NUECES COUNTY HOSPITAL DISTRICT

Briefing Memo

SUBJECT: Unaudited Financial Statements as of June 30, 2026

PERIOD: Nine Months Ended June 30, 2026

Purpose

To provide the Board of Managers with a general overview of the District's unaudited financial position and operating results through June 30, 2026, with emphasis on overall financial condition, performance relative to budget, liquidity, and significant considerations for the remainder of Fiscal Year 2026.

Overall Financial Position

The District remains in a favorable financial position through the first nine months of Fiscal Year 2026. General Fund revenues are ahead of budget, expenditures remain below budget on a year-to-date basis, and the District continues to maintain substantial cash resources and fund balances.

At June 30, the District reports approximately $207.9 million in combined assets and approximately $182.4 million in combined fund equity. Cash and cash equivalents constitute a substantial portion of the District's assets, providing significant liquidity for ongoing operations, healthcare financing obligations, and other District purposes.

The General Fund balance is approximately $99.6 million, while Special Revenue Fund balances total approximately $68.6 million. These balances provide the District with substantial financial resources as it enters the final quarter of Fiscal Year 2026.

General Fund Performance

General Fund operating results through June are favorable compared with budget. Year-to-date revenues total approximately $124.6 million, while expenditures total approximately $117.8 million.

After operating transfers, the General Fund reports an approximately $7.7 million increase in fund balance through June. This compares favorably with the budget, which anticipated a decrease in fund balance at this point in the fiscal year.

The favorable position reflects a combination of revenues exceeding budget expectations and expenditures remaining below budget overall. Significant contributors include corporate member revenue, investment earnings, tax collections, and the timing of healthcare-related expenditures and intergovernmental transfers.

Intergovernmental Transfers and Expenditure Timing

Intergovernmental transfers continue to represent the District's largest and most variable expenditure category. Because these transfers can be substantial and do not necessarily occur evenly throughout the fiscal year, individual monthly results may differ considerably from budget.

June illustrates this timing effect, with substantial IGT activity producing expenditures considerably higher than the monthly budget. Nevertheless, intergovernmental transfers remain below budget on a year-to-date basis through June.

Accordingly, the District's financial position is better evaluated using cumulative year-to-date results and anticipated payment schedules rather than relying upon the results of an individual month.

Special Revenue Funds

The District's Special Revenue Funds continue to maintain substantial balances. These funds include resources associated with the Tobacco Settlement, Opioid Settlement, and Indigent Care activities.

In the aggregate, Special Revenue Fund balances increased during the first nine months of the fiscal year and totaled approximately $68.6 million at June 30, 2026. Activity within these funds continues to reflect investment earnings, settlement receipts, limited program expenditures, and transfers authorized for District purposes.

Budget Perspective

Through June 30, overall General Fund performance is materially more favorable than the year-to-date budget. Revenue performance has exceeded expectations while expenditures, in the aggregate, remain below budget.

This favorable variance provides additional financial capacity as the District enters the final quarter of the fiscal year. However, a portion of the current variance reflects the timing of revenues and expenditures and should not necessarily be interpreted as a projection of the District's final Fiscal Year 2026 operating result.

Overall Assessment

Based on the unaudited financial statements through June 30, 2026, the District remains in a favorable year-to-date financial position relative to budget, with substantial liquidity and fund balances.

The financial statements indicate that the District has maintained strong financial capacity through the first three quarters of Fiscal Year 2026. The principal consideration during the remaining quarter will be the timing and magnitude of healthcare financing transactions and other expenditures that may affect the year-end position.

Caution Regarding Unaudited Information

The June 30, 2026 financial statements are unaudited interim financial statements. Reported amounts remain subject to normal year-end accruals, reconciliations, reclassifications, and audit adjustments.

Accordingly, the June statements should be viewed as an interim assessment of the District's financial condition and operating performance and not as a projection of final Fiscal Year 2026 results.