

Tarrant County Hospital District

dba JPS Health Network
(A component unit of Tarrant County, Texas)

Combined Financial Statements as of and
for the Years Ended September 30, 2009 and
2008, Other Financial Information as of and
for the Year Ended September 30, 2009, and
Independent Auditors' Report

TARRANT COUNTY HOSPITAL DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Managers of
Tarrant County Hospital District:

We have audited the accompanying combined balance sheets of Tarrant County Hospital District (the "District") as of September 30, 2009 and 2008, and the related combined statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

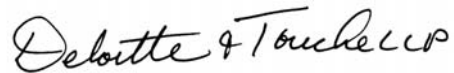
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the District as of September 30, 2009 and 2008, and the combined results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining balance sheet information and combining statement of revenues and expenses information, on pages 35 through 37, are presented for the purpose of additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in our audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

January 14, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Tarrant County Hospital District's (the "District") annual financial report presents background information and our analysis of the District's financial performance during the fiscal year that ended on September 30, 2009. Please read it in conjunction with the financial statements in this report.

FINANCIAL HIGHLIGHTS

- The District's net assets increased by \$ 1.4 million as a result of income including contributions.
- Net operating revenues for the District increased by 2.9%, while operating expenses increased by 15.5%.
- The District made the following significant capital acquisitions during the fiscal year:
 - Renovation of the JPS Professional Office Complex
 - Renovation of 7th Floor
 - Addition of Third OB Operating Room
 - Purchase of CT Scanner for Pavilion
 - Purchase of Back Office Document Imaging System
 - Purchase of Quality/Risk/Case Management Software
 - Replacement of Cooling Tower
 - Purchase of Avalon Fetal Monitors
 - Replacement of Outpatient Pharmacy System
 - Purchase of Video Conferencing Equipment

REQUIRED FINANCIAL STATEMENTS

The basic financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The combined balance sheet includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the combined statement of revenues and expenses and changes in net assets. This statement measures the change in the District's operations over the past two years and can be used to determine whether the District has been able to recover all of its costs through its ad valorem taxes provided, patient service revenue and other revenue sources. The final required financial statement is the combined statement of cash flows. The primary purpose of this statement is to provide information about the District's cash from operating, investing and financing activities, and it provides answers to such questions as where the cash came from, what the cash was used for and what the change in cash balance was during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

The combined balance sheet and the combined statement of revenue and expenses and changes in net assets provide information about the District's activities. These two statements report the net assets of the District and changes in those net assets. Increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors, such as changes in economic conditions, population growth (including uninsured and working poor), taxable property values and tax rates, and new or changed government legislation, should also be considered.

NET ASSETS

A summary of the District's combined balance sheets is presented in Table 1 below:

TABLE 1
Condensed Combined Balance Sheets
(In thousands)

	FY 2009	FY 2008	FY 2007	Dollar Change	Total % Change
Current and other assets	\$ 473,268	\$ 475,261	\$ 451,854	\$ (1,993)	(0.4)%
Capital assets	<u>302,578</u>	<u>308,752</u>	<u>256,450</u>	<u>(6,174)</u>	(2.0)
Total assets	<u>\$775,846</u>	<u>\$ 784,013</u>	<u>\$ 708,304</u>	<u>\$ (8,167)</u>	(1.0)
Current liabilities	\$ 70,650	\$ 76,373	\$ 60,073	\$ (5,723)	(7.5)
Noncurrent liabilities	<u>66,823</u>	<u>70,624</u>	<u>74,741</u>	<u>(3,801)</u>	(5.4)
Total liabilities	<u>137,473</u>	<u>146,997</u>	<u>134,814</u>	<u>(9,524)</u>	(6.5)
Invested in capital assets — net of related debt	238,290	241,846	186,565	(3,556)	(1.5)
Restricted	10,627	17,161	17,257	(6,534)	(38.1)
Unrestricted	<u>389,456</u>	<u>378,009</u>	<u>369,668</u>	<u>11,447</u>	3.0
Total net assets	<u>638,373</u>	<u>637,016</u>	<u>573,490</u>	<u>1,357</u>	0.2
Total liabilities and net assets	<u>\$ 775,846</u>	<u>\$ 784,013</u>	<u>\$ 708,304</u>	<u>\$ (8,167)</u>	(1.0)

As can be seen in Table 1, net assets increased by \$ 1.4 million as a result of income including contributions.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The following table for the fiscal years ended September 30, 2009 and 2008, presents a summary of the District's historical revenues, expenses, and changes in net assets:

TABLE 2
Condensed Combined Statements of Revenues, Expenses, and
Changes in Net Assets
(In thousands)

	<u>Years Ended September 30</u>			Dollar Change	% Change
	2009	2008	2007		
Net patient service revenue — net of bad debts	\$ 228,057	\$ 216,337	\$ 206,669	\$ 11,720	5.4 %
Texas disproportionate share	103,311	110,025	91,980	(6,714)	(6.1)
Contributions and In-Kind Support	1,158	1,465	3,609	(307)	(21.0)
Other revenue	<u>33,990</u>	<u>28,708</u>	<u>21,668</u>	<u>5,282</u>	18.4
Total operating revenue	<u>366,516</u>	<u>356,535</u>	<u>323,926</u>	<u>9,981</u>	2.8
Patient service expenses	630,494	556,150	480,953	74,344	13.4
Depreciation and amortization	<u>36,248</u>	<u>27,092</u>	<u>22,846</u>	<u>9,156</u>	33.8
Total operating expenses	<u>666,742</u>	<u>583,242</u>	<u>503,799</u>	<u>83,500</u>	14.3
Loss from operations	(300,226)	(226,707)	(179,873)	(73,519)	32.4
Ad valorem tax revenue	276,487	257,960	243,225	18,527	7.2
Interest and other income	13,303	22,062	22,944	(8,759)	(39.7)
Tobacco settlement	<u>12,120</u>	<u>10,339</u>	<u>10,363</u>	<u>1,781</u>	17.2
Income before contributions	1,684	63,654	96,659	(61,970)	(97.4)
Contributions received	<u>(327)</u>	<u>(128)</u>	<u>211</u>	<u>(199)</u>	155.5
Change in net assets	<u>1,357</u>	<u>63,526</u>	<u>96,870</u>	<u>(62,169)</u>	(97.9)
Total net assets — beginning	<u>637,016</u>	<u>573,490</u>	<u>476,620</u>	<u>63,526</u>	11.1
Total net assets — end of year	<u>\$ 638,373</u>	<u>\$ 637,016</u>	<u>\$ 573,490</u>	<u>\$ 1,357</u>	0.2 %

The District utilizes the provisions of GASB Statement No. 34 (“GASB 34”), *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*. GASB 34 establishes standards for external financial reporting for all state and local governmental entities, which include a balance sheet; a statement of revenues, expenses, and changes in net assets; and a direct-method statement of cash flows. It requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- ***Invested in Capital Assets — Net of Related Debt*** — This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- ***Restricted Net Assets*** — This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Assets*** — This component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

SOURCES OF REVENUE

Operating Revenue

In fiscal year 2009, the District had total operating revenue of \$ 367 million, which comprised 55% of total revenue received. Operating revenue was composed of 62% from Medicare, Medicaid, and third-party payors for direct patient care; 28% from the Texas Disproportionate Share program to care for uninsured patients; and 10% from cafeteria sales, grants, and other sources.

Non-Operating Revenue

Ad valorem tax revenue increased by \$18.5 million over the prior year, from increased property values and new construction. Interest and other income decreased from the prior year by \$8.8 million. Non-operating revenue comprised 45% of the total revenue received by the District in fiscal year 2009.

Management utilizes various statistics to measure the activity within the District's health facilities. Some of these statistics are presented in Table 3:

**TABLE 3
Selected Statistics**

	Years Ended September 30			Change	% Change
	2009	2008	2007		
Admissions:					
Acute	22,677	22,131	22,250	546	2.5%
NICU	648	630	684	18	2.9
Psych	3,839	2,987	2,289	852	28.5
SNF	295	296	272	(1)	(0.3)
Total admissions	<u>27,459</u>	<u>26,044</u>	<u>25,495</u>	<u>1,415</u>	5.4
Births	<u>6,690</u>	<u>6,541</u>	<u>6,614</u>	<u>149</u>	2.3
Patient days:					
Acute	108,894	106,345	105,871	2,549	2.4
NICU	6,884	6,629	7,972	255	3.8
Psych	19,431	16,333	16,748	3,098	19.0
SNF	5,151	5,227	5,208	(76)	(1.5)
Total patient days	<u>140,360</u>	<u>134,534</u>	<u>135,799</u>	<u>5,826</u>	4.3
Outpatient visits:					
Community health center	637,289	557,166	509,755	80,123	14.4
Emergency room	72,311	60,578	65,146	11,733	19.4
OB triage	13,385	13,546	15,343	(161)	(1.2)
Psych ER	17,546	15,997	15,676	1,549	9.7
Other outpatient	<u>237,698</u>	<u>196,934</u>	<u>162,684</u>	<u>40,764</u>	20.7
Total outpatient visits	<u>978,229</u>	<u>844,221</u>	<u>768,604</u>	<u>134,008</u>	15.9

In fiscal year 2009 and 2008, the District experienced a 5% and 2% increase in admissions, a 2% increase and a 1.1% decrease in births, and a 4% increase and 0.9% decrease in patient days, respectively.

Case mix measures the severity of illness and the expected resources to be utilized in providing patient care services. For fiscal year 2009, the case mix increased to 1.3271 compared to 1.3117 in fiscal year 2008. This increase is primarily attributable to increased cardiology services, increased trauma volumes and the conversion to MS-DRG's.

Outpatient activity increased by 16% in fiscal year 2009. Community health center visits increased by 14%, emergency room visits increased by 19%, and other outpatient visits increased by 21%.

The gross patient revenue for all payor groups increased, except commercial in fiscal year 2009 as illustrated in Table 4 below.

**TABLE 4
Payor Mix**

	Gross Revenue in 000's Years Ended September 30			% Change
	2009	2008	2007	
Medicare	\$ 249,158	\$ 239,672	\$ 218,544	4.0 %
Medicaid	377,251	355,642	349,582	6.1
Commercial	115,871	126,519	143,676	(8.4)
Charity/self-pay	991,571	876,372	777,692	13.1

	Years Ended September 30		
	2009	2008	2007
Medicare	14.4 %	15.0 %	14.7 %
Medicaid	21.8	22.3	23.5
Commercial	6.7	7.9	9.6
Charity/self-pay	57.1	54.8	52.2

OPERATING AND FINANCIAL PERFORMANCE

The following summarizes the Hospital's statement of revenues, expenses, and changes in net assets between fiscal years 2009 and 2008. Increases or decreases refer to the change from fiscal year 2008 to 2009.

Gross patient revenue increased by 8.5%, which was reflective of the increased volume. Net patient revenue increased by 5.4%. The provision for bad debts increased by \$22.8 million over prior year. Charity care increased by \$90 million over the prior year. These increases are reflective of the increased volumes, and improved eligibility screening for the county-sponsored charity program.

Throughout the year, the Texas Coalition of Transferring Hospitals (TCTH) consultants provided updated calculations based on data provided by Health and Human Services Commission (HHSC) related to Disproportionate Share Hospital (DSH) and Upper Payment Limit (UPL) funding. On October 26, 2009, the final calculations were published and recorded. Total DSH/UPL revenue for the network for fiscal year 2009 is \$103.3 million and is comprised of the following:

- For the State fiscal year ended August 31, 2009, net DSH revenue was \$18.8 million and UPL revenue was \$84.5 million.

The fiscal 2009 financial reports reflect the adjustment to the final FY2009 DSH/UPL revenue.

Other operating revenue increased by \$5.5 million primarily related to increases in the amount of donated supplies in fiscal year 2009.

Salaries increased over the prior year by approximately 12%. This increase reflects an increase in the workforce of approximately 11.6% and an increase in the average wage rate of approximately 3.5% due to market increases, increased utilization of overtime, and increased utilization of contract labor. Rate increases were implemented during the year in accordance with the Hospital's approved compensation plan to retain and recruit health care professionals.

Benefit costs increased by approximately 24% for fiscal year 2009. This increase corresponds to the increased salaries expense and an increase in health plan costs of approximately 34% due to an increase in the number of employees.

Purchased services increased by 13% over the prior year. This expense was concentrated in medical services purchased from other providers for county-sponsored patients, fees paid to contracted provider groups for professional fees for sponsored patients and purchased services related to building maintenance and minor facility refurbishments.

Supply costs increased by approximately 12%. This increase was primarily driven by pharmaceutical costs and implant costs. Pharmaceutical cost increases were the result of increased volume, increases in drug prices, and inclusion of the value of donated pharmaceuticals. Implant cost increases were the result of increased volume and interventional cardiology procedures.

The following summarizes the Hospital's statement of revenues, expenses, and changes in net assets between fiscal years 2008 and 2007. Increases or decreases refer to the change from fiscal year 2007 to 2008.

Gross patient revenue increased by 7.3%, which was reflective of the increased volume combined with market-based rate increases. Net patient revenue increased by 5.1%. The provision for bad debts increased by \$25.8 million over prior year. Charity care increased by \$35.6 million over the prior year. These increases are reflective of the increased volumes, rate increases and improved eligibility screening for the county-sponsored charity program and expansion of the program from 200% of Federal Poverty Income Limit to 250% of Federal Poverty Income Limit.

Throughout the year, the Texas Coalition of Transferring Hospitals (TCTH) consultants provided updated calculations based on data provided by Health and Human Services Commission (HHSC) related to Disproportionate Share Hospital (DSH) and Upper Payment Limit (UPL) funding. On September 23, 2008, the final calculations were published and recorded. Total DSH/UPL revenue for the hospital for fiscal year 2008 is \$110 million and is comprised of the following:

- For the State fiscal year 2008, net DSH revenue was \$23.3 million and UPL revenue was \$86.7 million.

The fiscal 2008 financial reports reflect the adjustment to the final FY2008 DSH/UPL revenue.

Other operating revenue increased by \$7.1 million primarily related to increases in the amount of donated supplies in fiscal year 2008.

Salaries increased over the prior year by approximately 19%. This increase reflects an increase in the workforce of approximately 11% and an increase in the average wage rate of approximately 5% due to market increases, increased utilization of overtime, and increased utilization of contract labor. Rate increases were implemented during the year in accordance with the Hospital's approved compensation plan to retain and recruit health care professionals.

Benefit costs increased by approximately 6.5% for fiscal year 2008. This increase corresponds to the increased salaries expense and an increase in retirement plan costs of approximately 11% due to an increase in the required contributions as determined by the actuary due to market conditions and increased participation.

Purchased services increased by 14% over the prior year. This expense was concentrated in medical services purchased from other providers for county-sponsored patients, fees paid to contracted provider groups for professional fees for sponsored patients and purchased services related to building maintenance and minor facility refurbishments.

Supply costs increased by approximately 18%. This increase was primarily driven by pharmaceutical costs and implant costs. Pharmaceutical cost increases were the result of increased volume, increases in drug prices, and inclusion of the value of donated pharmaceuticals. Implant cost increases were the result of increased volume and interventional cardiology procedures.

BUDGET — HOSPITAL ONLY

The Hospital is required to submit a budget to the Tarrant County Commissioners Court for approval. This budget remains in effect for the entire year. Any new or major changes in programs are approved through a business planning process. A comparison of the monthly budget to actual is presented in interim financial statements. Total operating revenue, net of bad debt, for fiscal year 2009 exceeded budget by \$30.1 million. The positive variance was composed of \$(16.5) million from net patient revenue, \$39.3 million from Texas Disproportionate Share funds and \$7.3 million from other operating revenue. Operating expenses were \$56.2 million over budget. Salaries and benefits expense was more than 45% of the variance. Non-operating revenue was greater than budget by \$6.5 million. For the year, the income before contributions was below budget by \$19.6 million.

TABLE 5
Condensed Statements of Revenues and Expenses
Compared to Budget — Hospital Only
(In thousands)

	Actual 2009	Budget 2009	Dollar Change	% Change
Net patient service revenue—net of bad debts	\$ 213,823	\$ 230,323	\$ (16,500)	(7.2)%
Texas disproportionate share	99,782	60,495	39,287	64.9 %
Other revenue	<u>32,926</u>	<u>25,567</u>	<u>7,359</u>	28.8 %
 Total operating revenue	 <u>346,531</u>	 <u>316,385</u>	 <u>30,146</u>	 9.5 %
 Patient service expenses	 614,849	 559,609	 55,240	 9.9 %
Depreciation and amortization	<u>36,245</u>	<u>35,261</u>	<u>984</u>	2.8 %
 Total operating expenses	 <u>651,094</u>	 <u>594,870</u>	 <u>56,224</u>	 9.5 %
 Loss from operations	 (304,563)	 (278,485)	 (26,078)	 9.4 %
 Ad valorem tax revenue	 276,487	 273,387	 3,100	 1.1 %
Interest and other income	13,216	11,631	1,585	13.6 %
Tobacco settlement	<u>12,120</u>	<u>10,300</u>	<u>1,820</u>	17.7 %
 Income before contributions	 <u>\$ (2,740)</u>	 <u>\$ 16,833</u>	 <u>\$ (19,573)</u>	 (116.3)%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Hospital's Board and management considered many factors when preparing the fiscal year 2010 budget. Of primary importance is the status of the economy, both locally and nationally.

The Hospital is anticipating that volumes will continue to increase in fiscal year 2010 from growth in the county and with the addition of new physicians to the Hospital's medical staff. Texas Disproportionate Share funding for fiscal year 2010 was conservatively estimated at \$101 million based on the uncertainty of the distribution formula for UPL funding. Tobacco settlement revenue was budgeted at \$6 million for fiscal year 2010 based on information from the State. Based on the recommendation of the Hospital's Board of Managers, the Commissioners Court set the ad valorem tax rate for fiscal year 2010 to \$0.227897 per \$100 valuation. The rate was unchanged from fiscal year 2009.

The Board of Managers and management continue to monitor and consider many factors that have direct or indirect impact on future operations. These include:

- Tarrant County's population growth, as well as continued growth in the number of uninsured and working poor;
- Workforce shortages, particularly in the areas of nursing; respiratory care therapists; physical, occupational and speech therapists; and medical technologists;
- Continued growth in medical supply and pharmaceutical costs, as well as advances in therapies;

- Continued advances in health care medical equipment and computing technology;
- Access to funds for capital expansion;
- Federal and state government funding for Medicare, Medicaid, Disproportionate Share and Upper Payment Limit programs;
- Unfunded mandates, such as Homeland Security, the Health Insurance Portability and Accountability Act, and the Emergency Medical Treatment and Active Labor Act.

Significant Financial Practices

Tarrant County Hospital District maintains several financial practices designed to maintain its creditworthiness and to position Tarrant County to carry out its defined mission of providing health care to the residents of Tarrant County, as well as its fiduciary responsibility to the taxpayers of Tarrant County. Those practices are as follows:

Assets Limited As To Use

The Board of Managers sets aside funds for both long term stability and capital improvements.

Monthly Financial Reporting

The Board of Managers meets monthly and reviews the financial statements from the prior month. This information is presented to show actual monthly and year-to-date revenues and expenses compared to budget and the prior year. Management provides explanations for significant variances.

Pay-As-You-Go Capital Funding

Tarrant County Hospital District has maintained the practice to fund routine capital items under a pay-as-you-go process. This has been done to minimize borrowing costs as well as maintain financial flexibility. Major construction projects are partially funded by debt obligations.

Budget Process

The operating and capital budgets are proposed by Tarrant County Hospital District management and endorsed by the Board of Managers. Final approval is obtained from the Tarrant County Commissioners Court. The budget remains in effect for the entire fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Tarrant County Hospital District's Financial Offices, 1350 South Main Street, Suite 4000, Fort Worth, TX 76104.

TARRANT COUNTY HOSPITAL DISTRICT

COMBINED BALANCE SHEETS AS OF SEPTEMBER 30, 2009 AND 2008 (In thousands)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 130,701	\$ 88,769
Short-term investments	60,000	126,500
Patient accounts receivable — net of allowance for doubtful accounts of \$106,138 and \$94,462 in 2009 and 2008, respectively	44,217	38,346
Ad valorem taxes receivable — net of allowance for uncollectible taxes of \$8,481 and \$8,258 in 2009 and 2008, respectively	4,194	3,761
Texas disproportionate share program receivable	29,302	10,501
Restricted pledges receivable — net — current portion	395	993
Assets limited as to use — required for current liabilities	6,080	5,253
Due from third-party payors	886	
Supplies inventory	9,964	7,995
Prepaid expenses and other assets	<u>11,082</u>	<u>13,932</u>
 Total current assets	 <u>296,821</u>	 <u>296,050</u>
NONCURRENT ASSETS:		
Restricted cash and investments	5,203	10,023
Restricted pledges receivable — net	<u>611</u>	<u>578</u>
 Total noncurrent assets	 <u>5,814</u>	 <u>10,601</u>
 ASSETS LIMITED AS TO USE — Net of current portion	 <u>170,633</u>	 <u>168,610</u>
 CAPITAL ASSETS — Net of accumulated depreciation	 <u>302,578</u>	 <u>308,752</u>
 TOTAL	 <u>\$ 775,846</u>	 <u>\$ 784,013</u>

(Continued)

TARRANT COUNTY HOSPITAL DISTRICT

COMBINED BALANCE SHEETS AS OF SEPTEMBER 30, 2009 AND 2008 (In thousands)

	2009	2008
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 39,224	\$ 44,345
Accrued payroll and employee benefits	21,744	20,941
Due to third-party payors	200	2,552
Other accrued liabilities	416	485
Current portion of self-insurance and other liabilities	6,154	5,274
Current maturities of long-term debt and capital leases	<u>2,912</u>	<u>2,776</u>
 Total current liabilities	 <u>70,650</u>	 <u>76,373</u>
NONCURRENT LIABILITIES:		
Self-insurance liabilities — less amounts required for current liabilities	3,234	3,861
Other noncurrent liabilities	1,129	1,329
Long-term debt and capital leases — net of current maturities	<u>62,460</u>	<u>65,434</u>
 Total noncurrent liabilities	 <u>66,823</u>	 <u>70,624</u>
 Total liabilities	 <u>137,473</u>	 <u>146,997</u>
 COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS:		
Investment in capital assets — net of related debt	238,290	241,846
Restricted	10,627	17,161
Unrestricted	<u>389,456</u>	<u>378,009</u>
 Total net assets	 <u>638,373</u>	 <u>637,016</u>
 TOTAL	 <u>\$ 775,846</u>	 <u>\$ 784,013</u>

See notes to combined financial statements.

(Concluded)

TARRANT COUNTY HOSPITAL DISTRICT

COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008 (In thousands)

	2009	2008
OPERATING REVENUE:		
Net patient service revenue — net of bad debts	\$ 228,057	\$ 216,337
Texas disproportionate share program	103,311	110,025
Contributions	1,158	1,465
Other operating revenue	<u>33,990</u>	<u>28,708</u>
Total operating revenue	<u>366,516</u>	<u>356,535</u>
OPERATING EXPENSES:		
Salaries and related expenses	325,863	285,042
Purchased services	154,664	137,499
Supplies	129,201	115,160
Depreciation and amortization	36,248	27,092
Other	<u>20,766</u>	<u>18,449</u>
Total operating expenses	<u>666,742</u>	<u>583,242</u>
LOSS FROM OPERATIONS	<u>(300,226)</u>	<u>(226,707)</u>
NONOPERATING REVENUE:		
Ad valorem tax revenue — net	276,487	257,960
Interest and other income	13,303	22,062
Funds from state-related tobacco settlement	<u>12,120</u>	<u>10,339</u>
Total nonoperating revenue	<u>301,910</u>	<u>290,361</u>
INCOME BEFORE CONTRIBUTIONS	1,684	63,654
CONTRIBUTIONS	<u>(327)</u>	<u>(128)</u>
CHANGES IN NET ASSETS	1,357	63,526
NET ASSETS — Beginning of year	<u>637,016</u>	<u>573,490</u>
NET ASSETS — End of year	<u>\$ 638,373</u>	<u>\$ 637,016</u>

See notes to combined financial statements.

TARRANT COUNTY HOSPITAL DISTRICT

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008 (In thousands)

	2009	2008
OPERATING ACTIVITIES:		
Cash received from patients and insurance	\$ 222,186	\$ 219,495
Cash received from Texas disproportionate share program	84,510	109,632
Cash received from other revenue	13,474	10,577
Cash paid to employees	(325,060)	(280,738)
Cash paid to suppliers	(288,966)	(241,221)
Cash paid to others	<u>(427)</u>	<u>(8,194)</u>
Net cash used in operating activities	<u>(294,283)</u>	<u>(190,449)</u>
NONCAPITAL FINANCING ACTIVITIES:		
Funds from state-related tobacco settlement	12,120	10,339
Ad valorem taxes received	276,054	258,066
Change in restricted cash	<u>4,820</u>	<u>(1,500)</u>
Net cash provided by noncapital financing activities	<u>292,994</u>	<u>266,905</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(30,467)	(76,058)
Payments of long-term debt	(1,940)	(1,870)
Payments of capital lease obligations	(835)	(782)
Interest paid on long-term debt	<u>(3,274)</u>	<u>(3,398)</u>
Net cash used in capital and related financing activities	<u>(36,516)</u>	<u>(82,108)</u>
INVESTING ACTIVITIES:		
Purchases of short-term investments	(120,000)	(206,500)
Sales and maturities of short-term investments	186,500	124,775
(Increase) decrease in assets limited as to use	(570)	28,508
Interest and other income	<u>13,807</u>	<u>22,062</u>
Net cash provided by (used in) investing activities	<u>79,737</u>	<u>(31,155)</u>
CHANGES IN CASH AND CASH EQUIVALENTS	41,932	(36,807)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>88,769</u>	<u>125,576</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 130,701</u>	<u>\$ 88,769</u>

(Continued)

TARRANT COUNTY HOSPITAL DISTRICT

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008 (In thousands)

	2009	2008
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Loss from operations	\$ (300,226)	\$ (226,707)
Contributions	(327)	(128)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation and amortization	36,248	27,092
Changes in operating assets and liabilities:		
Patient accounts receivable — net	(5,871)	2,370
Supplies inventory, prepaid expenses, and other assets	881	(8,877)
Texas disproportionate share program receivable	(18,801)	(393)
Accounts payable	(4,301)	11,438
Accrued payroll and employee benefits	803	4,304
Due to third-party payors	(3,238)	72
Other accrued liabilities	(269)	(207)
Restricted pledges receivable	565	1,297
Self-insurance liabilities	253	(710)
	<u>\$ (294,283)</u>	<u>\$ (190,449)</u>
NET CASH USED IN OPERATING ACTIVITIES		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Unrealized gain on investments	<u>\$ 2,280</u>	<u>\$ 2,064</u>
Amounts related to acquisition of capital assets in accounts payable	<u>\$ 1,900</u>	<u>\$ 2,720</u>

See notes to combined financial statements.

(Concluded)

TARRANT COUNTY HOSPITAL DISTRICT

NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity — Tarrant County Hospital District (the “District”) is a political subdivision of the state of Texas and operates a hospital, a psychiatric inpatient facility, a skilled nursing unit, 24 ambulatory health centers, a psychiatric emergency center, an emergency department and designated Level 2 trauma center, three health centers for women, 17 school-based clinics, dental services at six locations, and the JPS Institute for Health Career Development. Additionally, it manages medical care services at the Tarrant County correctional system’s three locations. The District is under the supervision of the Tarrant County Commissioners Court (the “Court”) and is governed by an 1-member Board of Managers (the “Board”) appointed by the Court. For this reason, the District is considered to be a component unit of Tarrant County, Texas (the “County”) and is included as a discretely presented component unit in the basic statements of the County. The District is exempt from federal income taxes.

JPS Physician Group (JPSPG) began operations in July 2003 primarily for the purpose of providing physician services to District patients. The District is the sole corporate member of JPSPG and, as such, has the authority to exercise significant control over the financial operations of JPSPG. The blended component unit financial statements of JPSPG as of September 30, 2009 and 2008, include total assets, excluding receivables from affiliates, of \$ 15,650,000 and \$10,562,000, respectively; and total liabilities, excluding payables to affiliates, of \$ 5,020,000 and \$4,101,000, respectively. JPSPG’s excess of revenues over expenses totaled approximately \$3,995,000 and \$6,943,000 for the years ended September 30, 2009 and 2008, respectively.

Partners Together for Health (“Partners”), formerly Tarrant County Hospital District Charitable Health Foundation, was formed on August 4, 1997, solely to support and benefit scientific, educational, and charitable activities conducted by the District. Partners is a nonprofit organization whose purpose is to perform services on behalf of District including organizing fund-raising activities, providing patient assistance programs, participating in recruiting functions, and conducting administrative services. The blended component unit financial statements of Partners for the years ended September 30, 2009 and 2008, include total assets, excluding receivables from affiliates, of \$ 5,472,000 and \$11,161,000, respectively; and total liabilities, excluding payables to affiliates, of \$ 1,063,000 and \$237,000, respectively. Partners’ excess of revenues over expenses totaled approximately \$(6,357,000) and \$857,000 for the years ended September 30, 2009 and 2008, respectively. Included within restricted cash and investments is a corpus of \$2.25 million held by Partners. Interest income from the holdings is used for the benefit of needy and indigent residents of Tarrant County.

All material intercompany accounts and transactions have been eliminated in the combined financial statements.

The District’s combined financial statements include the activities of the District as set forth above. There are no significant organizations for which the District is financially accountable or for which the District is not accountable, but for which the nature and significance of their relationship is such that exclusion from the District’s combined financial statements causes a misleading or incomplete presentation.

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 amounts reported in the financial statements and accompanying notes. Amounts subjected to such estimates include reserves for patient accounts receivable, third-party settlements, and self-insurance liabilities. Actual results could differ from those estimates.

Proprietary Fund Accounting — The District utilizes the proprietary fund method of accounting, whereby revenues and expenses are recognized on the accrual basis. Substantially, all revenues and expenses are subject to accrual.

Accounting Standards:

Basis of Presentation — Under the provisions of the American Institute of Certified Public Accountants “Audit and Accounting Guide, Health Care Organizations” (the “Guide”), the District is considered a governmental organization and is subject to the pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Method of Accounting — The District utilizes the provisions of GASB Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*. GASB Statement No. 34 establishes standards for external financial reporting for all state and local governmental entities, which include a balance sheet; a statement of revenues, expenses, and changes in net assets; and a direct-method statement of cash flows. It requires the classification of net assets into three components: invested in capital assets — net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in Capital Assets — Net of Related Debt — This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets — This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

The estimated fair values of restricted net assets as of September 30, 2009 and 2008, consist of the following:

	2009	2008
Restricted cash-donor restricted funds — cash and cash equivalents	\$ 3,061	\$ 9,255
By trustee under bond indenture agreements — cash and cash equivalents	4,238	4,584
Unexpended bond proceeds — cash and cash equivalents	1,078	1,072
Permanently restricted endowment — cash, cash equivalents, and investments	<u>2,250</u>	<u>2,250</u>
Total	<u>\$ 10,627</u>	<u>\$ 17,161</u>

Unrestricted Net Assets — This component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets — net of related debt.

Pollution Remediation — The District purchased the former St. Joeseph’s hospital located adjacent to the Patient Pavillion which has been vacant for several years. In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the District has recorded a pollution remediation liability of \$3,551,000 at September 30, 2009. This liability was calculated by determining the total number of square feet requiring remediation and applying a current cost factor as provided by qualified contractors to determine the estimated cost of remediation. This liability is an estimate and subject to change from price increases or reductions, or changes in applicable laws and regulations.

Cash and Cash Equivalents, Assets Limited as to Use, and Investments — Cash and cash equivalents include short-term investments, certificates of deposit, and U.S. government-sponsored securities with original maturities of 90 days or less.

Short-term investments primarily include government securities with initial maturities of 91 days to one year. Restricted cash and investments primarily include government securities.

Certain amounts of the District’s assets are limited as to use under bond indenture agreements and by designation of the Board. These assets are invested in cash equivalents and certificates of deposit, U.S. Treasury notes or bonds, commercial paper, and various securities of U.S. government-sponsored entities. See Note 5 regarding risks associated with these investments.

Assets limited as to use and short-term and restricted investments are reported at fair value. The fair value of these investments is generally based on quoted prices on national exchanges. Investment income and the net increase (decrease) in the fair value of investments are reported as nonoperating revenue.

Capital Assets — Capital asset acquisitions are recorded at cost. Property and equipment donated for District operations are recorded at the estimated fair value at the date of the donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Capital assets are defined as items with an acquisition cost of at least \$1,000 and an estimated useful life of two years or longer.

Equipment under capital leases is amortized on the straight-line basis over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the combined financial statements (see Note 7).

Supplies Inventory — Supplies inventory consists primarily of pharmaceuticals and medical supply items and is stated at cost determined based on either current acquisition cost or last acquisition cost.

Restricted Funds — Restricted funds are used to differentiate resources, the use of which is restricted by donors, from resources on which the donor places no restriction, or which result from the operation of the District. Restricted contributions are accounted for as additions to restricted funds. Resources restricted by donors for specific operating purposes are held as restricted funds until expended for the intended purpose, at which time they are reported as other operating revenue.

Net Patient Service Revenue — Net patient service revenue is reported at estimated net realizable amounts from patients; third-party payors; and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Amounts estimated as bad debt are recorded as reductions to net patient service revenue. Net patient service revenue increased approximately \$2,089,000 in 2009 and decreased approximately \$1,000,000 in 2008 as a result of final settlements related to open cost report appeals.

Patient Accounts Receivable — Patient accounts receivable are stated at estimated net realizable value and collateral is generally not required. Receivables from government programs (primarily, Medicare and Medicaid) represent a 50% concentrated group of credit risk for the District in 2009 (43% in 2008). Other receivables consist of receivables from various payors, including individuals and insurance companies involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the District. Furthermore, management continually monitors and adjusts its reserves and allowances associated with these receivables.

Tobacco Settlement Revenue — Tobacco settlement revenue is the result of a settlement between various counties and hospital districts in Texas and the tobacco industry for tobacco-related health care costs. During the years ended September 30, 2009 and 2008, the District received approximately \$12.1 million and \$10.3 million, respectively, related to the settlement. The funding from the tobacco industry is to offset indigent health care costs of local governments.

Charity Care — The District provides care without charge to patients who meet certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue (see Note 11).

Health Insurance Program Reimbursement — Net patient service revenue of \$228 million and \$216 million for the years ended September 30, 2009 and 2008, respectively, includes amounts from the Medicare and Medicaid programs of approximately 48% and 56% in 2009 and 2008, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. The District believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

Medicare cost reports for all years before 2007, except for the year ended September 30, 2004, have been audited and settled as of September 30, 2009. Medicaid cost reports have been audited and settled for all years before 2004 as of September 30, 2009.

Compensated Absences — The District accrues an estimated liability for compensated absences as they are earned by employees based on the District’s policy. The District’s liability related to compensated absences was \$12.6 million and \$11.2 million as of September 30, 2009 and 2008, respectively, and is recorded in the combined financial statements in accrued expenses and accrued liabilities.

Pharmaceutical Costs — The District participates in replacement pharmaceutical programs on behalf of patients who enroll and meet eligibility requirements of these programs.

Statements of Revenues, Expenses, and Changes in Net Assets — For purposes of display, transactions deemed by management to be ongoing, major, and/or central to the provision of health care services and deemed to be exchange transactions are reported as operating revenue and expenses. Management has classified ad valorem tax revenue as nonoperating revenue, since it meets the definition of a nonexchange transaction, a transaction in which an entity gives/receives value to/from another entity without directly receiving/giving equal value in exchange.

The District reports revenue directly associated with the activities of the District or the furtherance of its purpose as other operating revenue. The elements of other operating revenue for the years ended September 30, 2009 and 2008, are as follows (in thousands):

	2009	2008
Donated supplies	\$ 19,981	\$ 17,258
Interlocal revenue	2,200	2,200
Grants	7,804	6,494
Cafeteria sales	763	551
Other	<u>3,242</u>	<u>2,205</u>
Total other operating revenue	<u>\$ 33,990</u>	<u>\$ 28,708</u>

2. AD VALOREM TAX REVENUE

Ad valorem taxes are levied by the District and are due on October 1 of each year based on the preceding May 1 assessed property values. This tax revenue, net of provisions for estimated uncollectible taxes, is recorded under the accrual basis of accounting, which results in the recognition of this revenue when it is assessed, subject to a reserve for uncollectible taxes. Management calculates an estimate of the unpaid tax levy deemed collectible within the next three years. The balance of the unpaid levy is reserved as uncollectible taxes.

The District’s ad valorem tax rate was \$0.226314 and \$0.22858838 per \$100 valuation for the maintenance and operation fund as of September 30, 2009 and 2008, respectively, and \$0.001583 and \$0.00180862 per \$100 valuation for the interest and sinking fund as of September 30, 2009 and 2008, respectively. Ad valorem tax revenue — net totaled \$276.5 million and \$258.0 million in 2009 and 2008, respectively.

3. LONG-TERM DEBT

Long-term debt (including capital lease obligations) as of September 30, 2009 and 2008, consists of the following (in thousands):

	2009	2008
Revenue bonds, series 2002 — gross of unamortized premium of \$50, bearing interest at rates ranging from 2% to 5.5%, payable annually with remaining installments ranging from \$1,210 to \$2,790 from 2010 through 2027; gross revenue, excluding ad valorem tax revenue, is pledged as collateral; proceeds were used to construct the health center for women and the public health facility	\$ 33,920	\$ 35,121
Certificate of obligation bonds, series 2006 — gross of unamortized premium of \$40, bearing interest at rates ranging from 4% to 4.65%, payable annually beginning September 30, 2008, with installments ranging from \$810 to \$2,025 from 2010 through 2031; gross revenue, including ad valorem tax revenue, is pledged as collateral; proceeds were used for a patient tower and parking garage for the District	28,850	29,651
Capital lease obligations — issued in 1997 and expiring at various dates through 2012; average effective interest rates of approximately 6.65%, carrying value of leased equipment at September 30, 2009, of approximately \$6,109	<u>2,602</u>	<u>3,438</u>
	65,372	68,210
Less current maturities	<u>2,912</u>	<u>2,776</u>
Long-term debt — net of current maturities	<u>\$ 62,460</u>	<u>\$ 65,434</u>

The various bond indentures contain compliance covenants and require the District to maintain a sinking fund for principal and interest payments. The District is in compliance with such covenants and sinking fund requirements as of September 30, 2009.

The progression of long-term debt for the years ended September 30, 2009 and 2008, is as follows (in thousands):

	2009	2008
Beginning balance	\$ 68,210	\$ 70,924
Principal payments	(2,776)	(2,652)
Amortization of premium	<u>(62)</u>	<u>(62)</u>
	<u>\$ 65,372</u>	<u>\$ 68,210</u>

Scheduled repayments on long-term debt and payments on capital lease obligations in fiscal years subsequent to September 30, 2010, are as follows (in thousands):

Years Ending September 30	Interest	Long-Term Debt	Capital Lease Obligations	Total
2010	\$ 2,991	\$ 2,020	\$ 1,043	\$ 6,054
2011	2,911	2,095	1,043	6,049
2012	2,826	2,180	783	5,789
2013	2,737	2,265		5,002
2014	2,625	2,385		5,010
2015–2019	11,234	13,790		25,024
2020–2024	7,429	17,585		25,014
2025–2029	2,759	16,400		19,159
2030–2032	186	3,960		4,146
	<u>35,698</u>	<u>62,680</u>	<u>2,869</u>	<u>101,247</u>
Unamortized premiums and amounts representing interest on capital lease obligations		<u>90</u>	<u>(267)</u>	<u>(177)</u>
Total	<u>\$ 35,698</u>	<u>\$ 62,770</u>	<u>\$ 2,602</u>	<u>\$ 101,070</u>

Interest costs capitalized during 2009 and 2008 were \$ 410,296 and \$3,589,842, respectively.

4. ASSETS LIMITED AS TO USE

Assets limited as to use under debt indenture agreements include amounts received under debt agreements to be used for capital expenditures and required debt reserves related to the repayment of debt to bondholders.

The Board designates certain funds to be used to meet debt covenant requirements, increase access to health care within the community, satisfy self-insurance liabilities, and fund future expansion. Assets available to satisfy current liabilities for self-insurance and debt service have been classified as current assets in the accompanying combined balance sheets.

On October 12, 2006, the Board designated that the health care fund be increased to \$120.2 million to preserve funds necessary to meet days cash-on-hand requirements in accordance with current debt covenants. In addition, \$29.4 million was designated to fund future facility renovations.

The District's investments are restricted by law to the investments permitted by the Texas Public Funds Investment Act.

Assets limited as to use as of September 30, 2009 and 2008, consist of the following (in thousands):

	2009	2008
By Board to meet debt covenant requirements:		
Cash and short-term investments	\$ 30,580	\$ 8,048
U.S. agency obligations	<u>64,810</u>	<u>85,132</u>
	<u>95,390</u>	<u>93,180</u>
By Board for access, program development, and to meet debt covenants — U.S. agency obligations	<u>29,400</u>	<u>29,400</u>
By Board for new patient tower — cash and short-term investments	<u> </u>	<u>286</u>
By Board for future renovations — cash and short-term investments	<u>29,002</u>	<u>29,011</u>
Under indenture agreements — cash and short-term investments	<u>5,316</u>	<u>5,663</u>
By Board for self-insurance liabilities:		
Cash and short-term investments	564	504
U.S. agency obligations	<u>16,881</u>	<u>15,660</u>
	<u>17,445</u>	<u>16,164</u>
By Board for expansion — cash and short-term investments	<u>160</u>	<u>159</u>
	176,713	173,863
Less amounts required for current liabilities included in current assets	<u>6,080</u>	<u>5,253</u>
Assets limited as to use — less amounts required for current liabilities	<u>\$ 170,633</u>	<u>\$ 168,610</u>

5. INVESTMENTS

As of September 30, 2009 and 2008, the District had investments as follows (dollars in thousands):

Investment Type	2009		2008	
	Fair Value	Weighted-Average (Years)	Fair Value	Weighted-Average (Years)
Money market funds	\$ 12,920	0.00	\$ 12,591	0.00
Investment pools	137,343	0.13	103,069	0.11
Certificates of deposit	110,000	0.73	151,500	0.37
Discount notes			296	0.28
Corporate obligations	916	1.52	444	0.20
Municipal bonds	195	18.06	300	14.67
U.S. Treasury notes	151	0.13	155	1.14
U.S. government-sponsored entities — debt securities	<u>111,092</u>	2.72	<u>130,800</u>	3.16
Total fair value of investments	372,617		399,155	
Amounts classified as short-term investments	(60,000)		(126,500)	
Amounts classified as cash, restricted cash, and investments	<u>(135,904)</u>		<u>(98,792)</u>	
Amounts classified as assets limited as to use and restricted	<u>\$ 176,713</u>		<u>\$ 173,863</u>	
Portfolio weighted-average maturity	<u>1.09</u>			

Interest Rate Risk — The District manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted-average maturity method. The District manages its investments in accordance with its investment policy, which requires a weighted-average maturity of five years or less. The District’s investments in U.S. governmental-sponsored entities include fixed-rate notes and bonds with a weighted-average maturity of three years. The longer the maturity of a fixed-rate bond or note, the greater the impact a change in interest rates will have on its fair value. As interest rates increase, the fair value of the notes and bonds decrease. Likewise, when interest rates decrease, the fair value of the notes and bonds increase.

Credit Risk — The District’s policy is to limit its investments to U.S. government securities and securities issued by U.S. government-sponsored entities or otherwise follow the restrictions of the Texas Public Funds Investment Act. The District’s investments in U.S. Treasury notes carry the explicit guarantee of the U.S. government. The debt securities of the U.S. government-sponsored entities are rated AAA by Standard & Poor’s rating agency.

The District also invests in the Texas Local Government Investment Pool (“TexPool”), a public funds investment pool created by the Treasurer of the State of Texas acting by and through the Texas Treasury Safekeeping Trust Company, which is empowered to invest funds and act as a custodian of investments purchased with District investment funds. The District has an undivided beneficial interest in the pool of assets held by TexPool. These investments and deposits are fully insured by federal depository insurance or collateralized by securities held in the name of Texas Treasury Safekeeping Trust Company, the entity that created 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 fair value of the position in these pools is the same as the value of the shares in each pool. TexPool is rated as an AAA money market fund by Standard & Poor’s.

The District also invests in certificates of deposit. These Certificates of Deposit are fully collateralized by the various financial institutions.

Concentration of Credit Risk — The District places no limit on the amount the District may invest in any one issuer as long as the restrictions of the Texas Public Funds Investment Act are followed. For fiscal year 2009, more than 5% of the District’s investments are in Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank obligations, at 21.9%, 51.1%, 10.2%, and 11.9%, respectively.

Custodial Credit Risk — For an investment, this is the risk that, in the event of the failure of the counterparty, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District’s \$111.1 million investment in U.S. Treasury notes and debt securities of U.S. government-sponsored entities, \$94.2 are held in a safekeeping account. The remaining \$16.9 million are held in various trust accounts.

Interest and other income for the years ended September 30, 2009 and 2008, are detailed as follows:

	2009	2008
Interest income	\$ 13,346	\$ 19,326
Unrealized gain on investments	<u>2,280</u>	<u>2,064</u>
	15,626	21,390
Interest expense	(2,784)	272
Other income	<u>461</u>	<u>400</u>
Total interest and other income	<u>\$ 13,303</u>	<u>\$ 22,062</u>

6. DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2009 and 2008, the carrying amount of the District’s deposits with financial institutions was \$7.2 million and \$6.9 million, respectively, and the bank balance was \$13.9 million and \$11.1 million, respectively. The difference is primarily due to outstanding checks as of September 30, 2009 and 2008. Of the bank balance at September 30, 2009 and 2008, \$13.9 million and \$11.1 million, respectively, was covered by federal depository insurance and securities pledged in the District’s name. Custodial risk is the risk that in the event of a bank failure, the District’s deposit may not be returned to it. As a result of the pledging of additional securities by the custodian bank in the District’s name, the District does not have any custodial risk as of September 30, 2009 and 2008.

	2009	2008
Amount insured by the FDIC and SPIC	\$ 250	\$ 100
Amount collateralized with securities held by the pledging financial institution’s trust department in the District’s name	<u>13,605</u>	<u>10,982</u>
Total bank balance	<u>\$ 13,855</u>	<u>\$ 11,082</u>

7. CAPITAL ASSETS

Capital assets as of September 30, 2009 and 2008, consist of the following (in thousands):

	2009	2008
Land and land improvements	\$ 45,788	\$ 43,789
Buildings and improvements	224,182	217,700
Fixed equipment	126,282	116,459
Major movable equipment	<u>178,879</u>	<u>159,114</u>
	575,131	537,062
Accumulated depreciation and amortization	<u>(280,946)</u>	<u>(245,644)</u>
	294,185	291,418
Construction in progress	<u>8,393</u>	<u>17,334</u>
Net capital assets	<u>\$ 302,578</u>	<u>\$ 308,752</u>

As of September 30, 2009, the remaining commitments on construction contracts and agreements approximated \$ 5.2 million.

The progression of capital assets for the years ended September 30, 2009 and 2008, is outlined as follows (dollars in thousands):

	Estimated Useful Life in Years	2007	Additions/ Transfers	Disposal/ Retirements	2008	Additions/ Transfers	Disposal/ Retirements	2009
Land and improvements	-	\$ 30,247	\$ 13,541	\$ -	\$ 43,788	\$ 2,308	\$ (308)	\$ 45,788
Buildings and improvements	8-40	176,782	40,918		217,700	6,914	(432)	224,182
Moveable and fixed equipment	3-15	<u>198,103</u>	<u>77,685</u>	<u>(215)</u>	<u>275,573</u>	<u>30,333</u>	<u>(745)</u>	<u>305,161</u>
		405,132	132,144	(215)	537,061	39,555	(1,485)	575,131
Less accumulated depreciation and amortization		<u>(218,634)</u>	<u>(27,224)</u>	<u>214</u>	<u>(245,644)</u>	<u>(36,371)</u>	<u>1,069</u>	<u>(280,946)</u>
		186,498	104,920	(1)	291,417	3,184	(416)	294,185
Construction in progress		<u>69,952</u>	<u>(52,617)</u>		<u>17,335</u>	<u>(8,942)</u>		<u>8,393</u>
Capital assets — net		<u>\$ 256,450</u>	<u>\$ 52,303</u>	<u>\$ (1)</u>	<u>\$ 308,752</u>	<u>\$ (5,758)</u>	<u>\$ (416)</u>	<u>\$ 302,578</u>

8. PLEDGES RECEIVABLE

Pledges receivable as of September 30, 2009, are expected to be as follows (in thousands):

	2009	2008
Less than one year	\$ 473	\$ 993
One to five years	<u>696</u>	<u>995</u>
Total pledges receivable	1,169	1,988
Less discount to net present value	(33)	(219)
Less allowance for uncollectible	<u>(130)</u>	<u>(198)</u>
Net pledges receivable	<u>\$ 1,006</u>	<u>\$ 1,571</u>

Pledges receivable expected to be received in more than one year are discounted at 3.5%.

9. COMMITMENTS AND CONTINGENCIES

The District has no significant multiple-year operating lease commitments. Total rental expense incurred was \$5.2 million and \$4.6 million for fiscal 2009 and 2008, respectively, and is included in operating expenses.

The District is self-insured for professional and general liability, health insurance, and workers' compensation 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 in the aggregate for each occurrence. The District has purchased an insurance policy from a commercial carrier for workers' compensation claims exceeding \$500,000 per occurrence and \$1,000,000 in the aggregate for the period from June 1, 2008 through May 31, 2009. The District renewed the policy on June 1, 2009.

Self-insurance reserves for professional and general liability are estimated for asserted and unasserted claims based on the District's historical experience, the opinion of legal counsel, and the actuarial determination rendered by certified actuaries. Professional and general liability reserves totaled \$1.3 million and \$2.1 million at September 30, 2009 and 2008, respectively. It is the opinion of management that the estimated reserves at September 30, 2009, are adequate to provide for potential losses resulting from pending or threatened litigation and asserted and unasserted claims.

Self-insurance reserves for workers' compensation and health insurance represent management's estimate of losses and claims incurred based on the District's loss history and actuarial valuations. Workers' compensation and health insurance reserves totaled \$7.9 million and \$7.0 million at September 30, 2009 and 2008, respectively, and are included in self-insurance liabilities. Claims paid related to workers' compensation and health insurance during 2009 and 2008 totaled approximately \$32.4 million and \$25.9 million, respectively. Expense related to workers' compensation and health insurance totaled approximately \$33.4 million and \$25.1 million during 2009 and 2008, respectively.

The District has been named in legal actions alleging failure to exercise due professional care and other matters. The claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents occurring through September 30, 2009, that may result in the assertion of additional claims, and other claims may be asserted arising from incidents occurring in the past. The District receives inquiries from outside organizations from time to time regarding various government health program issues. Certain reviews are currently in process; however, management does not believe these will have any significant impact on the District's financial position or results of operations.

The progression of self-insured liabilities for the years ended September 30, 2009 and 2008, is as follows (in thousands):

	Beginning of Fiscal Year Liability	Current- Year Expense	Claim Payments	Balance — Fiscal Year End
Employee health claims:				
2008	\$ 4,007	\$ 24,631	\$ 24,774	\$ 3,864
2009	3,864	32,672	31,666	4,870
Workers' compensation claims:				
2008	3,773	510	1,148	3,135
2009	3,135	728	753	3,110
Professional and general liability:				
2008	2,021	247	154	2,114
2009	2,114	(643)	138	1,333

10. TEXAS DISPROPORTIONATE SHARE PROGRAM

In response to the growing number of uninsured patients, urban violence, drug abuse, and the rising costs of health care, the Texas Legislature established the Texas Medicaid Disproportionate Share III Program ("Dispro III") effective July 30, 1991. The program was designed to assist those facilities serving the majority of the indigent patients by providing funds supporting increased access to health care within the community. Dispro III allows the Texas Department of Human Services to levy assessments from certain hospitals, use the assessed 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. The program expired in June 1994; however, the Texas Legislature enacted a similar program that extends indefinitely, although it could be discontinued at any time. During 2009 and 2008, the District recorded revenues of \$103 million and \$110 million, respectively, from Texas Disproportionate Share programs (primarily, Dispro III).

11. NET PATIENT SERVICE REVENUE

The composition of net patient service revenue for the years ended September 30, 2009 and 2008, is as follows (in thousands):

	2009	2008
Patient services provided:		
Inpatient services	\$ 840,857	\$ 824,782
Outpatient services	<u>870,490</u>	<u>755,254</u>
	1,711,347	1,580,036
Charges forgone for charity care	<u>610,287</u>	<u>519,811</u>
Total patient service revenue	1,101,060	1,060,225
Deductions from revenue for contractual allowances	593,760	587,435
Bad debt expense	<u>279,243</u>	<u>256,453</u>
Net patient service revenue	<u>\$ 228,057</u>	<u>\$ 216,337</u>

12. BENEFIT PLANS

Pension Plan Description — The District sponsors a defined benefit pension plan for eligible employees within a multiple-employer retirement program sponsored for member hospitals by the Texas Hospital Association (THA). HealthShare/THA, a wholly owned subsidiary of THA, is the plan administrator of this pension plan. The plan's assets are invested as a portion of THA's master pension trust fund. The plan provides retirement, death, and disability benefits. Amendments to the plan are made only with the authority of the District's Board. A stand-alone financial report of the plan master trust and an annual actuarial valuation report are available from the District or from HealthShare/THA. That report may be obtained by writing HealthShare/THA at Post Office Box 15587, Austin, TX 78761-5587.

Funding Policy — The Board of the District has the sole authority to establish or amend the obligations to contribute to the plan by participants or the employer. The plan has paid the annual required contribution at September 30, 2009.

Plan members are required to annually contribute 1% of their compensation. Effective October 1, 2006, participation in the pension plan became mandatory for full-time employees completing one year of service on or after October 1, 2006. The District makes contributions, which are actuarially determined, to pay the plan's total cost (determined as a level percentage of total participant compensation) less the projected employee contributions. The District contributes amounts for each plan year that equal the amount that is actuarially determined through an annual actuarial valuation. This amount is the normal cost using the aggregate actuarial cost method. The employer contributions were 6.9% of estimated participant compensation for the plan year ended September 30, 2009 (7.0% in 2008). The costs of administering the plan are paid by the plan and are considered in the determination of the employer contribution rate.

Annual Pension Cost — The District’s annual pension cost was \$9.7 million and \$8.9 million in 2009 and 2008, respectively, the same as the annual required contributions determined in the October 1, 2008 and 2007, actuarial valuations, respectively. There is no existing net pension obligation.

The required contributions for the plan year ended September 30, 2009, were based on the results of the actuarial valuation as of October 1, 2008, using the aggregate actuarial cost method and were in compliance with the GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, parameters. The actuarial assumptions included (a) an 8% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.5% to 8.0% per year varying by attained age. Both (a) and (b) included an inflation component of 4%. The assumptions did not include any postretirement benefit increases. The actuarial value of plan assets was determined using a five-year smoothed market value method, which approximates fair value. There is no unfunded actuarial liability to be amortized or an amortization period with the aggregate actuarial cost method.

Other Benefit Plans — The District has an Internal Revenue Code (IRC) Section 401(a) plan that includes an employer match calculated as 50% of an employee’s contribution up to 4% of pay. The contributions for the employer match on the plan were approximately \$3,368,000 and \$2,880,000 for the years ended September 30, 2009 and 2008, respectively. These amounts are included in salaries and related expenses in the combined financial statements.

In addition, the District offers its employees a tax-deferred annuity plan created in accordance with IRC Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. All amounts of compensation deferred under the plan and income attributable to those amounts are solely the property of the employee. Thus, the plan amounts are not reported in the combined financial statements.

In addition, the District offers its employees a tax-deferred annuity plan created in accordance with IRC Section 403(b). The plan, available to all District employees, permits them to defer a portion of their salary until future years. All amounts of compensation deferred under the plan and income attributable to those amounts are solely the property of the employee. Thus, the plan amounts are not reported in the combined financial statements.

The District has a Governmental Excess Benefit Arrangement Plan for executives approved by the Board; this plan is to provide participants in the defined benefit plan that portion of a participant’s benefits that would otherwise be payable under the terms of the defined benefit plan, except for the limitations on benefits imposed by Section 415(b) of the IRC. As of September 30, 2009 and 2008, total benefits due under this plan were \$0 and \$233,000, respectively.

The District has an incentive compensation plan for management personnel annually designated by the Board of the District; the designated individuals are eligible for various levels of incentive compensation based on critical success factors annually agreed to by the Board. The combined financial statements include approximately \$0 and \$2,810,000 for the years ended September 30, 2009 and 2008, respectively, for the incentive compensation plan expense.

13. RELATED-PARTY TRANSACTIONS

The District sponsors the Texas Health Facilities Development Corporation (“Development”). Development is a nonprofit corporation organized for the purpose of evaluating proposed health care projects and issuing bonds payable solely from revenues of the borrower. Development has no significant assets or employees. Development has no taxing authority, and neither the District nor the State of Texas nor any political subdivision is obligated to pay the bonds. Development’s activities are

insignificant and have been excluded from the accompanying combined financial statements. The District has not recorded any nonoperating revenue in fiscal years 2009 and 2008 related to funds received from Development to be used for the purchase of capital assets.

14. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the District in estimating the fair value of its financial instruments:

Cash and Cash Equivalents — The carrying amount reported in the combined balance sheets for cash and cash equivalents approximates fair value.

Short-Term Investments, Assets Limited as to Use, and Restricted Investments — The fair value of investments is determined primarily by quoted market prices.

Accounts Payable, Accrued Payroll and Employee Benefits, and Other Accrued Liabilities — The carrying amount reported in the combined balance sheets for accounts payable, accrued payroll, and employee benefits and other accrued liabilities approximates fair value.

Estimated Third-Party Payor Settlements — The carrying amount reported in the combined balance sheets for estimated third-party payor settlements approximates its fair value.

Self-Insurance Liabilities — The carrying amount reported in the combined balance sheets for contingent professional liabilities approximates its fair value.

Long-Term Debt — The fair value of the District's long-term debt is estimated using discounted cash flow analyses, based on the District's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the District's financial instruments as of September 30, 2009 and 2008, are as follows (in thousands):

	2009		2008	
	Carrying Amount	Approximate Fair Value	Carrying Amount	Approximate Fair Value
Cash and cash equivalents	\$ 130,701	\$ 130,701	\$ 88,769	\$ 88,769
Short-term investments	60,000	60,000	126,500	126,500
Restricted cash and cash equivalents	3,941	3,938	8,295	8,295
Restricted investments	1,262	1,262	1,716	1,804
Assets limited as to use	176,713	176,713	173,863	173,863
Accounts payable, accrued payroll and employee benefits, and other accrued liabilities	61,384	61,384	67,981	67,981
Estimated third-party payor settlements	200	200	2,552	2,552
Self-insurance and other liabilities	10,517	10,517	10,230	10,230
Long-term debt — excluding capital lease obligations and unamortized premiums	62,770	65,836	64,620	60,597

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OTHER FINANCIAL INFORMATION

TARRANT COUNTY HOSPITAL DISTRICT

COMBINING BALANCE SHEET INFORMATION

AS OF SEPTEMBER 30, 2009

(In thousands)

	Hospital	JPSPG	Partners	Eliminations	Combined Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$120,423	\$10,090	\$ 188	\$ -	\$130,701
Short-term investments	60,000				60,000
Patient accounts receivable — net	42,390	3,475		(1,648)	44,217
Ad valorem taxes receivable — net	4,194				4,194
Texas disproportionate share program receivable	29,302				29,302
Restricted pledges receivable — net — current portion			395		395
Assets limited as to use — required for current liabilities	6,080				6,080
Receivable from third-party payor	886				886
Supplies inventory	9,964				9,964
Prepaid expenses and other assets	8,911	2,085	89	(3)	11,082
Due from affiliates	7,013	3,012		(10,025)	-
Total current assets	<u>289,163</u>	<u>18,662</u>	<u>672</u>	<u>(11,676)</u>	<u>296,821</u>
NONCURRENT ASSETS:					
Restricted cash and investments	1,023		4,180		5,203
Restricted pledges receivable — net			611		611
Total noncurrent assets	<u>1,023</u>	<u>-</u>	<u>4,791</u>	<u>-</u>	<u>5,814</u>
Assets limited as to use — less amounts required for current liabilities:					
By Board for increased health care access	153,951				153,951
Other	16,682				16,682
Total assets limited as to use — noncurrent	<u>170,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,633</u>
CAPITAL ASSETS — Net	<u>302,569</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>302,578</u>
TOTAL	<u>\$763,388</u>	<u>\$18,662</u>	<u>\$5,472</u>	<u>\$(11,676)</u>	<u>\$775,846</u>

(Continued)

TARRANT COUNTY HOSPITAL DISTRICT

COMBINING BALANCE SHEET INFORMATION AS OF SEPTEMBER 30, 2009

(In thousands)

	Hospital	JPSPG	Partners	Eliminations	Combined Total
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	\$ 40,563	\$ 357	\$1,052	\$ (2,748)	\$ 39,224
Accrued payroll and employee benefits	18,210	3,534			21,744
Due to third-party payors	200				200
Deferred revenue			11		11
Other accrued liabilities	405				405
Self-insurance liabilities	6,154				6,154
Current maturities of long-term debt and capital leases	2,912				2,912
Due to other funds	40			(40)	-
Payable to affiliates	3,016	5,872		(8,888)	-
Total current liabilities	<u>71,500</u>	<u>9,763</u>	<u>1,063</u>	<u>(11,676)</u>	<u>70,650</u>
NONCURRENT LIABILITIES:					
Noncurrent portion of self-insurance liabilities — less amounts required for current liabilities	3,234				3,234
Other noncurrent liabilities		1,129			1,129
Long-term debt and capital leases — net of current maturities	62,460				62,460
Total noncurrent liabilities	<u>65,694</u>	<u>1,129</u>	<u>-</u>	<u>-</u>	<u>66,823</u>
Total liabilities	<u>137,194</u>	<u>10,892</u>	<u>1,063</u>	<u>(11,676)</u>	<u>137,473</u>
NET ASSETS:					
Investment in capital assets — net of related debt	238,281		9		238,290
Restricted	6,339		4,288		10,627
Unrestricted	381,574	7,770	112		389,456
Total net assets	<u>626,194</u>	<u>7,770</u>	<u>4,409</u>	<u>-</u>	<u>638,373</u>
TOTAL	<u>\$763,388</u>	<u>\$18,662</u>	<u>\$5,472</u>	<u>\$(11,676)</u>	<u>\$775,846</u>

(Concluded)

TARRANT COUNTY HOSPITAL DISTRICT

COMBINING SCHEDULE OF REVENUES AND EXPENSES INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2009

(In thousands)

	Hospital	JPSPG	Partners	Eliminations	Combined Total
OPERATING REVENUE:					
Net patient service revenue	\$ 213,823	\$28,599	\$ -	\$(14,365)	\$ 228,057
Texas disproportionate share program	99,782	3,921		(392)	103,311
Contributions			1,158		1,158
Other operating revenue	<u>32,926</u>	<u>8,623</u>	<u>507</u>	<u>(8,066)</u>	<u>33,990</u>
Total operating revenue	<u>346,531</u>	<u>41,143</u>	<u>1,665</u>	<u>(22,823)</u>	<u>366,516</u>
OPERATING EXPENSES:					
Salaries and related expenses	290,927	34,909	27		325,863
Purchased services	175,094	1,274	802	(22,506)	154,664
Supplies	128,967	155	79		129,201
Depreciation and amortization	36,245		3		36,248
Other	<u>19,861</u>	<u>832</u>	<u>7,176</u>	<u>(7,103)</u>	<u>20,766</u>
Total operating expenses	<u>651,094</u>	<u>37,170</u>	<u>8,087</u>	<u>(29,609)</u>	<u>666,742</u>
(LOSS) INCOME FROM OPERATIONS	<u>(304,563)</u>	<u>3,973</u>	<u>(6,422)</u>	<u>6,786</u>	<u>(300,226)</u>
NONOPERATING REVENUE:					
Ad valorem tax revenue — net	276,487				276,487
Interest and other income	13,216	22	65		13,303
Funds from state-related tobacco settlement	<u>12,120</u>				<u>12,120</u>
Total nonoperating revenue	<u>301,823</u>	<u>22</u>	<u>65</u>	<u>-</u>	<u>301,910</u>
(LOSS) INCOME BEFORE CONTRIBUTIONS	<u>\$ (2,740)</u>	<u>\$ 3,995</u>	<u>\$(6,357)</u>	<u>\$ 6,786</u>	<u>\$ 1,684</u>