Hunt Memorial Hospital District

Independent Auditor's Report and Financial Statements

September 30, 2025 and 2024

Hunt Memorial Hospital District
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September 30, 2025 and 2024

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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, 2025 and 2024 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, 2025 and 2024 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 17, 2026

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, 2025 and 2024. It should be read in conjunction with the accompanying financial statements of the District.

Financial Highlights

- Cash and investments decreased in 2025 by $3,322,081, or 30%, and decreased in 2024 by $2,129,939, or 16.1%.
- Total liabilities increased by $48,162,523, or 32.1%, in 2025, and increased by $43,551,278, or 40.9%, in 2024.
- The District's net position decreased in 2025 by $16,470,464, or 30.3%, and decreased in 2024 by $23,174,432, or 29.9%.
- The District reported operating losses of $40,657,204 and $48,514,784 in 2025 and 2024, respectively. The operating loss decreased by $7,857,580 in 2025, or 16.2%, as compared to 2024.
- Net nonoperating revenues totaled $23,855,662 and $24,939,558 for 2025 and 2024, respectively, a decrease of $1,083,896, or 4.3%.

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 is presented in the following table:

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

	2025	2024	2023
ASSETS			
Cash	$ 6,884,356	$ 2,926,367	$ 796,091
Patient accounts receivable, net	38,743,040	37,575,408	32,334,444
Other current assets	24,939,640	16,116,478	13,970,395
Capital assets, net	107,703,651	104,182,898	93,160,465
Lease assets, net	39,396,833	18,418,917	10,611,835
Subscription assets, net	17,364,098	18,357,996	21,432,360
Other noncurrent assets	2,537,974	8,634,279	13,139,783
Total Assets	$ 237,569,592	$ 206,212,343	$ 185,445,373
LIABILITIES			
Long-term debt	$ 62,301,002	$ 52,631,297	$ 42,519,758
Lease liabilities	40,946,944	19,046,926	10,981,600
Subscription liabilities	4,571,441	18,205,912	20,872,235
Other current and noncurrent liabilities	90,277,612	60,050,341	32,009,605
Total Liabilities	198,096,999	149,934,476	106,383,198
DEFERRED INFLOWS OF RESOURCES	1,562,792	1,897,602	1,507,478
Net Position			
Net investment in capital assets	51,816,020	44,544,977	47,626,651
Unrestricted	(13,906,219)	9,835,288	29,928,046
Total Net Position	37,909,801	54,380,265	77,554,697
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 237,569,592	$ 206,212,343	$ 185,445,373

Total cash and investments decreased at September 30, 2025 by $3,322,081, or 30%, as compared to total cash and investments at September 30, 2024. This decrease is primarily due to sustained operating losses and decreases in net position, based on higher operating expenses.

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.

The most significant changes in the District's liabilities in 2025 is the increase in accounts payable and accrued expenses, which increased by $14,311,767 due to decreased cash flows to pay off current liabilities. Long-term debt increased in 2025 due to the issuance of new debt.

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.

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, 2025, 2024, and 2023.

Table 2: Operating Results and Changes in Net Position

	2025	2024	2023
Operating Revenues			
Net patient service revenue and nursing facility revenue	$ 223,037,706	$ 201,026,632	$ 186,650,665
Supplemental Medicaid funding	10,922,283	5,885,663	10,707,015
Other	6,737,818	5,866,830	3,106,958
Total Operating Revenues	240,697,807	212,779,125	200,464,638
Operating Expenses			
Salaries and wages and employee benefits	154,917,915	142,315,345	125,722,582
Purchased services and professional fees	44,530,493	42,943,005	45,403,520
Supplies, other, and nursing facility fees	65,650,803	62,146,342	56,438,372
Depreciation and amortization	16,255,800	13,889,217	11,811,417
Total Operating Expenses	281,355,011	261,293,909	239,375,891
Operating Loss	(40,657,204)	(48,514,784)	(38,911,253)
Nonoperating Revenues (Expenses)			
Property taxes	29,294,509	25,591,705	22,202,383
Investment income	320,889	1,352,784	1,221,920
Interest expense	(5,922,989)	(4,298,176)	(2,403,795)
Other nonoperating, net	163,253	2,293,245	1,080,094
Total Nonoperating Revenues, Net	23,855,662	24,939,558	22,100,602
Loss Before Capital Grants and Gifts	(16,801,542)	(23,575,226)	(16,810,651)
Capital Grants and Gifts	331,078	400,794	249,240
Decrease in Net Position	$ (16,470,464)	$ (23,174,432)	$ (16,561,411)

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 2025, 2024 and 2023, 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 2025 decreased by $7,857,580, or 16.2%, as compared to 2024. The components of the change in operating results are:

- An increase in net patient service revenue and nursing facility revenue of $22,011,074, or 10.9%
- An increase in supplemental Medicaid funding of $5,036,620, or 85.6%
- An increase in salaries, wages, and employee benefits of $12,602,570, or 8.9%
- An increase in purchased services and professional fees of $1,587,488, or 3.7%
- An increase in supplies, other and nursing facility fee expenses of $3,504,461, or 5.6%
- An increase in depreciation and amortization expense of $2,366,583, or 17.0%

In 2025, net patient service revenue and nursing facility revenue increased primarily from patient volume increases and higher patient acuity, as well as increased collection efforts. The District also acquired the operations of two nursing homes, which resulted in the District recording the patient service revenue for those facilities for a portion of the fiscal year. Nursing home net patient service revenue was approximately $8,000,000 for 2025.

Salaries and employee benefits expense increased primarily from additional staffing and wage increases, as well as increased patient volumes.

The acquisition of the two nursing homes discussed above had a corresponding increase in supplies, other and nursing facility fee expenses due to management fees being paid to the nursing home managers. Accordingly, management fees of $8,000,000 related to nursing home operations are included in supplies, other and nursing facility fees for 2025. Excluding these fees, supplies and other expenses decreased by approximately $4,500,000 due to cost cutting measures implemented by management.

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 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 expense. Overall, nonoperating revenue, net decreased during 2025 by $1,083,896, or 4.3%, as compared to 2024. The decrease in net revenue is attributable to higher interest expense in 2025 as compared to 2024. Interest expense was $5,922,989 and $4,298,176 in 2025 and 2024, respectively. The increase is attributable to increases in long-term debt in both years. Property tax revenue was $29,294,509 and $25,591,705 in 2025 and 2024, respectively, an increase of $3,702,804 due to increased tax rates.

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 2025, 2024 and 2023, discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At September 30, 2025, the District had $107,703,651 invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the accompanying financial statements. In 2025, the District purchased new equipment, made building improvements, and paid for construction projects totaling $11,918,757.

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.

Lease Assets

At September 30, 2025 and 2024, the District had $39,396,833 and $18,418,917, respectively, invested in lease assets, net of accumulated amortization, as detailed in Note 6 to the accompanying financial statements.

Subscription-Based Information Technology Arrangement (SBITA) Assets

At September 30, 2025 and 2024, the District had $17,364,098 and $18,357,966, respectively, invested in SBITA assets, net of accumulated amortization, as detailed in Note 6 to the accompanying financial statements.

Debt

At September 30, 2025 and 2024, the District had $68,053,945 and $60,062,198, respectively, 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, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash	$ 6,884,356	$ 2,926,367
Short-term investments	-	1,529,123
Patient accounts receivable, net of allowance	38,743,040	37,575,408
Nursing facility accounts receivable, net of allowance 2025 – $899,000, 2024 – $0	3,070,371	-
Property taxes receivable, net	1,569,438	1,066,698
Supplemental Medicaid funding receivable	13,544,447	5,197,882
Estimated amounts due from third-party payors	-	1,144,203
Leases receivable – current	312,650	304,408
Supplies	4,670,637	4,529,727
Prepaid expenses and other current assets	1,772,097	2,344,437
Total Current Assets	70,567,036	56,618,253
Noncurrent Cash and Investments		
Investments	-	4,243,697
Held by trustee for self-insurance	742,873	720,149
Held by trustee for capital acquisition	65,721	1,598,983
Internally designated for capital acquisitions and operating activities	76,112	72,824
Total Noncurrent Cash and Investments	884,706	6,635,653
Capital Assets, Net	107,703,651	104,182,898
Lease Assets, Net	39,396,833	18,418,917
Subscription Assets, Net	17,364,098	18,357,996
Leases Receivable, Noncurrent	1,434,039	1,746,689
Other Assets	219,229	251,937
Total Assets	$ 237,569,592	$ 206,212,343

Hunt Memorial Hospital District
Balance Sheets
September 30, 2025 and 2024 **(Continued)**

	2025	2024
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	$ 5,752,943	$ 7,430,901
Current portion of lease liabilities	3,100,620	2,420,733
Current portion of subscription liabilities	3,190,313	2,600,551
Accounts payable	52,863,928	41,531,759
Accrued expenses	12,890,786	9,911,188
Nursing facility payable	3,070,371	-
Estimated amounts due to third-party payors	875,223	703,493
Total Current Liabilities	81,744,184	64,598,625
Estimated Medical Malpractice Self-Insurance Costs	473,000	473,000
Long-Term Debt	62,301,002	52,631,297
Lease Liabilities, Noncurrent	37,846,324	16,626,193
Subscription Liabilities, Noncurrent	14,351,361	15,605,361
Other Long-Term Liabilities	1,381,128	-
Total Liabilities	198,096,999	149,934,476
Deferred Inflows of Resources – Leases	1,562,792	1,897,602
Net Position		
Net investment in capital assets	51,816,020	44,544,977
Unrestricted	(13,906,219)	9,835,288
Total Net Position	37,909,801	54,380,265
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 237,569,592	$ 206,212,343

Hunt Memorial Hospital District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2025 and 2024

	2025	2024
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2025 – $79,054,000, 2024 – $73,661,000	$ 214,974,810	$ 201,026,632
Nursing facility revenue, net	8,062,896	-
Supplemental Medicaid funding	10,922,283	5,885,663
Other	6,737,818	5,866,830
Total Operating Revenues	240,697,807	212,779,125
Operating Expenses		
Salaries and wages	126,801,168	119,344,376
Employee benefits	28,116,747	22,970,969
Purchased services and professional fees	44,530,493	42,943,005
Nursing facility fees	8,062,896	-
Supplies and other	57,587,907	62,146,342
Depreciation and amortization	16,255,800	13,889,217
Total Operating Expenses	281,355,011	261,293,909
Operating Loss	(40,657,204)	(48,514,784)
Nonoperating Revenues (Expenses)		
Property taxes	29,294,509	25,591,705
Investment income	320,889	1,352,784
Interest expense	(5,922,989)	(4,298,176)
Other nonoperating, net	163,253	2,293,245
Total Nonoperating Revenues, Net	23,855,662	24,939,558
Loss Before Capital Grants and Gifts	(16,801,542)	(23,575,226)
Capital Grants and Gifts	331,078	400,794
Decrease in Net Position	(16,470,464)	(23,174,432)
Net Position, Beginning of Year	54,380,265	77,554,697
Net Position, End of Year	$ 37,909,801	$ 54,380,265

Hunt Memorial Hospital District
Statements of Cash Flows
Years Ended September 30, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 213,226,469	$ 201,680,518
Receipts from supplemental Medicaid funding programs	10,899,341	6,426,069
Payments to suppliers and contractors	(92,312,050)	(87,731,544)
Payments to employees	(155,542,976)	(140,860,826)
Other receipts	6,403,008	5,474,136
Net Cash Used in Operating Activities	(17,326,208)	(15,011,647)
Cash Flows From Noncapital Financing Activities		
Property taxes supporting operations	24,539,723	21,298,485
Proceeds from long-term debt	16,200,000	-
Principal paid on long-term debt	(1,179,965)	-
Interest paid on long-term debt	(443,842)	-
Other noncapital financing activities, net	163,253	2,293,245
Net Cash Provided by Noncapital Financing Activities	39,279,169	23,591,730
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	(7,442,250)	(7,526,246)
Principal paid on lease liabilities	(3,336,612)	(2,308,520)
Interest paid on long-term debt, lease, and subscription liabilities	(5,841,369)	(4,650,682)
Principal paid on subscription liabilities	(3,269,422)	(2,666,323)
Proceeds from issuance of long-term debt	-	19,220,000
Property taxes to retire debt for acquisitions of capital assets	4,252,046	4,173,106
Purchase of capital assets	(10,593,810)	(19,070,600)
Proceeds from capital grants and gifts	331,078	400,794
Principal and interest payments received on leases receivable	304,408	365,665
Net Cash Used in Capital and Related Financing Activities	(25,595,931)	(12,062,806)
Cash Flows From Investing Activities		
Investment return	320,889	1,352,784
Proceeds from disposition of investments	5,832,413	5,005,136
Purchase of investments	-	(2,204,655)
Net Cash Provided By Investing Activities	6,153,302	4,153,265
Increase in Cash	2,510,332	670,542
Cash, Beginning of Year	5,182,618	4,512,076
Cash, End of Year	$ 7,692,950	$ 5,182,618

Hunt Memorial Hospital District
Statements of Cash Flows
Years Ended September 30, 2025 and 2024 **(Continued)**

	2025	2024
Reconciliation of Cash to the Balance Sheets		
Cash	$ 6,884,356	$ 2,926,367
Held by trustee for capital acquisition	65,721	1,536,102
Held by trustee for self-insurance	742,873	720,149
Total Cash	$ 7,692,950	$ 5,182,618
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (40,657,204)	$ (48,514,784)
Depreciation and amortization	16,255,800	13,889,217
Provision for uncollectible accounts	79,054,351	73,661,049
Changes in operating assets and liabilities		
Patient accounts receivable	(83,292,354)	(78,902,013)
Supplemental Medicaid funding receivable	(9,050,058)	(1,859,482)
Estimated third-party payor settlements	2,019,426	233,762
Accounts payable and accrued liabilities	15,144,132	26,082,747
Other assets and liabilities	3,534,509	790,551
Deferred inflows of resources – leases	(334,810)	(392,694)
Net Cash Used in Operating Activities	$ (17,326,208)	$ (15,011,647)
Noncash Investing, Capital, and Financing Activities		
Capital assets acquisitions included in accounts payable	$ 1,191,755	$ 698,781
Lease obligations incurred for lease assets	$ 25,236,630	$ 10,373,846
Subscription obligations incurred for subscription assets	$ 2,605,184	$ -
Note payable issued for purchase of capital assets	$ 831,975	$ -

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, and emergency 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.

During 2025, the District formed Hunt Regional Health Services Corporation, which is an entity that is to be utilized exclusively for charitable, educational and scientific purposes as defined by the Internal Revenue Code (IRC) and is to be used to assist and otherwise benefit the healthcare activities of the District. This entity did not have any financial activity during 2025.

During 2025, the District acquired the operations of two nursing homes located in the District's service area.

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.

Investments and Investment Income

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

The District also 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*.

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 to 25 years
Buildings	35 to 40 years
Equipment	3 to 5 years
Computer software	3 to 5 years

Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

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, 2025 and 2024.

Compensated Absences

District 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. A liability is accrued for compensated absences as the benefits are earned if the leave is more likely than not to be used for time off or settled in cash.

Compensated absence liabilities are computed using the regular pay and termination pay rates, as applicable, in effect at the balance sheet date plus an additional amount for salary-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 $14,325,000 and $2,383,000 for September 30, 2025 and 2024, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges. Costs increased significantly from 2024 to 2025 due to higher levels of charity care provided.

Property Taxes

The District received approximately 11% of its financial support from property taxes in both 2025 and 2024. These funds were used as follows:

	2025	2024
Percentage used to support operations	85%	84%
Percentage used for debt service on bonds	15%	16%
	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 $1,047,000 and $1,120,000 at September 30, 2025 and 2024, respectively.

The District's property tax rate was $0.170772 and $0.165387 per $100 valuation for 2025 and 2024, respectively, for the maintenance and operation fund. Property tax revenue for this fund was approximately $24,968,000 and $21,399,000 in 2025 and 2024, respectively. The District's property tax rate was $0.029590 and $0.032405 per $100 valuation for 2025 and 2024, respectively, for the interest and sinking fund. Property tax revenue for this fund was approximately $4,327,000 and $4,193,000 in 2025 and 2024, 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 IRC and a similar provision of state law. Medical Partners is exempt from income taxes under Section 501(a) of the IRC. Hunt Regional Medical Services Corporation is exempt from income taxes under Section 501(c)(3) of the IRC. The District, Medical Partners, and Hunt Regional Medical Services Corporation are 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 $331,000 and $401,000 in contributions from the Foundation in 2025 and 2024, respectively, which is included as capital grants and gifts in the accompanying statements of revenues, expenses, and changes 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, 2025 and 2024. 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 (HHSC) 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).

The Waiver was originally effective from December 12, 2011 to September 30, 2016 and extended through December 2017 as HHSC and the Centers for Medicare & Medicaid Services (CMS) negotiated a longer-term extension. On December 21, 2017, HHSC received an approved extension from CMS for the period of January 1, 2018 through September 30, 2022. Among other changes, the approved plan required a change in the methodology used to allocate UC funds and a phase out of the DSRIP program over the five-year period.

On 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 and CHIRP, 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. UHRIP transitioned on August 31, 2021, and CHIRP began on September 1, 2021. CHIRP will require annual approval by CMS, which has been approved through August 31, 2026. Revenue from UHRIP and CHIRP is estimated based on patient claims and known program factors and is recognized as a component of net patient service revenue. Both programs also include additional payment and recoupment provisions based on certain quality measures.

Beginning on September 1, 2024, HHSC provided for a third component to CHIRP, Alternative Participating Hospital Reimbursement for Improving Quality Award (APHRIQA), that provides an additional pay-for-performance component open to urban and children's hospitals.

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.

Beginning in 2025, the District participates in Texas Quality Incentive Payment Program for Nursing Facilities Program (QIPP). This program is directed to encourage transformative efforts in the delivery of nursing facility services, including "efforts to promote a resident-centered care culture through facility design and services provided."

Total revenue recognized from all programs (excluding UHRIP and CHIRP, which are recorded as a component of net patient service revenue) was approximately $10,922,000 and $5,866,000 in 2025 and 2024, 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 $13,544,000 and $5,198,000 at September 30, 2025 and 2024, respectively, which is included as estimated amounts due from third-party payors on the accompanying balance sheets. These balances also include prepaid intergovernmental transfers the District is required to contribute in advance of receiving any gross proceeds under the aforementioned programs.

Funding from the DSH Program and UC Pool is limited to certain costs incurred. At September 30, 2025 and 2024, the District recorded an expected overpayment related to these programs of approximately $0 and $703,000, 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, 2025 and 2024, approximately $235,000 and $1,286,000, respectively, of the District's deposits was not insured or collateralized in accordance with state law.

Investments

The District liquidated its investments during 2025 and investment balances at September 30, 2025 are not material to the financial statements.

The District held the following investments at 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	$ -	$ -

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.

At September 30, 2024, the District's investments in single issuers that represent more than 5% of total investments were Federal Home Loan Bank (FHLB) and Federal Farm Credit Bank (FFCB) and represented 53.9% and 18.4%, respectively, of the District's total investment balances.

Summary of Carrying Values

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

	2025	2024
Carrying value		
Deposits	$ 7,769,062	$ 5,182,618
Investments	-	5,908,525
	$ 7,769,062	$ 11,091,143
Included in the following balance sheets captions		
Cash	$ 6,884,356	$ 2,926,367
Short-term investments	-	1,529,123
Noncurrent cash and investments	884,706	6,635,653
	$ 7,769,062	$ 11,091,143

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, excluding nursing facility patient accounts receivable, consisted of the following at September 30:

	2025	2024
Medicare	$ 8,893,175	$ 16,110,614
Medicaid	5,670,464	10,272,446
Other third-party payors	14,795,066	26,802,306
Patients	63,820,335	115,615,042
	93,179,040	168,800,408
Less allowance for uncollectible accounts	(54,436,000)	(131,225,000)
	$ 38,743,040	$ 37,575,408

Nursing facility patient accounts receivable is primarily owed from Medicare, Medicaid, patients, and other third-party payors.

Note 5. Leases Receivable

The District leases a portion of its office space to various third parties, the terms of which expire in 2026 through 2035. 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, 2025 and 2024 was approximately $675,000 and $441,000, respectively, which includes both lease revenue and interest.

Note 6. Capital, Lease, and Subscription Assets

Capital assets activity for the years ended September 30:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
2025					
Land	$ 4,529,756	$ -	$ -	$ -	$ 4,529,756
Land improvements	4,261,519	-	-	-	4,261,519
Buildings and improvements	145,004,705	1,352,190	-	17,742,808	164,099,703
Equipment	100,512,814	442,340	-	616,754	101,571,908
Construction in progress	15,484,536	10,124,227	-	(18,359,562)	7,249,201
	269,793,330	11,918,757	-	-	281,712,087
Less accumulated depreciation	165,610,432	8,398,004	-	-	174,008,436
Capital assets, net	$ 104,182,898	$ 3,520,753	$ -	$ -	$ 107,703,651
2024					
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

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, 2025 and 2024 represents capital improvements, including several facility expansion projects. The projects will be funded through internally designated investments and future debt issuances. As of September 30, 2025, the District incurred and capitalized approximately $7,249,000 in construction in progress.

Lease assets activity for the years ended September 30:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
2025					
Building	$ 21,238,432	$ 25,236,630	$ (1,004,199)	$ -	$ 45,470,863
Equipment	1,555,120	-	-	-	1,555,120
Other	107,209	-	-	-	107,209
	22,900,761	25,236,630	(1,004,199)	-	47,133,192
Less accumulated amortization	4,481,844	4,258,714	(1,004,199)	-	7,736,359
Lease assets, net	$ 18,418,917	$ 20,977,916	$ -	$ -	$ 39,396,833
2024					
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

Subscription asset activity for the years ended September 30:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
2025					
Subscription-based IT assets	$ 23,448,425	$ 2,605,184	$ (460,299)	$ -	$ 25,593,310
Less accumulated amortization	5,090,429	3,599,082	(460,299)	-	8,229,212
Subscription assets, net	$ 18,357,996	$ (993,898)	$ -	$ -	$ 17,364,098
2024					
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

Note 7. Accounts Payable and Accrued Expenses

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

	2025	2024
Payable to suppliers and contractors	$ 49,831,721	$ 33,128,187
Current portion of temporary funding assistance from Optum*	4,804,025	8,060,976
Payable to employees (including payroll taxes and benefits)	9,146,418	9,771,479
Other payables	1,434,456	-
Accrued interest	538,094	482,305
	$ 65,754,714	$ 51,442,947

*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.

During 2025, the District entered into a payment plan to pay back the advanced funds. Payments of approximately $1,876,000 were made during 2025. Monthly payments of $400,335 are due through December 24, 2026. At September 30, 2025, the remaining balance owed is $6,185,153, of which $4,804,025 is included in accounts payable and the remaining balance is included as other long-term liabilities on the balance sheets.

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 2025 and 2024.

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, 2025 and 2024, 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:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2025					
Long-term debt					
Series 2014	$ 8,210,000	$ -	$ (1,730,000)	$ 6,480,000	$ 615,000
Series 2020	23,365,000	-	(1,335,000)	22,030,000	1,650,000
Series 2023	18,005,000	-	(1,090,000)	16,915,000	1,160,000
Line of credit	-	16,200,000	(1,179,965)	15,020,035	-
Notes payable	7,619,673	831,973	(3,287,250)	5,164,396	2,327,943
	57,199,673	17,031,973	(8,622,215)	65,609,431	5,752,943
Plus bond premium	2,862,525	-	(418,011)	2,444,514	-
Total long-term debt	60,062,198	17,031,973	(9,040,226)	68,053,945	5,752,943
Other long-term liabilities					
Temporary funding assistance – Note 7	8,060,976	-	(1,875,823)	6,185,153	4,804,025
Lease liabilities	19,046,926	25,236,630	(3,336,612)	40,946,944	3,100,620
Subscription liabilities	18,205,912	2,605,184	(3,269,422)	17,541,674	3,190,313
Total other long-term liabilities	45,313,814	27,841,814	(8,481,857)	64,673,771	11,094,958
Total long-term obligations	$ 105,376,012	$ 44,873,787	$ (17,522,083)	$ 132,727,716	$ 16,847,901
2024					
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					
Temporary funding assistance – Note 7	-	8,060,976	-	8,060,976	8,060,976
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	18,434,822	(4,974,843)	45,313,814	13,082,260
Total long-term obligations	$ 80,684,839	$ 37,654,822	$ (12,963,649)	$ 105,376,012	$ 20,513,161

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 $80,000 and $103,000 in 2025 and 2024, 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 $340,000 and $360,000 for the years ended September 30, 2025 and 2024, 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, 2025, 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 was seller financed at 8% for 24 months at $67,705 per month, which commenced in October 2023 and was paid in full during fiscal year 2025.

On August 1, 2025, the District obtained a note payable of $831,973 to fund certain building improvements. Monthly principal and interest payments at 8.0% totaling $11,375 are due through January 1, 2034.

Debt service requirements on the bonds and notes payable are as follows as of September 30, 2025:

		Bonds		Notes Payable	
	Total to Be Paid	Principal	Interest	Principal	Interest
2026	$ 8,220,922	$ 3,425,000	$ 2,271,324	$ 2,327,943	$ 196,655
2027	7,501,342	3,615,000	2,160,924	1,539,550	185,868
2028	6,634,608	3,810,000	2,044,899	709,630	70,079
2029	6,088,350	4,015,000	1,922,611	91,450	59,289
2030	6,171,098	4,235,000	1,799,599	99,286	37,213
2031–2035	24,195,610	19,115,000	4,625,689	396,537	58,384
2036–2040	7,830,150	7,210,000	620,150	-	-
	$ 66,642,080	$ 45,425,000	$ 15,445,196	$ 5,164,396	$ 607,488

Line of Credit

During 2025, the District obtained a line of credit that has $20,000,000 of availability and matured on February 12, 2026. Subsequent to year end, the line of credit was renewed and now matures on February 12, 2027, at which point, any and all outstanding principal, accrued but unpaid interest, is due and payable in its entirety. Under the renewal, the line of credit should only be used as interim financing for intergovernmental transfers associated with the District's participation in Medicaid Waiver and other governmental programs. Interest is due monthly at Term SOFR plus 2.50%. The line of credit is secured by a pledge of certain revenues of the District not otherwise pledged to pay the principal or interest on any of the District's bonds.

The February 2026 renewal contains a clause that "each month, within three business days after the District's receipt of its share of intergovernmental transfer revenue received from the State of Texas programs, related to intergovernmental transfer funded with the line of credit, the District shall make a mandatory prepayment of the line of credit in the amount of 50% of the amount of such revenues received."

The outstanding balance at September 30, 2025 is $15,020,035, all of which is included as long-term debt in the accompanying financial statements.

Lease Liabilities

The District leases equipment and office space, the terms of which expire in various years through 2040. 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, 2025 and 2024, the District recognized approximately $2,145,000 and $1,911,000, 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, 2025:

	Total to Be Paid	Principal	Interest
2026	$ 5,376,862	$ 3,100,620	$ 2,276,242
2027	5,327,173	3,218,515	2,108,658
2028	5,182,468	3,248,008	1,934,460
2029	4,931,433	3,176,211	1,755,222
2030	4,474,999	2,886,840	1,588,159
2031–2035	18,737,258	13,151,624	5,585,634
2036–2040	13,865,074	12,165,126	1,699,948
	$ 57,895,267	$ 40,946,944	$ 16,948,323

Subscription Liabilities

The District has various SBITAs, the terms of which expire in various years through fiscal year 2032. 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, 2025 and 2024, the District recognized approximately $3,612,000 and $4,953,000, 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, 2025:

	Total to Be Paid	Principal	Interest
2026	$ 3,845,688	$ 3,190,313	$ 655,375
2027	3,845,082	3,335,846	509,236
2028	3,085,446	2,702,992	382,454
2029	2,886,701	2,606,744	279,957
2030	2,886,700	2,713,042	173,658
2031–2035	3,055,864	2,992,737	63,127
	$ 19,605,481	$ 17,541,674	$ 2,063,807

Note 10. Defined Contribution Plan

The District contributes to a defined contribution 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 4.2% and 2.2% for 2025 and were 3.6% and 1.9% for 2024.

Contributions actually made by plan members and the District aggregated approximately $5,357,000 and $2,755,592 during 2025 and $4,312,000 and $2,295,000 during 2024, respectively.

Note 11. Disclosures About Fair Value of Assets

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, 2024:

		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)
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			

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, 2025 or 2024.

Note 12. Nursing Home Operations

During 2025, the District entered a series of lease and management agreements with two nursing home operators that resulted in the District becoming the legal operator of two nursing homes. Under the management agreements, the managers provide all services necessary to operate the homes, including employees, supplies, and other operating costs. The managers also provide all billing and collection services. All patient revenue from the facilities is paid to the District. From these collections, the District pays the managers for all facility costs and the management fees pursuant to the agreements. The management agreements have initial terms of two years. The District is obligated to pay a base management fee of 5% of ordinary revenue with potential incentive and quality bonuses of up to 60% of net operating income. However, District payments to the manager are generally limited to the amount of net patient revenue received from the facilities. At its option, the District may pay additional amounts to the manager above the amounts collected for patient revenue.

For 2025, total revenues related to these nursing homes were $8,062,896, which is included as nursing facility revenue on the statements of revenues, expenses, and changes in net position. For 2025, expenses related to these nursing homes were $8,062,896, which is included as nursing facility fees.

Note 13. One Big Beautiful Bill Act

On July 3, 2025, the U.S. Congress enacted the *One Big Beautiful Bill Act* (OBBBA), a comprehensive budget reconciliation law introducing significant changes to federal healthcare programs, tax policy, and energy-related incentives. The legislation includes substantial reductions in Medicaid funding, modifications to provider tax structures, and new eligibility and cost-sharing requirements for Medicaid beneficiaries. The OBBBA has no impact on the results of operations and financial condition as of and for the year ended September 30, 2025. The District is currently evaluating what impact the OBBBA may have on the financial results, cash flows, and financial position for future periods.

Note 14. Subsequent Event

In January 2026, the District issued the Hunt Memorial Hospital District General Obligation Bonds, Series 2026 (Series 2026 Bonds) in the amount of $29,280,000 and a premium of approximately $898,000. The Series 2026 Bonds are direct obligations of the District and are payable from an annual ad valorem tax levied on all taxable property within the District, with the limits prescribed by law. The Series 2026 Bonds are not payable from any of the operating revenues of the District and are not secured by a mortgage of any of the properties of the District. The District reserves the right, at its option, to redeem Series 2026 Bonds having stated maturities on and after February 15, 2041, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Proceeds from the sale of the Series 2026 Bonds will be used to provide funds for purchasing, constructing, acquiring, repairing, renovating, upgrading, updating, modernizing, and equipping buildings or improvements for hospital purposes and to pay certain costs of issuance for the Series 2026 Bonds.

Interest on the bonds accrues from the date of their delivery and is payable on August 15, 2026 and each August 15 and February thereafter until maturity or prior redemption. Principal payments commence in 2028 and continue through 2045.

Debt service requirements on the Series 2026 Bonds are as follows:

	Total to Be Paid	Principal	Interest
2026	$ 868,390	$ -	$ 868,390
2027	1,586,906	-	1,586,906
2028	1,880,344	300,000	1,580,344
2029	2,253,578	695,000	1,558,578
2030	2,648,656	1,130,000	1,518,656
2031–2035	13,538,829	6,785,000	6,753,829
2036–2040	13,532,797	8,675,000	4,857,797
2041–2045	13,533,850	11,695,000	1,838,850
	$ 49,843,350	$ 29,280,000	$ 20,563,350

Note 15. Future Change in Accounting Principle – GASB Statement No. 103, *Financial Reporting Model Improvements (GASB 103)*

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), improves the financial reporting model by standardizing the presentation for various matters within governmental financial statements. The purpose of GASB 103 is to eliminate diversity in practice and improve comparability. Impacted areas include management's discussion and analysis, unusual or infrequent items, definitions, and presentation of operating and nonoperating revenues and expenses, proprietary fund statements and presentation of major component units. While GASB 103 does not impact the timing of recognition and measurement of revenue, it could affect the presentation and geographical location of certain healthcare-specific revenues within the financial statements. The requirements of GASB 103 are effective for the District's fiscal year ending September 30, 2026 and all reporting periods thereafter. Changes are required to be made retroactively to the earliest period presented.