party payors	26,802,306	14,349,749
Patients	115,615,042	61,899,407
	168,800,408	90,374,444
Less allowance for uncollectible accounts	(131,225,000)	(58,040,000)
	$ 37,575,408	$ 32,334,444

Note 5. Leases Receivable

The District leases a portion of its office space to various third parties, the terms of which expire in 2025 through 2032. 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, 2024 and 2023 were approximately $441,000 and $464,000, respectively, which includes both lease revenue and interest.

Note 6. Capital, Lease, and Subscription Assets

Capital assets activity for the years ended September 30:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 4,529,756	$ -	$ -	$ -	$ 4,529,756
Land improvements	4,261,519	-	-	-	4,261,519
Buildings and improvements	142,819,219	-	-	2,185,486	145,004,705
Equipment	96,761,533	1,652,018	-	2,099,263	100,512,814
Construction in progress	2,150,781	17,618,504	-	(4,284,749)	15,484,536
	250,522,808	19,270,522	-	-	269,793,330
Less accumulated depreciation	157,362,343	8,248,089	-	-	165,610,432
Capital assets, net	$ 93,160,465	$ 11,022,433	$ -	$ -	$ 104,182,898

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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

Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Construction in progress at September 30, 2024 and 2023 represents capital improvements, including several facility expansion projects. The projects will be funded through internally designated investments. As of September 30, 2024, the District incurred and capitalized approximately $15,500,000 in construction in progress.

Lease assets activity for the years ended September 30:

	2024				
	Beginning Balance	**Additions**	**Disposals**	**Transfers**	**Ending Balance**
Building	$ 11,376,239	$ 10,068,673	$ (206,480)	$ -	$ 21,238,432
Equipment	1,357,041	198,079	-	-	1,555,120
Other	106,947	107,094	(106,832)	-	107,209
	12,840,227	10,373,846	(313,312)	-	22,900,761
Less accumulated amortization	2,228,392	2,566,764	(313,312)	-	4,481,844
Lease assets, net	$ 10,611,835	$ 7,807,082	$ -	$ -	$ 18,418,917

	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
	8,647,834	5,385,470	(1,193,077)	-	12,840,227
Less accumulated amortization	1,864,980	1,556,489	(1,193,077)	-	2,228,392
Lease assets, net	$ 6,782,854	$ 3,828,981	$ -	$ -	$ 10,611,835

Subscription asset activity for the years ended September 30:

	2024				
	Beginning Balance	**Additions**	**Disposals**	**Transfers**	**Ending Balance**
Subscription-based IT assets	$ 23,591,121	$ -	$ (142,696)	$ -	$ 23,448,425
Less accumulated amortization	2,158,761	3,074,364	(142,696)	-	5,090,429
Subscription assets, net	$ 21,432,360	$ (3,074,364)	$ -	$ -	$ 18,357,996

	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	$ 281,036	$ 21,151,324	$ -	$ -	$ 21,432,360

Note 7. Accounts Payable and Accrued Expenses

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

	2024	2023
Payable to suppliers and contractors	$ 33,128,187	$ 16,361,013
Temporary funding assistance from Optum*	8,060,976	-
Payable to employees (including payroll taxes and benefits)	9,771,479	8,316,960
Accrued interest	482,305	372,251
	$ 51,442,947	$ 25,050,224

*On February 21, 2024, Change Healthcare, a subsidiary of UnitedHealth Group's Optum unit, experienced a cyber-attack that resulted in nationwide outages affecting payors, providers, and pharmacies. Optum offered a temporary, short-term funding assistance program to help healthcare providers manage short-term cash flow needs caused by the cyber-attack, which caused interruption of numerous administrative and billing processes, including electronic claims submission and provider payments. During 2024, the District obtained temporary funding assistance of approximately $8,061,000, which is included in accounts payable at September 30, 2024.

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 2024 and 2023.

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.

The District recorded a reserve for employee health claims of approximately $1,326,00 at both September 30, 2024 and 2023, which is included with accrued expenses on the accompanying balance sheets.

Note 9. Long-Term Obligations

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

	2024				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Series 2014	$ 9,875,000	$ -	$ (1,665,000)	$ 8,210,000	$ 1,730,000
Series 2020	24,615,000	-	(1,250,000)	23,365,000	1,335,000
Series 2023	-	19,220,000	(1,215,000)	18,005,000	1,090,000
Notes payable	11,015,919	-	(3,396,246)	7,619,673	3,275,901
	45,505,919	19,220,000	(7,526,246)	57,199,673	7,430,901
Plus bond premium	3,325,085		(462,560)	2,862,525	-
Total long-term debt	48,831,004	19,220,000	(7,988,806)	60,062,198	7,430,901
Other long-term liabilities					
Lease liabilities	10,981,600	10,373,846	(2,308,520)	19,046,926	2,420,733
Subscription liabilities	20,872,235	-	(2,666,323)	18,205,912	2,600,551
Total other long-term liabilities	31,853,835	10,373,846	(4,974,843)	37,252,838	5,021,284
Total long-term obligations	$ 80,684,839	$ 29,593,846	$ (12,963,649)	$ 97,315,036	$ 12,452,185

	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

General Obligation Bonds – Series 2014

The Series 2014 general obligation bonds payable consist of Hunt Memorial Hospital District General Obligation Refunding and Improvement Bonds, Series 2014 (Series 2014 Bonds) in the original amount of $20,940,000 dated September 11, 2014, which bear interest at 2.0% to 5.0%. The bonds were issued to refund a portion of the District's outstanding General Obligation Bonds, Series 2005 and to fund various capital expansion and improvement projects. The Series 2014 Bonds are payable in annual installments ranging from $410,000 to $1,730,000 through February 15, 2034. All of the Series 2014 Bonds still outstanding may be redeemed at the District's option on or after February 15, 2024 at a price of par plus accrued interest to the redemption date.

The Series 2014 Bonds constitute direct obligations of the District, payable from the levy and collection of annual property taxes. The Series 2014 Bonds were issued with an original premium of $2,235,198. The premium is being amortized as a reduction of interest expense using an effective interest method over the term of the debt. Premium amortization was approximately $103,000 and $125,000 in 2024 and 2023, 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 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 $360,000 and $380,000 for the years ended September 30, 2024 and 2023, respectively, and is included as a reduction of interest expense in the accompanying statements of revenues, expenses, and changes in net position.

Revenue Bonds – Series 2023A and Series 2023B

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, 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 (measured at September 30), maintaining 65 days of cash on hand (measured at March 31, June 30, and December 31), and maintaining a cash-to-indebtedness ratio of at least 0.80:1 (measured at March 31, June 30, and December 31). At September 30, 2024, the District was not in compliance with the debt service coverage ratio and was granted a waiver.

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, which commenced in October 2023.

Debt service requirements on the bonds and notes payable are as follows as of September 30, 2024:

		Bonds		Notes Payable	
Year Ending September 30,	**Total to be Paid**	**Principal**	**Interest**	**Principal**	**Interest**
2025	$ 10,145,478	$ 4,155,000	$ 2,476,462	$ 3,275,901	$ 238,115
2026	8,156,312	3,425,000	2,343,212	2,256,484	131,616
2027	7,295,549	3,615,000	2,232,812	1,377,658	70,079
2028	6,650,656	3,810,000	2,116,787	709,630	14,239
2029	6,009,499	4,015,000	1,994,499	-	-
2030–2034	27,114,227	22,065,000	5,049,227	-	-
2035–2039	7,830,675	6,950,000	880,675	-	-
2040	1,568,175	1,545,000	23,175	-	-
	$ 74,770,571	$ 49,580,000	$ 17,116,849	$ 7,619,673	$ 454,049

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, 2024 and 2023, the District recognized approximately $1,911,000 and $1,689,000, respectively, of rental expense for variable payments and 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, 2024:

Year Ending September 30,	**Total to be Paid**	**Principal**	**Interest**
2025	$ 3,367,138	$ 2,420,733	$ 946,405
2026	3,008,642	2,210,058	798,584
2027	2,902,264	2,212,008	690,256
2028	2,699,085	2,116,241	582,844
2029	2,387,737	1,909,217	478,520
2030–2034	7,536,336	6,289,661	1,246,675
2035–2037	2,070,102	1,889,008	181,094
	$ 23,971,304	$ 19,046,926	$ 4,924,378

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, 2024 and 2023, the District recognized approximately $4,953,000 and $5,100,000, respectively, of subscription expense for variable payments and short-term and cancellable subscriptions that are not included in the measurement of the subscription liability.

The following is a schedule by year of payments under the SBITAs as of September 30, 2024:

Year Ending September 30,	Total to be Paid	Principal	Interest
2025	$ 3,275,011	$ 2,600,551	$ 674,460
2026	2,923,276	2,346,298	576,978
2027	2,923,287	2,441,917	481,370
2028	2,886,701	2,504,623	382,078
2029	2,886,701	2,606,744	279,957
2030–2034	5,942,565	5,705,779	236,786
	$ 20,837,541	$ 18,205,912	$ 2,631,629

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 3.9% for 2024 and 2023, respectively. Contributions actually made by plan members and the District aggregated approximately $4,312,000 and $2,295,000 during 2024 and $4,059,000 and $2,045,000 during 2023, 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

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, 2024				
Investments by fair value level				
Money market fund	$ 229,406	$ 229,406	$ -	$ -
U.S. agency obligations	4,271,103	-	4,271,103	-
Total investments by fair value level	4,500,509	$ 229,406	$ 4,271,103	$ -
Investments at amortized cost	$ 1,408,016			
Total investments	$ 5,908,525			
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	5,530,621	$ 232	$ 5,530,389	$ -
Investments at amortized cost	$ 3,178,534			
Total investments	$ 8,709,155			

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, 2024 or 2023.

Note 12. Future Change in Accounting Principle – GASB Statement No. 101, *Compensated Absences (GASB 101)*

GASB 101 updates the recognition and measurement guidance for compensated absences under a unified model. It defines compensated absences and requires that liabilities be recognized for leave for which employees may receive one or more cash payments when the leave is used for time off; other cash payments, such as payment for unused leave upon termination of employment which includes voluntary resignation or retirement; or noncash settlements, such as conversion to defined benefit postemployment benefits. GASB 101 also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. GASB 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023 and all reporting periods thereafter.