

**Tarrant County Hospital District d/b/a
JPS Health Network
A Component Unit of Tarrant County, Texas**
Independent Auditor's Report and Financial Statements
September 30, 2021 and 2020

**Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
September 30, 2021 and 2020**

Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Financial Statements	
Balance Sheets.....	11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	15
Required Supplementary Information	
Schedule of Changes in the District’s Net Pension Liability and Related Ratios	55
Schedule of District Pension Contributions.....	56
Other Information	
Combining Schedule – Balance Sheet Information	57
Combining Schedule – Statement of Revenues, Expenses and Changes in Net Position Information	59

Independent Auditor's Report

Board of Managers
Tarrant County Hospital District
d/b/a JPS Health Network
Fort Worth, Texas

We have audited the accompanying financial statements of Tarrant County Hospital District d/b/a JPS Health Network (District), a component unit of Tarrant County, Texas, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other balance sheets and statements of revenues, expenses and changes in net position combining information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such combining information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion on it or provide any assurance on it.

BKD, LLP

December 22, 2021

Introduction

This management's discussion and analysis of the financial performance of Tarrant County Hospital District d/b/a JPS Health Network (District) provides an overview of the District's financial activities for the years ended September 30, 2021 and 2020. It should be read in conjunction with the accompanying financial statements of the District. Unless otherwise indicated, amounts are in thousands.

Financial Highlights

- Cash (including restricted cash), short-term investments, and other noncurrent investments increased in 2021 by \$218,525, or 22.2 percent, and increased in 2020 by \$292,610, or 42.3 percent.
- The District's net position increased in 2021 by \$327,104, or 31.0 percent, and increased in 2020 by \$198,891, or 23.3 percent.
- The District reported operating losses in both 2021 (\$245,128) and 2020 (\$277,180). The loss in 2021 decreased by \$32,052, or 11.6 percent, as compared to the operating loss reported in 2020. The operating loss in 2020 decreased by \$123,244, or 30.8 percent, from the operating loss reported in 2019.
- Net nonoperating revenues increased by \$96,586, or 20.3 percent, in 2021 compared to 2020 and increased by \$42,482, or 9.8 percent, in 2020 compared to 2019.

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, all liabilities, and all deferred inflows and outflows of resources 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 it. The District's total net position—the difference between assets, liabilities, and deferred inflows and outflows 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 did cash come 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

The District’s net position is the difference between its assets, liabilities, and deferred inflows and outflows of resources reported in the balance sheets. The District’s net position increased by \$327,104, or 31.0 percent, in 2021 over 2020 and increased by \$198,891, or 23.3 percent, in 2020 over 2019, as shown in *Table 1*.

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

	2021	2020	2019
Assets			
Cash and short-term investments	\$ 967,874	\$ 752,791	\$ 475,357
Patient accounts receivable, net	76,724	57,685	51,674
Other current assets	196,616	91,581	80,544
Capital assets, net	243,611	250,568	261,691
Other noncurrent assets	235,091	231,684	216,994
Total assets	<u>1,719,916</u>	<u>1,384,309</u>	<u>1,086,260</u>
Deferred Outflows of Resources			
Total assets and deferred outflows of resources	<u>38,522</u>	<u>28,834</u>	<u>31,771</u>
	<u>\$ 1,758,438</u>	<u>\$ 1,413,143</u>	<u>\$ 1,118,031</u>
Liabilities			
Long-term debt	\$ 24,764	\$ 29,991	\$ 30,119
Net pension liability	23,946	11,722	5,257
Other current and noncurrent liabilities	327,633	312,058	211,436
Total liabilities	<u>376,343</u>	<u>353,771</u>	<u>246,812</u>
Deferred Inflows of Resources			
	<u>749</u>	<u>5,130</u>	<u>15,868</u>
Net Position			
Net investment in capital assets	211,807	213,509	225,499
Restricted expendable	3,646	3,655	2,130
Restricted nonexpendable	403	387	382
Unrestricted	1,165,490	836,691	627,340
Total net position	<u>1,381,346</u>	<u>1,054,242</u>	<u>855,351</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,758,438</u>	<u>\$ 1,413,143</u>	<u>\$ 1,118,031</u>

The most significant changes in the District's assets in 2021 are the increases in both current and noncurrent cash (including restricted cash) and investments. Cash and investments increased by \$218,525, or 22.2 percent, in 2021. Restricted cash, related to the District's role in the Local Provider Participation Fund (LPPF) discussed more fully in *Note 3*, increased by \$90,165, or 220.2 percent, due to the timing of required intergovernmental transfers associated with Medicaid supplemental payment programs as well as an increase in cash from LPPF collections held in 2021.

Additionally, the supplemental Medicaid funding receivable increased by \$88,919, or 169.6 percent, due to the timing of receipt of funding associated with these programs, which are discussed more fully in *Note 3*.

Deferred outflows of resources increased \$9,688, or 33.6 percent, in 2021 as compared to 2020, primarily due to a change in actuarial assumptions for the discount rate related to the measurement of the District's net pension liability, discussed more fully in *Note 13*.

The most significant change in the District's liabilities in 2021 is the increase of the intergovernmental transfer obligation by \$90,166 related to the District's role in the LPPF. The increase is the result of an increase in LPPF collections and the timing of intergovernmental transfers. The District's liabilities were also impacted by the 2021 recognition of \$87,429 in revenue from Provider Relief Funds received in 2020 and the payback of \$12,555 of Medicare Advance Payments received in 2020. Provider Relief Funds and Medicare Advance Payments are discussed more fully in *Note 16*. Additionally, the net pension liability increased \$12,224 due to a reduction in the discount rate used to measure the net pension liability in 2021, discussed more fully in *Note 13*.

Deferred inflows of resources decreased \$4,381, or 85.4 percent, in 2021 as compared to 2020, primarily due to the return on pension plan assets, discussed more fully in *Note 13*.

The most significant changes in the District's assets in 2020 were the increases in both current and noncurrent cash (including restricted cash) and investments. Cash and investments increased by \$292,610, or 42.3 percent, in 2020. This increase was substantially due to an increase in short-term investments of \$316,990, or 136.7 percent, in 2020, resulting from the receipt of Medicare Advance Payments and Provider Relief Funds, coupled with a large increase of uncompensated care funding and other supplemental funding. Restricted cash, related to the District's role in the LPPF, decreased by \$33,390, or 44.9 percent, due to a decrease in LPPF collections and timing of intergovernmental transfers.

Deferred outflows of resources decreased \$2,937, or 9.2 percent, in 2020 as compared to 2019, primarily due to a change in actuarial assumptions related to the measurement of the District's net pension liability.

The most significant change in the District's liabilities in 2020 was the receipt of both Medicare Advance Payments of \$49,780 and Provider Relief Funds received in advance of \$87,959. The intergovernmental transfer obligation decreased by \$33,375 in 2020 as compared to 2019. The decrease is the result of timing differences of intergovernmental transfers.

Deferred inflows of resources decreased \$10,738, or 67.7 percent, in 2020 as compared to 2019, primarily due to the positive performance of the pension plan assets exceeding projected performance.

Operating Results and Changes in the District's Net Position

In 2021, the District's change in net position was an increase of \$327,104, as shown in *Table 2*. This increase is made up of several components and represents an increase of \$128,213 compared with the increase in net position for 2020 of \$198,891. The District's change in net position changed from an increase of \$32,712 in 2019 to an increase of \$198,891 in 2020.

Table 2: Operating Results and Changes in Net Position

	2021	2020	2019
Operating Revenues			
Net patient service revenue	\$ 635,685	\$ 505,724	\$ 466,657
Supplemental Medicaid funding	251,763	264,698	129,541
Other operating revenue	94,973	98,135	76,803
Total operating revenues	<u>982,421</u>	<u>868,557</u>	<u>673,001</u>
Operating Expenses			
Salaries and wages and employee benefits	713,282	679,862	628,600
Purchased services and professional fees	199,303	180,252	185,679
Supplies	215,652	196,295	170,909
Depreciation and amortization	37,903	39,079	38,450
Other operating expenses	61,409	50,249	49,787
Total operating expenses	<u>1,227,549</u>	<u>1,145,737</u>	<u>1,073,425</u>
Operating Loss	<u>(245,128)</u>	<u>(277,180)</u>	<u>(400,424)</u>
Nonoperating Revenues (Expenses)			
Property taxes	479,150	460,128	413,858
Provider Relief Fund revenue	87,429	-	-
Investment return, interest expense and other	5,625	15,490	19,278
Total nonoperating revenues (expenses)	<u>572,204</u>	<u>475,618</u>	<u>433,136</u>
Income Before Capital Grants	327,076	198,438	32,712
Capital Grants	<u>28</u>	<u>453</u>	<u>-</u>
Increase in Net Position	<u>\$ 327,104</u>	<u>\$ 198,891</u>	<u>\$ 32,712</u>

Operating Losses

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 revenue, supplemental Medicaid funding revenue and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the District has reported an operating loss. This is consistent with the District's recent operating history as the District was formed and is operated primarily to serve lower income residents of Tarrant County. The District levies property taxes to provide sufficient resources to enable the facility to serve lower income and other residents.

The operating loss for 2021 decreased by \$32,052, or 11.6 percent, as compared to 2020. The primary components of the change are:

- An increase in net patient service revenue of \$129,961, or 25.7 percent
- A decrease in supplemental Medicaid funding of \$12,935, or 4.9 percent
- A decrease in other operating revenue of \$3,162, or 3.2 percent
- An increase in salary and related expenses of \$33,420, or 4.9 percent
- An increase in purchased services and professional fees of \$19,051, or 10.6 percent
- An increase in supplies expense of \$19,357, or 9.9 percent
- An increase in other operating expenses of \$11,160, or 22.2 percent

The increase in net patient service revenue is primarily attributable to higher Medicare uncompensated care payments, patient claims reimbursement from governmental programs for COVID-19 relief, favorable payer mix, higher patient acuity and an increase in outpatient pharmacy revenue.

The decrease in supplemental Medicaid funding is primarily due to a decrease in Delivery System Reform Incentive Payment (DSRIP) funding of \$21,087.

The decrease in other operating revenue is related to a decrease in drugs acquired through the Pharmacy Patient Assistance Program of \$3,343, or 7.9 percent, in 2021. There is a corresponding decrease in supplies expense.

The increase in salary and related expenses is due to wage increases resulting from the impact of normal wage inflation, an increase in staff and provider full-time equivalents, and increased contract labor for pandemic staffing requirements.

The increase in supplies expense, purchased services and professional fees, and other operating expenses are related to increase in medical supplies and pharmaceuticals due to increased usage as well as life safety/facility improvements and bond program management expenses during the year ended September 30, 2021 as compared to the year ended September 30, 2020.

The operating loss for 2020 decreased by \$123,244, or 30.8 percent, as compared to 2019. The primary components of the change are:

- An increase in net patient service revenue of \$39,067, or 8.4 percent
- An increase in supplemental Medicaid funding of \$135,157, or 104.3 percent
- An increase in other operating revenue of \$21,332, or 27.8 percent
- An increase in salary and related expenses of \$51,262, or 8.2 percent
- An increase in supplies expense of \$25,386, or 14.9 percent

The increase in net patient service revenue was primarily attributable to a favorable shift in payer mix, higher patient acuity, revenue cycle improvements, and an increase in outpatient pharmacy services. These were partially offset by an overall decrease in utilization due to the COVID-19 pandemic.

The increase in supplemental Medicaid funding was primarily due to an increase in uncompensated care funding of \$97,611.

The increase in other operating revenue was related to an increase in drugs acquired through the Pharmacy Patient Assistance Program of \$21,453, or 87.1 percent, in 2020. This was due to dispensing an increased volume of high-cost drugs this year. There was a corresponding increase in supplies expense.

The increase in salary and related expenses was due to wage increases resulting from the impact of normal wage inflation, an increase in staff and provider full-time equivalents, as well as additional pandemic pay for those working during the COVID-19 pandemic.

The increase in supplies expense was due to the need for personal protective equipment (PPE) required for the safety of District personnel and patients against COVID-19. In addition, supplies expense increased due to dispensing an increased volume of high-cost drugs. There was a corresponding increase in other operating revenue.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the District, contributions and investment income, and interest expense. The District held property tax rates steady in 2021, but an increase in overall property values resulted in a net increase in property tax revenue of \$19,022, or 4.1 percent, from 2020 to 2021.

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 2021, 2020, and 2019, as discussed previously.

Capital Assets and Debt Administration

Capital Assets

At the end of 2021, the District had \$243,611 invested in capital assets, net of accumulated depreciation, as detailed in *Note 7* to the financial statements. In 2021, the District purchased new capital assets costing \$31,243.

At the end of 2020, the District had \$250,568 invested in capital assets, net of accumulated depreciation. In 2020, the District purchased new capital assets costing \$29,101.

Debt

At September 30, 2021, the District had \$29,931 in revenue and general obligation refunding bonds and notes payable outstanding. The District's formal debt issuances, revenue bonds, are subject to limitations imposed by state law. There have been no changes in the District's debt ratings in the past four years. The District has a current Aa3 rating from Moody's and an AA rating from Standard & Poor's on the revenue bonds.

Other Economic Factors

The District is the Anchor facility for the Region 10 Regional Healthcare Partnership (RHP) Delivery System Reform Incentive Payment program under the Medicaid Section 1115(a) demonstration. The Region 10 RHP is the result of a shared commitment by the region's providers to a community-oriented, regional health care delivery model focused on the triple aims of improving the experience of care for patients and their families, improving the health of the region, and reducing the cost of care without compromising quality. Region 10 RHP's Delivery System Reform Incentive Payment (DSRIP) plan is the essential blueprint for improved individual and population health at a lower cost, delivered more efficiently.

Based on the recommendation of the District's Board of Managers (Board), the Tarrant County Commissioners Court set the property tax rate for fiscal year 2022 to \$0.224429 per \$100 valuation, which is the same property tax rate from fiscal year 2021.

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

- The Medicaid Section 1115(a) demonstration project and proposed directed payment programs which could have a material impact on the District's funding for providing uncompensated care and funding for improvements in the design of the health care delivery system and associated outcomes
- Tarrant County's population growth, as well as continued growth in the number of uninsured, working poor, and medically indigent
- Continued growth in medical and pharmaceutical costs, as well as advances in therapies
- Continued advances in health care medical equipment and computing technology
- Continued utilization of telehealth for the care of the District's patients

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. The District's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The District has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business. *Note 16* discusses further the impacts of COVID-19 and the related funding through Provider Relief Funds and Medicare advance payment program.

Significant Financial Practices

The District maintains several financial practices designed to maintain its credit-worthiness and to position the District 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:

Investments Internally Designated for Capital Acquisition and Operating Activities

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

Monthly Financial Reporting

The Board 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 explanation for significant variances.

Operating Cash Capital Funding

The District has maintained the practice to fund routine capital items from excess operating cash. This has been done to minimize borrowing costs as well as maintain financial flexibility.

Budget Process

The operating and capital budgets are proposed by the District's management and endorsed by the Board. Final approval is obtained from the Court. The budget remains in effect for the entire fiscal year.

Continued Operational Improvement

The District routinely assesses operational areas for opportunities to increase cash flow.

Contacting the District's Financial Management

This financial report is designed to provide our readers 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 Financial Offices at 1500 South Main Street, Suite 4000, Fort Worth, Texas 76104.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Balance Sheets
September 30, 2021 and 2020

(In Thousands)

Assets and Deferred Outflows of Resources

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 198,051	\$ 162,912
Restricted cash and cash equivalents	131,114	40,949
Short-term investments	638,709	548,930
Patient accounts receivable, net	76,724	57,685
Property taxes receivable, net	831	4,668
Supplemental Medicaid funding receivable	141,359	52,440
Internally designated for self-insurance, current portion	110	75
Due from third-party payers	17,036	555
Supplies inventory	15,119	15,787
Prepaid expenses and other assets	22,161	18,056
Total current assets	1,241,214	902,057
Noncurrent Cash, Cash Equivalents and Investments		
Internally designated for debt service	683	647
Internally designated for self-insurance	12,755	12,685
Restricted by donors for capital acquisitions and specific operating activities	3,491	3,477
Internally designated for capital acquisitions and operating activities	215,677	214,070
Noncurrent investments	2,485	805
Total noncurrent cash, cash equivalents and investments	235,091	231,684
Capital Assets, Net	243,611	250,568
Total assets	1,719,916	1,384,309
Deferred Outflows of Resources		
	38,522	28,834
Total assets and deferred outflows of resources	\$ 1,758,438	\$ 1,413,143

Liabilities, Deferred Inflows of Resources and Net Position

	2021	2020
Current Liabilities		
Accounts payable	\$ 64,552	\$ 46,265
Accrued expenses	73,423	66,613
Intergovernmental transfer obligation	131,153	40,987
Due to third-party payers	300	350
Medicare Advance Payments	37,225	9,019
Provider Relief Funds received in advance	-	87,429
Current portion of self-insurance costs	7,042	6,534
Current maturities of long-term debt	<u>5,167</u>	<u>5,047</u>
Total current liabilities	318,862	262,244
Medicare Advance Payments	-	40,761
Estimated Self-insurance Costs	1,825	2,162
Long-term Debt	24,764	29,991
Net Pension Liability	23,946	11,722
Other Long-term Liabilities	<u>6,946</u>	<u>6,891</u>
Total liabilities	<u>376,343</u>	<u>353,771</u>
Deferred Inflows of Resources	<u>749</u>	<u>5,130</u>
Net Position		
Net investment in capital assets	211,807	213,509
Restricted expendable	3,646	3,655
Restricted nonexpendable	403	387
Unrestricted	<u>1,165,490</u>	<u>836,691</u>
Total net position	<u>1,381,346</u>	<u>1,054,242</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,758,438</u>	<u>\$ 1,413,143</u>

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020
(In Thousands)

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2021 – \$169,572; 2020 – \$175,694	\$ 635,685	\$ 505,724
Supplemental Medicaid funding	251,763	264,698
Other operating revenue	94,973	98,135
	<hr/>	<hr/>
Total operating revenues	982,421	868,557
	<hr/>	<hr/>
Operating Expenses		
Salaries and related expenses	713,282	679,862
Professional fees and purchased services	199,303	180,252
Supplies	215,652	196,295
Depreciation and amortization	37,903	39,079
Other	61,409	50,249
	<hr/>	<hr/>
Total operating expenses	1,227,549	1,145,737
	<hr/>	<hr/>
Operating Loss	(245,128)	(277,180)
	<hr/>	<hr/>
Nonoperating Revenues (Expenses)		
Property tax revenue	479,150	460,128
Provider Relief Fund revenue	87,429	530
Contribution revenue	2,109	3,429
Interest expense	(723)	(824)
Investment return and other	4,239	12,355
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	572,204	475,618
	<hr/>	<hr/>
Income Before Capital Grants and Gifts	327,076	198,438
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Capital Grants and Gifts	28	453
	<hr/>	<hr/>
Increase in Net Position	327,104	198,891
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Net Position, Beginning of Year	1,054,242	855,351
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Net Position, End of Year	<u>\$ 1,381,346</u>	<u>\$ 1,054,242</u>

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Statements of Cash Flows
Years Ended September 30, 2021 and 2020

(In Thousands)

	2021	2020
Operating Activities		
Receipts from and on behalf of patients	\$ 596,452	\$ 536,456
Receipts from supplemental Medicaid funding programs	153,912	261,886
Gross receipts from Local Provider Participation Fund	276,343	81,999
Gross payments for Local Provider Participation Fund	(186,176)	(115,374)
Payments to suppliers and contractors	(460,745)	(445,574)
Payments to employees	(708,227)	(664,111)
Other receipts, net	95,247	100,422
Net cash used in operating activities	(233,194)	(244,296)
Noncapital Financing Activities		
Noncapital grants and gifts	2,109	91,388
Property taxes supporting operations	480,972	458,344
Net cash provided by noncapital financing activities	483,081	549,732
Capital and Related Financing Activities		
Principal paid on long-term debt	(5,047)	(4,927)
Interest paid on long-term debt	(848)	(966)
Property taxes supporting debt service	2,015	1,960
Capital grants and gifts	28	453
Proceeds from sale of capital assets	1	1,605
Purchase of capital assets	(31,017)	(23,328)
Net cash used in capital and related financing activities	(34,868)	(25,203)
Investing Activities		
Purchase of investments	(1,044,171)	(1,147,008)
Proceeds from the sale and maturities of short-term investments	953,199	815,417
Interest income and other	3,311	12,260
Net cash used in investing activities	(87,661)	(319,331)
Increase (Decrease) in Cash and Cash Equivalents	127,358	(39,098)
Cash and Cash Equivalents, Beginning of Year	205,797	244,895
Cash and Cash Equivalents, End of Year	\$ 333,155	\$ 205,797

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Statements of Cash Flows (Continued)
Years Ended September 30, 2021 and 2020

(In Thousands)

	2021	2020
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	\$ 198,051	\$ 162,912
Restricted cash and cash equivalents	131,114	40,949
Cash and cash equivalents in noncurrent cash, cash equivalents and investments	3,990	1,936
	\$ 333,155	\$ 205,797
 Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	\$ (245,128)	\$ (277,180)
Depreciation and amortization	37,903	39,079
Gain on sale of fixed assets	(28)	(469)
Provision for uncollectible accounts	169,572	175,694
Changes in operating assets and liabilities		
Patient accounts receivable	(188,611)	(181,705)
Supplemental Medicaid funding receivable	(88,919)	(7,484)
Estimated amounts due from and to third-party payers	(16,551)	(6,804)
Medicare Advance Payments	37,225	49,780
Accounts payable and accrued expenses	(24,501)	1,231
Intergovernmental transfer obligation	90,167	(33,375)
Net pension liability	12,224	6,465
Deferred outflows of resources	(9,688)	2,937
Deferred inflows of resources	(4,381)	(10,738)
Other assets and liabilities	(2,478)	(1,727)
Net cash used in operating activities	\$ (233,194)	\$ (244,296)
 Supplemental Cash Flows Information		
Capital asset acquisitions included in accounts payable	\$ 1,874	\$ 2,022
Capital assets financed by note payable	\$ -	\$ 6,687
Credit received for trade in of capital assets	\$ 324	\$ -

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

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

Nature of Operations and Reporting Entity

Tarrant County Hospital District d/b/a JPS Health Network (District) is a political subdivision of the state of Texas and operates a hospital, a psychiatric inpatient facility, 25 ambulatory health centers, a psychiatric emergency center, an emergency department and a designated Level 1 trauma center, 60 plus outpatient primary care and specialty clinics, and dental services at seven locations. Additionally, it manages medical care services at the Tarrant County correctional system's five locations and serves the federal inmate population for specialty and inpatient care. The District is under the supervision of the Tarrant County Commissioners Court (Court) and is governed by an 11-member Board of Managers (Board) appointed by the Court. For this reason, the District is considered to be a component unit of Tarrant County, Texas (County) and is included as a discretely presented component unit in the basic financial statements of the County.

Acclaim Physician Group (Acclaim) began operations on May 1, 2016, primarily for the purpose of providing physician services to District patients. The District is the sole corporate member of Acclaim and has the authority to exercise significant control over the financial operations of Acclaim. As such, Acclaim is presented as a blended component unit of the District. Separate financial statements of Acclaim are shown in *Note 15*.

JPS Foundation (Foundation) was formed on August 4, 1997, solely to support and benefit scientific, educational, and charitable activities conducted by the District. The Foundation is a non-profit organization whose purpose is to perform services on behalf of the District, including organizing fundraising activities, providing patient assistance programs, participating in recruiting functions and conducting administrative services. Because the Foundation operates primarily for the exclusive benefit of the District, it is also presented as a blended component unit of the District. Separate financial statements of the Foundation are shown in *Note 15*.

The District's financial statements include the activities as set forth above. All material intercompany accounts and transactions have been eliminated in the financial statements.

Basis of Accounting and Presentation

The accompanying 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 nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, property taxes, investment income and interest on capital assets-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 is 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, 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.

Cash and Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers and state investment pools described more fully in *Note 5*.

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 medical malpractice, employee health and workers' compensation 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 medical malpractice, employee health and workers' compensation claims. Annual estimated provisions are accrued for the self-insured portion of these risks and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Patient Accounts Receivable

The District reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

**Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas**

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Supplies

Supply inventories are stated at the lower of cost or market, determined using the average costing 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 non-negotiable certificates of deposit are carried at amortized cost. Investments in external investment pools qualifying for amortized cost under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, are carried at amortized cost per share and are included in cash equivalents in the accompanying balance sheets. All other investments are carried at fair value.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value 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. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Land improvements	10 – 20 years
Buildings and improvements	10 – 40 years
Equipment	3 – 20 years
Computer software	3 years

The District capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred was:

	<u>2021</u>	<u>2020</u>
Interest costs capitalized	\$ 50	\$ 31
Interest costs charged to expense	<u>723</u>	<u>824</u>
Total interest incurred	<u>\$ 773</u>	<u>\$ 855</u>

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

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. Expense and the related liability are recognized as benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Defined Benefit Pension Plan

The District sponsors a defined benefit pension plan (Plan) as more fully described in *Note 13*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to and deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources. As of September 30, 2021 and 2020, the District's deferred outflows and deferred inflows of resources were related to the District's defined benefit pension plan as described more fully in *Note 13*.

Net Position

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the District, such as permanent endowments.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments, and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Tobacco Settlement Revenue

The District receives revenue that is the result of a settlement between various counties and hospital districts in Texas and the tobacco industry for tobacco-related health care costs. The District received approximately \$9,092 and \$8,940 in revenue from this settlement for the years ended September 30, 2021 and 2020, respectively. This revenue is recognized as a component of other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

Charity Care

The District provides care without payment or at amounts less than its established charges 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.

Income Taxes

As an essential government function of the County, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code (IRC) and a similar provision of state law. The District, the Foundation, and Acclaim also carry an exemption from income taxes under IRC Section 501(c)(3). The District, the Foundation, and Acclaim are all subject to federal income tax on any unrelated business taxable income.

Reclassifications and Revisions

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation. In addition, a money market mutual fund was reported in 2020 as a deposit. *Notes 5 and 14* have been amended to reflect the money market mutual fund as an investment. The reclassifications and revisions had no effect on the changes in financial position.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Newly Adopted Accounting Pronouncements

GASB released Statement No. 84, *Fiduciary Activities*, and Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32, both of which were effective for the District's September 30, 2021 fiscal year.

GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

Under GASB 97, Section 457 plans should be accounted for as either a pension plan or other employee benefit plan, if the plan meets the definition of a pension or an other employee benefit plan within GASB 67 or 73. Accounting and financial reporting requirements for 457 plans that meet the definition of pension plan are defined in the Statement.

GASB 97 limits the applicability of the financial burden criterion in GASB 14 regarding contributions to pension and postemployment benefit plans to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts meeting paragraph 3 criteria in GASB 67 or 74. The statement also changes how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units that are pension or OPEB plans. This supersedes certain previous guidance in Statement 84 and Implementation Guide 2019-2.

The District adopted these standards in fiscal year 2021 and as a result, the 2020 statement of cash flows was revised to present gross receipts and gross payments (\$81,999 and \$115,374, respectively) from the Local Provider Participation Fund (LPPF) activities. Prior to adoption of these standards, cash flow activity for LPPF activities was presented as net payments of \$33,375. The effect of the adoption of these standards did not impact net cash provided by operating activities, net position or changes in net position for fiscal years ended 2021 and 2020.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Note 2: Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the District at amounts different from its established charges. 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. Certain inpatient nonacute services and defined medical education costs are paid on a cost-reimbursement methodology. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor. The District's Medicare cost reports have been audited by the Medicare administrative contractor through September 30, 2016.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system. Inpatient reimbursement is inclusive of an add-on for trauma care that is based on the Medicaid Standards Dollar Amount. Outpatient and physician services 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 by the District and audits thereof by the Medicaid administrative contractor. The District's Medicaid cost reports have been audited by the Medicaid administrative contractor through September 30, 2015.

Approximately 71 percent and 66 percent of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2021 and 2020, respectively. Settlements under reimbursement agreements with Medicare and Medicaid programs are estimated and recorded in the period the related services are rendered and are adjusted in future periods as adjustments become known or as the service years are no longer subject to audit, review or investigation. Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due under the reimbursement programs. These audits often require several years to reach their financial determination of amounts earned under the programs. As a result, it is reasonably possible that recorded estimates potentially could 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.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Note 3: Supplemental Medicaid Funding Revenue

Supplemental Medicaid funding revenue included in the statements of revenues, expenses and changes in net position includes revenue received from the Medicaid Disproportionate Share Program (DSH) of approximately \$41,577 and \$36,358 for the years ended September 30, 2021 and 2020, respectively. The funding the District has received is subject to audit and may not be representative of funding to be received in future years.

On December 12, 2011, the United States Department of Health and Human Services (HHSC) approved a new 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 assists providers with uncompensated care costs (UC Pool) and promotes health system transformation (DSRIP Pool). The revenue from the two funding pools is recognized as earned throughout the related demonstration year.

During 2021, the District recognized approximately \$148,531 and \$58,155 from the UC Pool and DSRIP Pool, respectively. During 2020, the District recognized approximately \$145,827 and \$79,242 from the UC Pool and DSRIP Pool, respectively. The funding that the District has received is subject to audit and may not be representative of funding to be received in future years.

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 and 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. Currently, CMS has not approved the requested extension of DSRIP or any other new directed payment programs.

The District also participated in the Uniform Hospital Rate Increase Program (UHRIP). Under UHRIP, HHSC may direct Medicaid managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospital, increasing revenue from services provided to Medicaid managed care beneficiaries. The state’s share of UHRIP funding is funded through intergovernmental transfers from certain hospitals, including the District. Revenue from UHRIP is recognized as a component of net patient service revenue. The UHRIP program ended on August 31, 2021 and has yet to be extended.

The District also receives supplemental payments through the 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. Revenue recognized from the GME program was approximately \$3,500 and \$3,271 in 2021 and 2020, respectively.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

The programs described above are subject to review and scrutiny by both the Texas Legislature and the CMS, and the programs could be modified or terminated based on new legislation or regulation in future periods.

During 2017, the District began administration of a Local Provider Participation Fund (LPPF) in Tarrant County. The District acts as the administrator of the LPPF by assessment and collection of mandatory payments from hospitals in Tarrant County.

These payments are to be used to fund intergovernmental transfers for others representing the state's share of supplemental Medicaid funding programs. As the District acts as a conduit for these funds, the receipts and intergovernmental transfers are not recognized as revenue and expense in the statements of revenues, expenses and changes in net position.

At September 30, 2021, the District held \$131,114 in excess LPPF collections that will be transferred in 2022. At September 30, 2020, the District held \$40,949 in mandatory payments that were transferred in 2021.

Note 4: Property Tax Revenue

The District received approximately 31 percent and 35 percent of its support from property taxes during the years ended September 30, 2021 and 2020, respectively. 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 taxes. Property taxes are considered delinquent after January 31, of the following year. The District recorded an allowance for uncollectible property taxes of approximately \$14,555 and \$10,722 at September 30, 2021 and 2020, respectively.

The District's property tax rate was \$0.224429 per \$100 valuation for both 2021 and 2020. The District's property tax revenue was \$479,150 and \$460,128 for the years ended September 30, 2021 and 2020, respectively.

Note 5: Deposits, Investments and Investment Income

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.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At September 30, 2021 and 2020, the District's deposits were either insured or collateralized in accordance with state law.

At September 30, 2021 and 2020, the Foundation's cash accounts exceeded federally insured limits by \$2,027 and \$3,338, respectively.

Investments

The District may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At September 30, 2021 and 2020, the District had the following investments and maturities:

Type	Fair Value	September 30, 2021			
		Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Investment pools	\$ 121,591	\$ 121,591	\$ -	\$ -	\$ -
U.S. Treasury obligations	95,407	95,407	-	-	-
U.S. agency obligations	76,804	30,000	46,804	-	-
Municipal bonds	21,558	16,240	5,318	-	-
Money market mutual funds	97,153	97,153	-	-	-
Commercial paper	173,684	173,684	-	-	-
		<u>\$ 534,075</u>	<u>\$ 52,122</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds	<u>4,530</u>				
	<u>\$ 590,727</u>				

Type	Fair Value	September 30, 2020			
		Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
Investment pools	\$ 138,032	\$ 138,032	\$ -	\$ -	\$ -
U.S. agency obligations	85,390	-	85,390	-	-
Municipal bonds	37,230	36,229	1,001	-	-
Money market mutual funds	42,251	42,251	-	-	-
Commercial paper	204,449	204,449	-	-	-
		<u>\$ 420,961</u>	<u>\$ 86,391</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds	<u>2,604</u>				
	<u>\$ 509,956</u>				

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy requires that total investments have a weighted-average maturity of five years or less. The District's investments in U.S. Treasury and agency obligations include fixed-rate notes and bonds with a weighted-average maturity of three years. The longer the maturity of a fixed-rate obligation, the greater the impact a change in interest rates will have on its fair value. As interest rates increase, the fair value of the obligations decrease. Likewise, when interest rates decrease, the fair value of the obligations increase. The money market mutual funds are presented as an investment with a maturity of less than one-year because they are redeemable in full immediately.

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 restriction of the *Texas Public Funds Investment Act*. The District's investment in U.S. Treasury obligations carry the explicit guarantee of the U.S. government. The debt securities of the U.S. agencies are rated Aaa by Moody's rating agency.

The District also invests in TexPool and TexSTAR, state investment pools (Pools), which are considered investments for financial reporting. The Texas State Comptroller of Public Accounts oversees TexPool. Federated Investors provides asset management and participant services for TexPool's operations under a contract with the Comptroller. TexSTAR is a local government investment pool offering professionally managed portfolios to government entities in the state of Texas. The governing board of directors selects co-administrators for TexSTAR that provide fund management. The District has an undivided beneficial interest in the pool of assets held by the Pools. Investments must be in compliance with the Texas Public Funds Investment Act and include obligations of the United States or its agencies, direct obligation 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.

The Pools, as well as the money market mutual funds invested in by the District, are rated as AAAM by Standard & Poor's. The District's investments in commercial paper were rated Aaa to Aa3 by Moody's rating agency.

The District also invests in certificates of deposit, which are classified as deposits for financial reporting purposes. These certificates of deposit are fully collateralized by the various financial institutions.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

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. All of the District's investments are held in safekeeping or trust accounts.

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. However, the District's investment policy states that preservation and safety of principal is the foremost objective of the investment program; therefore, as a means of meeting diversification objectives of the District, issuer exposure is generally limited to a maximum of 10 percent of the investment portfolio.

The following table reflects the District's investments in single issuers that represent more than 5 percent of total investments:

	<u>2021</u>	<u>2020</u>
U.S. Treasury	16.2%	0.0%
Toyota Motor Credit Commercial Paper	11.0%	8.4%
Royal Bank of Canada	9.9%	9.8%
Federal Farm Credit Bank	6.0%	1.0%
Federal Home Loan Bank	5.7%	3.0%
University of Texas	5.1%	0.0%
JP Morgan Securities Commercial Paper	3.4%	7.5%
Federal Home Loan Mortgage Association	1.3%	8.5%

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Summary of Carrying Values

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

	<u>2021</u>	<u>2020</u>
Carrying value		
Deposits	\$ 612,348	\$ 474,594
Investments	<u>590,727</u>	<u>509,956</u>
	<u>\$ 1,203,075</u>	<u>\$ 984,550</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 198,051	\$ 162,912
Restricted cash and cash equivalents	131,114	40,949
Short-term investments	638,709	548,930
Internally designated for self-insurance, current portion	110	75
Noncurrent cash and investments	<u>235,091</u>	<u>231,684</u>
	<u>\$ 1,203,075</u>	<u>\$ 984,550</u>

Investment Income

Investment income for the years ended September 30, consisted of:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 3,885	\$ 11,974
Net increase in fair value of investments	<u>195</u>	<u>117</u>
	<u>\$ 4,080</u>	<u>\$ 12,091</u>

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Note 6: Patient Accounts Receivable

The District grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30, consisted of:

	<u>2021</u>	<u>2020</u>
Medicare	\$ 29,004	\$ 14,185
Medicaid	22,568	27,186
Other third-party payers	43,223	31,994
Patients	<u>81,428</u>	<u>63,792</u>
	176,223	137,157
Less allowance for uncollectible accounts	<u>99,499</u>	<u>79,472</u>
	<u>\$ 76,724</u>	<u>\$ 57,685</u>

Note 7: Capital Assets

Capital assets activity for the years ended September 30, was:

	<u>2021</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers and Other</u>	<u>Ending Balance</u>
Land and improvements	\$ 67,104	\$ -	\$ -	\$ 216	\$ 67,320
Buildings and improvements	273,649	-	-	995	274,644
Equipment	482,358	21,099	(7,842)	3,168	498,783
Construction in progress	<u>3,978</u>	<u>10,144</u>	<u>-</u>	<u>(4,379)</u>	<u>9,743</u>
	827,089	31,243	(7,842)	-	850,490
Less accumulated depreciation and amortization	<u>576,521</u>	<u>37,903</u>	<u>(7,545)</u>	<u>-</u>	<u>606,879</u>
Capital assets, net	<u>\$ 250,568</u>	<u>\$ (6,660)</u>	<u>\$ (297)</u>	<u>\$ -</u>	<u>\$ 243,611</u>

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

	2020				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers and Other	
Land and improvements	\$ 67,107	\$ -	\$ (3)	\$ -	\$ 67,104
Buildings and improvements	268,332	36	-	5,281	273,649
Equipment	456,734	26,708	(3,422)	2,338	482,358
Construction in progress	9,240	2,357	-	(7,619)	3,978
	<u>801,413</u>	<u>29,101</u>	<u>(3,425)</u>	<u>-</u>	<u>827,089</u>
Less accumulated depreciation and amortization	<u>539,722</u>	<u>39,079</u>	<u>(2,280)</u>	<u>-</u>	<u>576,521</u>
Capital assets, net	<u>\$ 261,691</u>	<u>\$ (9,978)</u>	<u>\$ (1,145)</u>	<u>\$ -</u>	<u>\$ 250,568</u>

Note 8: Accounts Payable and Accrued Expenses

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

	2021	2020
Payable to suppliers and contractors	\$ 58,931	\$ 40,265
Payable to employees (including payroll taxes and benefits)	71,423	64,581
Patient credit balances	2,629	2,649
Other liabilities	4,992	5,383
	<u>\$ 137,975</u>	<u>\$ 112,878</u>

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Note 9: Risk Management

Medical Malpractice and General Liability Risks

The District is self-insured for medical malpractice and general liability claims. The District's maximum liability for professional and general liability claims as a governmental unit under the *Tort Claims Act* is generally \$100 per individual and \$300 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.

Activity in the District's accrued medical malpractice claims liability during 2021 and 2020, is summarized as follows:

	2021	2020
Balance, beginning of year	\$ 530	\$ 460
Current year claims incurred and changes in estimates for claims incurred in prior years	60	230
Claims and expenses paid	(88)	(160)
Balance, end of year	\$ 502	\$ 530

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 \$500. A provision is accrued for self-insured employee health claims including both claims reported, and claims incurred but not yet reported. 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.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Activity in the District's accrued employee health claims liability during 2021 and 2020, is summarized as follows:

	2021	2020
Balance, beginning of year	\$ 4,750	\$ 4,800
Current year claims incurred and changes in estimates for claims incurred in prior years	59,910	54,668
Claims and expenses paid	(59,410)	(54,718)
Balance, end of year	\$ 5,250	\$ 4,750

Workers' Compensation Claims

The District is self-insured for workers' compensation claims. A provision is accrued for self-insured worker's compensation claims including both claims reported, and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the District's estimate will change by a material amount in the near term.

Activity in the District's accrued workers' compensation claims liability during 2021 and 2020, is summarized as follows:

	2021	2020
Balance, beginning of year	\$ 3,416	\$ 2,782
Current year claims incurred and changes in estimates for claims incurred in prior years	1,876	2,979
Claims and expenses paid	(2,177)	(2,345)
Balance, end of year	\$ 3,115	\$ 3,416

**Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas**

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Note 10: Long-Term Obligations

A summary of long-term debt is as follows:

	2021	2020
General obligation refunding bonds, Series 2016	\$ 14,495	\$ 16,135
Revenue bonds, Series 2012	12,165	13,900
Note payable	3,343	5,015
	30,003	35,050
Bond discount	(72)	(12)
	\$ 29,931	\$ 35,038

General Obligation Refunding Bonds – Series 2016

The Series 2016 general obligations refunding bonds consist of Tarrant County Hospital District Limited Refunding Bonds, Series 2016 (Series 2016 Bonds) in the original amount of \$22,415 dated January 1, 2016, which bear interest at 2.24 percent. The Series 2016 Bonds are payable in annual installments of \$1,670 to \$1,955 through February 15, 2029. The Series 2016 Bonds are secured by ad valorem tax revenues. The proceeds from the Series 2016 Bonds were used to advance refund the Series 2006 Bonds.

Revenue Bonds – Series 2012

The Series 2012 revenue bonds consist of Tarrant County Hospital District Senior Lien Revenue Refunding Bonds, Series 2012 (Series 2012 Bonds) in the original amount of \$25,890 dated September 1, 2012, which bear interest at 3.0 percent to 5.0 percent. The Series 2012 Bonds are payable in annual installments of \$1,825 to \$2,205 through August 15, 2027. The Series 2012 Bonds are secured by revenues of the District, exclusive of ad valorem tax revenue.

All of the Series 2012 Bonds still outstanding may be redeemed at the District’s option on or after August 15, 2023, at par value plus accrued interest. The proceeds from the Series 2012 Bonds were used to advance refund the Series 2002 Bonds.

Notes Payable

The note payable due to a vendor does not bear interest and is due in four annual installments of \$1,672, beginning December 2019. The note is secured by certain equipment and the final installment is due December 2022.

**Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas**

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

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

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
General obligation refunding bonds, Series 2016	\$ 16,135	\$ -	\$ 1,640	\$ 14,495	\$ 1,670
Revenue bonds, Series 2012	13,900	-	1,735	12,165	1,825
Note payable	5,015	-	1,672	3,343	1,672
Total long-term debt	<u>\$ 35,050</u>	<u>\$ -</u>	<u>\$ 5,047</u>	<u>\$ 30,003</u>	<u>\$ 5,167</u>

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
General obligation refunding bonds, Series 2016	\$ 17,735	\$ -	\$ 1,600	\$ 16,135	\$ 1,640
Revenue bonds, Series 2012	15,555	-	1,655	13,900	1,735
Note Payable	-	6,687	1,672	5,015	1,672
Total long-term debt	<u>\$ 33,290</u>	<u>\$ 6,687</u>	<u>\$ 4,927</u>	<u>\$ 35,050</u>	<u>\$ 5,047</u>

The debt service requirements on long-term debt as of September 30, 2021, are as follows:

Year Ending September 30, 2021	Total to Be		
	Paid	Principal	Interest
2022	\$ 5,921	\$ 5,167	\$ 754
2023	5,921	5,296	625
2024	4,250	3,760	490
2025	4,255	3,865	390
2026	4,253	3,965	288
2027-2030	8,217	7,950	267
	<u>\$ 32,817</u>	<u>\$ 30,003</u>	<u>\$ 2,814</u>

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Note 11: Restricted and Designated Net Position

At September 30, 2021 and 2020, \$3,646 and \$3,655, respectively, of net position were restricted by donors for capital and operating activities.

At September 30, 2021 and 2020, \$215,677 and \$214,070, respectively, of unrestricted net position has been designated by the Board for future operating needs and capital acquisitions. Designated assets remain under the control of the Board, which may, at its discretion, later use these assets for other purposes.

At September 30, 2021 and 2020, the District had \$403 and \$387, respectively, of restricted nonexpendable net position which is a general endowment for the Foundation.

Note 12: Uncompensated Care

In support of its mission, the District voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. The costs of charity care provided under the District's charity care policy were \$298,913 and \$225,559 for 2021 and 2020, respectively. The increase in charity care costs is attributable to higher charity care charges as well as a higher cost to charge ratio due to increased expenses during the year ended September 30, 2021. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross charity care charges.

Note 13: Pension Plan

Plan Description

The District sponsors an agent multiple-employer defined benefit pension plan for eligible employees within a multi-employer retirement program sponsored for member hospitals by the Texas Hospital Association Retirement Plan (THARP). THARP is the plan administrator of the pension plan. The Plan's assets are invested as a portion of the THARP'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.

The Plan does not issue a stand-alone financial report. However, an annual actuarial valuation report is available from the District or THARP. That report may be obtained by writing THARP at 1108 Lavaca, Suite 700, Austin, Texas 78701.

**Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas**

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Benefits Provided

The Plan provides retirement, disability, and death benefits. Retirement benefits for eligible employees are calculated as 1.4 percent of the employee's final five-year average compensation plus 0.7 percent of the employee's final five-year average compensation, if any, that exceeds \$75,000, with the sum multiplied times the employee's years of service.

Participants with five years of participation service are eligible to retire at age 65. Participants may retire at any age after 55 if they have 10 years of vesting service. Unreduced Early Retirement is available at age 62 if they have 10 years of vesting service. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately with an actuarial reduction. Death benefits are determined in the same manner as retirement benefits but are payable immediately with an actuarial reduction. An employee who leaves the employer's service may withdraw his or her contributions, plus any accumulated interest.

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. An amendment effective October 1, 2011, made plan participation voluntary for employees hired after that date. An amendment effective October 1, 2020, excluded employees hired after that date from plan participation.

The employees covered by the Plan at October 1, 2020 and 2019 (measurement date), are:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	494	442
Inactive employees entitled to but not yet receiving benefits	1,294	1,235
Active employees	4,307	4,058
	6,095	5,735

Contributions

The District's Board has the sole authority to establish and amend the contribution requirements of the active employees. The District's contributions are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the established amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended September 30, 2021, the average active employee contribution rate was 2.00 percent of annual pay, and the District's average contribution rate was 6.25 percent of annual payroll.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

The District's contribution is set to be 6.25 percent of participants payroll effective October 1, 2020, and will remain at that level as long as the amount thus determined is sufficient to pay the Employer Normal Cost and amortize the Unfunded Actuarial Liability (Net Pension Liability) over a period of not more than 25 years. The employer contributions were 6.25 percent of estimated participant compensation for the plan year ending September 30, 2020. The costs of administering the plan are paid by the plan and are considered in the determination of the employer contribution rate.

Net Pension Liability

The District's net pension liability was measured as of October 1, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the October 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	5.0%, average, including inflation
Ad hoc cost of living adjustments	Not included
Investment rate of return	6.75%, net of pension plan investment expense, including inflations

Mortality rates were based on the Society of Actuaries Pri-2012 Mortality Table, projected from the 2012 base year with Projection Scale MP-2020.

The actuarial assumptions used in the October 1, 2020 valuation were based on the results of an actuarial experience study for the period 2011-2016 for withdrawal rates, retirement rates, and earnings progression and 2016-2020 for form of payment.

The long-term expected rate of return used in the October 1, 2020 valuation on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.25 percent). In addition, the final 6.75 percent assumption reflected a reduction of 0.49 percent for adverse deviation.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

The total pension liability in the October 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	5.0%, average, including inflation
Ad hoc cost of living adjustments	Not included
Investment rate of return	7.00%, net of pension plan investment expense, including inflations

Mortality rates were based on the Society of Actuaries RP-2014 Mortality Table, projected from the 2006 base year with Projection Scale MP-2019.

The actuarial assumptions used in the October 1, 2019 valuation were based on the results of an actuarial experience study for the period 2011-2016.

The long-term expected rate of return used in the October 1, 2019 valuation on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.25 percent). In addition, the final 7.00 percent assumption reflected a reduction of 0.20 percent for adverse deviation.

The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	2020 Long-term Expected Real Rate of Return	2019 Long-term Expected Real Rate of Return
Domestic equity	60%	6.1%	6.1%
International equity	15%	6.0%	5.5%
Fixed income	24%	1.7%	1.7%
Cash	1%	0.5%	0.0%
	100%		

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent and 7.00 percent at October 1, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability are:

	2021		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2020	\$ 324,393	\$ 312,671	\$ 11,722
Changes for the year			
Service cost	18,432	-	18,432
Interest on total pension liability	23,472	-	23,472
Changes of benefit terms	200	-	200
Differences between expected and actual experience	2,314	-	2,314
Contributions – employee	-	5,258	(5,258)
Contributions – employer	-	18,225	(18,225)
Net investment income	-	19,485	(19,485)
Benefit payments, including refunds of employee contributions	(13,021)	(13,021)	-
Administrative expenses	(1,110)	(1,110)	-
Assumption changes	10,774	-	10,774
Net changes	41,061	28,837	12,224
Balances at September 30, 2021	\$ 365,454	\$ 341,508	\$ 23,946

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

	2020		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2019	\$ 297,836	\$ 292,579	\$ 5,257
Changes for the year			
Service cost	17,647	-	17,647
Interest on total pension liability	21,612	-	21,612
Differences between expected and actual experience	1,073	-	1,073
Contributions – employee	-	4,956	(4,956)
Contributions – employer	-	17,281	(17,281)
Net investment income	-	10,602	(10,602)
Benefit payments, including refunds of employee contributions	(11,805)	(11,805)	-
Administrative expenses	(942)	(942)	-
Assumption changes	(1,028)	-	(1,028)
Net changes	26,557	20,092	6,465
Balances at September 30, 2020	<u>\$ 324,393</u>	<u>\$ 312,671</u>	<u>\$ 11,722</u>

The net pension liability of the District has been calculated using a discount rate of 6.75 percent at October 1, 2020. The following presents the net pension liability using a discount rate 1 percent higher and 1 percent lower than the current rate as of September 30, 2021.

	1% Decrease 5.75 %	Current Discount Rate 6.75 %	1% Increase 7.75 %
	District's net pension liability (asset) as of September 30, 2021	<u>\$ 71,596</u>	<u>\$ 23,946</u>

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

For the years ended September 30, 2021 and 2020, the District recognized pension expense of \$18,251 and \$16,895, respectively. At September 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,967	\$ -
Employer contributions subsequent to the measurement date	20,153	-
Changes of assumptions	11,532	749
Net difference between projected and actual earnings on plan investments	1,870	-
	\$ 38,522	\$ 749
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,817	\$ -
Employer contributions subsequent to the measurement date	18,225	-
Changes of assumptions	4,792	1,454
Net difference between projected and actual earnings on plan investments	-	3,676
	\$ 28,834	\$ 5,130

At September 30, 2021 and 2020, the District reported \$20,153 and \$18,225, respectively, as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability at September 30, 2021 and 2020.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2021, related to pensions will be recognized in pension expense as follows:

Year ending September 30		
2022	\$	4,375
2023		5,548
2024		5,120
2025		2,577
		<u>17,620</u>
	\$	<u>17,620</u>

Pension Plan Fiduciary Net Position

As of October 1, 2020 and 2019, the master pension trust fund was comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 21,205	\$ 21,400
Investments, at fair value		
Common stocks	-	74,565
Mutual funds	342,389	185,232
Common/collective trust funds	237,494	292,172
103-12 investment fund	38,720	28,473
	<u>618,603</u>	<u>580,442</u>
Total investments at fair value	\$ 618,603	\$ 580,442
	<u>\$ 639,808</u>	<u>\$ 601,842</u>
Total Plan Fiduciary Net Pension		

The Plan's interest the master pension trust fund as of the measurement date of October 1, 2020 and 2019, was \$341,508 and \$312,671, respectively.

Investment Policy – Investment policy decisions are established and maintained by the Trustees of the THARP for Member Hospitals. The Trustees have several asset mix alternatives from which participating employers may choose in order to control risk. The Trustees employ and select investment managers with the advice of investment counsel which is completely independent of the investment managers.

The primary goal of a pension fund is to help pay the cost of the pension plan while providing adequate security to meet the benefits promised under the plan. As a consequence, two important dimensions of a pension plan's investment program are expected return and expected risk.

**Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas**

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

The plan trustees diversify plan investments among asset classes, recognizing that there is a relationship between the level of risk assumed in an investment program and the level of return that should be expected. Appropriate diversification better enables the trust to balance risk and return. The asset mix selected by the District is set forth below:

Asset Class/Style	Target Asset Mix
Large Cap U.S. equities	45%
Small Cap U.S. equities	15%
International equities	15%
Total Equities	75%
Intermediate fixed income	24%
Cash	1%
Total Fixed Income	25%

The Trustees maintain a portfolio structure that may combine several active and passive management in order to balance the objectives of enhanced return and cost control.

Passive equity and fixed income portfolios invest in a substantially similar manner as that of the underlying benchmark.

Active equity managers have the following requirements:

- The equity portion of the portfolio should not be less than 90 percent of the portfolio, measured at market value.
- Equity holdings in any one economic sector should not exceed the greater of 30 percent of the portfolio or 10 percent points above the sector weight in benchmark.
- Equity holdings in any single company (including common stock and convertible securities) should not exceed 10 percent of the portfolio.

Active fixed income managers have the following requirements:

- The primary investments should be government, corporate, and mortgage securities
- Holdings in obligations of any single entity (with the exception of the U.S. government and/or its agencies) should not exceed 5 percent of the portfolio.

The common collective trust fund investment objective is to approximate as closely as practicable, before expenses, to the performance of the S&P 500 Index over the long term.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

The 103-12 investment fund objective is to approximate as closely as practicable to the performance of the MSCI EAFE Index.

Investment Rate of Return - The annual money-weighted rate of return on pension plan investments, net of expenses, which expresses net investment performance adjusted for changing amounts actually invested each month was 6.3 percent for the 12 months ended October 1, 2020.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Plan's policy to limit its holdings in obligations of any single entity, excluding U.S. government and its agencies, to 5 percent of the portfolio.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the Plan's investments are held in trust accounts.

Concentration of Credit Risk - It is the Plan's policy to limit equity holdings in any one economic sector to the greater of 25 percent of the portfolio or 10 percent above the sector weight in the benchmark and limit equity holdings in any single company to 7 percent of the portfolio. Additionally, the Plan's policy limits holdings in fixed income obligations of any single entity, excluding U.S. government and its agencies, to 5 percent of the portfolio.

The following table reflects the Plan's investments in single issuers that represent more than 5 percent of total investments:

	<u>2020</u>	<u>2019</u>
State Street S&P 500 Index NL Fund	37.1%	36.2%
Vanguard Small Cap Index	13.4%	13.8%
State Street Aggregate Bond Index NL Fund	12.4%	12.4%
PIMCO Total Return	12.1%	12.4%
Morgan Stanley International Equity Trust	6.1%	4.7%
State Street Aggregate Bond Index NL Fund	5.7%	4.6%

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Following is a description of the valuation methodologies and inputs used for pension plan assets measured at fair value on a recurring basis, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

The fair value of the pension plan assets at October 1, 2020 and 2019, were as follows:

	Carrying Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
October 1, 2020				
Investments by fair value level				
Mutual funds	\$ 342,389	\$ 342,389	\$ -	\$ -
Total investments by fair value level	<u>342,389</u>	<u>\$ 342,389</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV) (A)				
Common/collective trust fund	237,494			
103-12 investment fund	<u>38,720</u>			
Total investments measured at the NAV	<u>276,214</u>			
Total investments measured at fair value	<u>\$ 618,603</u>			
October 1, 2019				
Investments by fair value level				
Common stocks	\$ 74,565	\$ 74,565	\$ -	\$ -
Mutual funds	<u>185,232</u>	<u>185,232</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>259,797</u>	<u>\$ 259,797</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV) (A)				
Common/collective trust fund	292,172			
103-12 investment fund	<u>28,473</u>			
Total investments measured at the NAV	<u>320,645</u>			
Total investments measured at fair value	<u>\$ 580,442</u>			

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts disclosed for total plan investments at fair value.

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 Plan did not hold any Level 2 or 3 securities at October 1, 2020 and 2019.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) are presented as above. There were no unfunded commitments or redemption restrictions for these funds.

Other Benefit Plans

The District has an IRC Section 401(a) plan that includes an employer match calculated as 50 percent of an employee's contribution to the IRC Section 403(b) plan discussed below, up to 4 percent of pay. The contributions for the employer match on the plan were approximately \$8,957 and \$8,491 for the years ended September 30, 2021 and 2020, respectively.

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 accompanying financial statements.

The District also 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 financial statements. Employee contributions were \$20,949 and \$18,973 for the years ended September 30, 2021 and 2020, respectively.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

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 the 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. Contributions to this plan are included in noncurrent cash and investments and the plan liability is recorded in other long-term liabilities in the balance sheets. As of September 30, 2021 and 2020, \$1,574 and \$1,302, respectively, in contributions are included in noncurrent cash and investments and \$1,469 and \$1,203, respectively, was due under this plan. Approximately \$207 and \$67 of benefit expense was recognized in 2021 and 2020, respectively.

Note 14: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities 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:

	Carrying Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2021				
Investments by fair value level				
U.S. agency obligations	\$ 76,804	\$ -	\$ 76,804	\$ -
U.S. Treasury obligations	95,407	95,407	-	-
Commercial paper	173,684	-	173,684	-
Municipal bonds	21,558	-	21,558	-
Money market mutual funds	97,153	97,153	-	-
Mutual funds	4,530	4,530	-	-
	<u>\$ 469,136</u>	<u>\$ 197,090</u>	<u>\$ 272,046</u>	<u>\$ -</u>
Investment Pools Carried at Amortized Cost	<u>121,591</u>			
Total investments	<u>\$ 590,727</u>			

**Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas**

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

	Carrying Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2020				
Investments by fair value level				
U.S. agency obligations	\$ 85,390	\$ 5,296	\$ 80,094	\$ -
Commercial paper	204,449	-	204,449	-
Municipal bonds	37,230	31,028	6,202	-
Money market mutual funds	42,251	42,251	-	-
Mutual funds	2,604	2,604	-	-
Total investments by fair value level	371,924	<u>\$ 81,179</u>	<u>\$ 290,745</u>	<u>\$ -</u>
Investment Pools Carried at Amortized Cost	<u>138,032</u>			
Total investments	<u>\$ 509,956</u>			

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The District held no Level 3 investments as of September 30, 2021 and 2020.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

Note 15: Condensed Combining Information

The following tables include condensed combining balance sheet information for the District and its blended component units as of September 30, 2021 and 2020:

	September 30, 2021				
	Hospital	Acclaim	Foundation	Eliminations	Total
Assets and Deferred Outflows of Resources					
Current assets	\$ 1,232,874	\$ 17,253	\$ 1,069	\$ (9,982)	\$ 1,241,214
Due from affiliates	1,375	201	79	(1,655)	-
Noncurrent cash and investments	229,115	-	5,976	-	235,091
Capital assets, net	243,427	184	-	-	243,611
Total assets	<u>1,706,791</u>	<u>17,638</u>	<u>7,124</u>	<u>(11,637)</u>	<u>1,719,916</u>
Deferred outflows of resources	<u>38,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,522</u>
Total assets and deferred outflows of resources	<u>\$ 1,745,313</u>	<u>\$ 17,638</u>	<u>\$ 7,124</u>	<u>\$ (11,637)</u>	<u>\$ 1,758,438</u>
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities	\$ 314,528	\$ 14,313	\$ 3	\$ (9,982)	\$ 318,862
Due to affiliates	278	1,235	142	(1,655)	-
Estimated self-insurance costs	1,761	64	-	-	1,825
Long-term debt	24,764	-	-	-	24,764
Net pension liability	23,946	-	-	-	23,946
Other long-term liabilities	6,021	925	-	-	6,946
Total liabilities	<u>371,298</u>	<u>16,537</u>	<u>145</u>	<u>(11,637)</u>	<u>376,343</u>
Deferred inflows of resources	<u>749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>749</u>
Net Position					
Net investment in capital assets	211,623	184	-	-	211,807
Restricted expendable	683	-	2,963	-	3,646
Restricted nonexpendable	-	-	403	-	403
Unrestricted	1,160,960	917	3,613	-	1,165,490
Total net position	<u>1,373,266</u>	<u>1,101</u>	<u>6,979</u>	<u>-</u>	<u>1,381,346</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,745,313</u>	<u>\$ 17,638</u>	<u>\$ 7,124</u>	<u>\$ (11,637)</u>	<u>\$ 1,758,438</u>

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

	September 30, 2020				
	Hospital	Acclaim	Foundation	Eliminations	Total
Assets					
Current assets	\$ 891,957	\$ 14,320	\$ 1,967	\$ (6,187)	\$ 902,057
Due from affiliates	1,010	167	10	(1,187)	-
Noncurrent cash and investments	227,402	-	4,282	-	231,684
Capital assets, net	250,247	321	-	-	250,568
Total assets	<u>1,370,616</u>	<u>14,808</u>	<u>6,259</u>	<u>(7,374)</u>	<u>1,384,309</u>
Deferred outflows of resources	28,834	-	-	-	28,834
Total assets and deferred outflows of resources	<u>\$ 1,399,450</u>	<u>\$ 14,808</u>	<u>\$ 6,259</u>	<u>\$ (7,374)</u>	<u>\$ 1,413,143</u>
Liabilities and Net Position					
Current liabilities	\$ 253,756	\$ 14,667	\$ 8	\$ (6,187)	\$ 262,244
Due to affiliates	177	899	111	(1,187)	-
Medicare Advance Payments, noncurrent	40,761	-	-	-	40,761
Estimated self-insurance costs	2,018	144	-	-	2,162
Long-term debt	29,991	-	-	-	29,991
Net pension liabilities	11,722	-	-	-	11,722
Other long-term liabilities	5,685	1,206	-	-	6,891
Total liabilities	<u>344,110</u>	<u>16,916</u>	<u>119</u>	<u>(7,374)</u>	<u>353,771</u>
Deferred inflows of resources	5,130	-	-	-	5,130
Net Position					
Net investment in capital assets	213,188	321	-	-	213,509
Restricted expendable	647	-	3,008	-	3,655
Restricted nonexpendable	-	-	387	-	387
Unrestricted	836,375	(2,429)	2,745	-	836,691
Total net position	<u>1,050,210</u>	<u>(2,108)</u>	<u>6,140</u>	<u>-</u>	<u>1,054,242</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,399,450</u>	<u>\$ 14,808</u>	<u>\$ 6,259</u>	<u>\$ (7,374)</u>	<u>\$ 1,413,143</u>

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the District and its blended component units for the years ended September 30, 2021 and 2020:

	September 30, 2021				
	Hospital	Acclaim	Foundation	Eliminations	Total
Operating revenues	\$ 933,584	\$ 127,345	\$ 75	\$ (78,583)	\$ 982,421
Operating expenses	1,143,532	161,814	3,014	(80,811)	1,227,549
Operating income (loss)	(209,948)	(34,469)	(2,939)	2,228	(245,128)
Nonoperating revenues (expenses)	570,661	3	3,768	(2,228)	572,204
Capital grants	18	-	10	-	28
Transfer of equity	(37,675)	37,675	-	-	-
Increase in net position	323,056	3,209	839	-	327,104
Net Position, Beginning of Year	<u>1,050,210</u>	<u>(2,108)</u>	<u>6,140</u>	<u>-</u>	<u>1,054,242</u>
Net Position, End of Year	<u>\$ 1,373,266</u>	<u>\$ 1,101</u>	<u>\$ 6,979</u>	<u>\$ -</u>	<u>\$ 1,381,346</u>

	September 30, 2020				
	Hospital	Acclaim	Foundation	Eliminations	Total
Operating revenues	\$ 818,134	\$ 117,517	\$ 142	\$ (67,236)	\$ 868,557
Operating expenses	1,052,522	159,284	3,550	(69,619)	1,145,737
Operating income (loss)	(234,388)	(41,767)	(3,408)	2,383	(277,180)
Nonoperating revenues (expenses)	472,568	655	4,778	(2,383)	475,618
Capital grants	309	144	-	-	453
Transfer of equity	(94,314)	94,314	-	-	-
Increase in net position	144,175	53,346	1,370	-	198,891
Net Position, Beginning of Year	<u>906,035</u>	<u>(55,454)</u>	<u>4,770</u>	<u>-</u>	<u>855,351</u>
Net Position, End of Year	<u>\$ 1,050,210</u>	<u>\$ (2,108)</u>	<u>\$ 6,140</u>	<u>\$ -</u>	<u>\$ 1,054,242</u>

**Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas**

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

The following tables include condensed combining statements of cash flows information for the District and its blended component units for the years ended September 30, 2021 and 2020:

	September 30, 2021				
	Hospital	Acclaim	Foundation	Eliminations	Total
Net cash provided by (used in)					
Operating activities	\$ (232,769)	\$ 274	\$ (2,927)	\$ 2,228	\$ (233,194)
Noncapital financing activities	481,995	-	3,314	(2,228)	483,081
Capital and related financing activities	(34,969)	101	-	-	(34,868)
Investing activities	(86,191)	-	(1,470)	-	(87,661)
Increase (decrease) in cash and cash equivalents	128,066	375	(1,083)	-	127,358
Cash and Cash Equivalents, Beginning of Year	<u>201,563</u>	<u>650</u>	<u>3,584</u>	<u>-</u>	<u>205,797</u>
Cash and Cash Equivalents, End of Year	<u>\$ 329,629</u>	<u>\$ 1,025</u>	<u>\$ 2,501</u>	<u>\$ -</u>	<u>\$ 333,155</u>

	September 30, 2020				
	Hospital	Acclaim	Foundation	Eliminations	Total
Net cash provided by (used in)					
Operating activities	\$ (240,097)	\$ (405)	\$ (3,794)	\$ -	\$ (244,296)
Noncapital financing activities	546,573	530	2,629	-	549,732
Capital and related financing activities	(25,292)	89	-	-	(25,203)
Investing activities	(319,253)	5	(83)	-	(319,331)
Increase (decrease) in cash and cash equivalents	(38,069)	219	(1,248)	-	(39,098)
Cash and Cash Equivalents, Beginning of Year	<u>239,632</u>	<u>431</u>	<u>4,832</u>	<u>-</u>	<u>244,895</u>
Cash and Cash Equivalents, End of Year	<u>\$ 201,563</u>	<u>\$ 650</u>	<u>\$ 3,584</u>	<u>\$ -</u>	<u>\$ 205,797</u>

Note 16: COVID-19 Pandemic & CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of coronavirus disease 2019 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

The District's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The District has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

In addition, in 2020, the District received approximately \$49,780 of accelerated Medicare payments and approximately \$87,959 in general and targeted Provider Relief Fund distributions, both as provided for under the *Coronavirus Aid, Relief, and Economic Security* ("CARES") Act.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements

September 30, 2021 and 2020

(In Thousands)

The extent of the COVID-19 pandemic's adverse effect on the District's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the District's control and ability to forecast. Such factors include, but are not limited to, government-imposed or recommended suspensions of elective procedures, fluctuations in patient volumes, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the District cannot estimate the length or severity of the effect of the pandemic on the District's business. Potential future decreases in cash flows and results of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During the year ended September 30, 2020, the District received \$87,959 of distributions from the CARES Act Provider Relief Fund. Distributions from the Provider Relief Fund may be retained, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The District is accounting for such payments as conditional contributions. Payments are recognized as nonoperating revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the District's operating revenues and expenses through September 30, 2021 and 2020, the District recognized \$87,429 and \$530, respectively, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenue in the statements of revenues, expenses and changes in net position.

The District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the District's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. These funds are also subject to government oversight, including potential audits, which could impact the District's ability to retain all of the distributions received.

Medicare Accelerated and Advanced Payment Program

During the year ended September 30, 2020, the District requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Notes to Financial Statements
September 30, 2021 and 2020

(In Thousands)

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25 percent of the remittance advice payment, followed by a six-month payback period at 50 percent of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4 percent.

During the year ended September 30, 2020, the District received approximately \$49,780 from these accelerated Medicare payment requests. During the year ended September 30, 2021, the District repaid approximately \$12,555 of the accelerated Medicare payments to CMS. The unapplied amount of accelerated Medicare payment requests of \$37,225 and \$49,780 as of September 30, 2021 and 2020, respectively, are reflected as a liability as Medicare Advance Payments in the accompanying balance sheets. The District anticipates the remaining Medicare Advance Payments will be paid back in 2022.

Required Supplementary Information

**Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Schedule of Changes in the District's Net Pension Liability and Related Ratios**

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 18,432	\$ 17,647	\$ 15,429	\$ 12,604	\$ 12,028	\$ 12,181	\$ 11,556
Interest on total pension liability	23,472	21,612	19,526	17,416	15,931	14,805	12,953
Differences between expected and actual experience	2,314	1,073	4,775	5,794	1,523	1,720	(717)
Changes of benefit terms	200	-	184	-	-	-	-
Changes of assumptions	10,774	(1,028)	8,396	(1,084)	(2,153)	(4,900)	6,650
Benefit payments, including refunds of employee contributions	(13,021)	(11,805)	(8,577)	(6,590)	(7,210)	(6,069)	(7,021)
Administrative expenses	(1,110)	(942)	(886)	(515)	(496)	-	-
Net Change in Total Pension Liability	41,061	26,557	38,847	27,625	19,623	17,737	23,421
Total Pension Liability—Beginning	324,393	297,836	258,989	231,364	211,741	194,004	170,583
Total Pension Liability—Ending (a)	<u>\$ 365,454</u>	<u>\$ 324,393</u>	<u>\$ 297,836</u>	<u>\$ 258,989</u>	<u>\$ 231,364</u>	<u>\$ 211,741</u>	<u>\$ 194,004</u>
Plan Fiduciary Net Position							
Contributions—employer	\$ 18,225	\$ 17,281	\$ 17,305	\$ 14,443	\$ 13,579	\$ 12,313	\$ 11,625
Contributions—employee	5,258	4,956	2,314	1,933	1,805	1,641	1,575
Net investment income (loss)	19,485	10,602	25,385	29,994	20,967	(2,629)	20,134
Benefit payments, including refunds of employee contributions	(13,021)	(11,805)	(8,577)	(6,590)	(7,210)	(6,069)	(7,021)
Administrative expense	(1,110)	(942)	(886)	(515)	(496)	(587)	(407)
Net Change in Plan Fiduciary Net Position	28,837	20,092	35,541	39,265	28,645	4,669	25,906
Plan Fiduciary Net Position—Beginning	312,671	292,579	257,038	217,773	189,128	184,459	158,553
Plan Fiduciary Net Position—Ending (b)	<u>\$ 341,508</u>	<u>\$ 312,671</u>	<u>\$ 292,579</u>	<u>\$ 257,038</u>	<u>\$ 217,773</u>	<u>\$ 189,128</u>	<u>\$ 184,459</u>
District's Net Pension Liability—Ending (a) – (b)	<u>\$ 23,946</u>	<u>\$ 11,722</u>	<u>\$ 5,257</u>	<u>\$ 1,951</u>	<u>\$ 13,591</u>	<u>\$ 22,613</u>	<u>\$ 9,545</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.45%	96.39%	98.23%	99.25%	94.13%	89.32%	95.08%
Covered-employee Payroll	\$ 291,597	\$ 276,493	\$ 256,366	\$ 213,963	\$ 201,170	\$ 182,418	\$ 178,847
District's Net Pension Liability as a Percentage of Covered-employee Payroll	8.21%	4.24%	2.05%	0.91%	6.76%	12.40%	5.34%

Notes to Schedule:

Changes of assumptions:

- 1) Mortality updated to Pri-2012 projected from 2012 base year using MP-2020
- 2) Assumed annual investment rate of return and discount rate reduced from 7.00% to 6.75%

Changes in benefit terms:

- 1) Updated benefit factor for one senior executive to match the rate for similarly situated senior executives

This schedule is presented as of October 1, which is the measurement date.

**Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas**

Schedule of District Contributions

Year Ended September 30, 2021

(In Thousands)

Year Ending September 30,	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2021	\$ 20,153	\$ 20,153	\$ -	\$ 322,441	6.25%
2020	18,225	18,225	-	291,597	6.25%
2019	17,281	17,281	-	276,493	6.25%
2018	17,305	17,305	-	256,366	6.75%
2017	14,443	14,443	-	213,963	6.75%
2016	13,579	13,579	-	201,170	6.75%
2015	12,313	12,313	-	182,418	6.75%
2014	11,625	11,625	-	178,847	6.50%

Notes to Schedule:

Valuation date: October 1 of respective year

Actuarially determined contribution rates are calculated as of October 1, which is the most recent valuation date prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	"Closed group" level dollar of payroll
Remaining amortization period	6 years at October 1, 2020; recalculated annually; employer contribution rate constant unless amortization period > 25 years or ≤ 0 years
Asset valuation method	5-year smoothed market
Inflation	2.25%
Salary increases	5.0%, average, including inflation
Investment rate of return	6.75% net of pension plan investment expense, including inflation
Retirement age	60
Mortality	Pri-2012 Total Dataset Mortality Table, Projected from the 2012 base year using the MP-2020 and MP-2019 mortality improvement scales for 2020 and 2019, respectively

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available. All amounts are in thousands unless otherwise indicated.

Other Information

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas

Combining Schedule – Balance Sheet Information

September 30, 2021

(In Thousands)

Assets and Deferred Outflow of Resources

	<u>Hospital</u>	<u>Acclaim</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets					
Cash and cash equivalents	\$ 196,245	\$ 1,025	\$ 781	\$ -	\$ 198,051
Restricted cash and cash equivalents	131,114	-	-	-	131,114
Short-term investments	638,436	-	273	-	638,709
Patient accounts receivable, net	72,432	6,634	-	(2,342)	76,724
Property taxes receivable, net	831	-	-	-	831
Supplemental Medicaid funding receivable	140,878	481	-	-	141,359
Internally designated for self-insurance, current portion	110	-	-	-	110
Due from third-party payers	17,036	-	-	-	17,036
Supplies inventory	15,119	-	-	-	15,119
Prepaid expenses and other assets	20,673	9,113	15	(7,640)	22,161
	<u>1,232,874</u>	<u>17,253</u>	<u>1,069</u>	<u>(9,982)</u>	<u>1,241,214</u>
Total current assets					
	<u>1,375</u>	<u>201</u>	<u>79</u>	<u>(1,655)</u>	<u>-</u>
Due from Affiliates					
Noncurrent Cash, Cash Equivalents and Investments					
Internally designated for debt service	683	-	-	-	683
Internally designated for self-insurance	12,755	-	-	-	12,755
Restricted by donors for capital acquisitions and specific operating activities	-	-	3,491	-	3,491
Internally designated for capital acquisitions and operating activities	215,677	-	-	-	215,677
Noncurrent investments	-	-	2,485	-	2,485
	<u>229,115</u>	<u>-</u>	<u>5,976</u>	<u>-</u>	<u>235,091</u>
Total noncurrent cash, cash equivalents and investments					
	<u>243,427</u>	<u>184</u>	<u>-</u>	<u>-</u>	<u>243,611</u>
Capital Assets, Net					
Total assets	1,706,791	17,638	7,124	(11,637)	1,719,916
Deferred Outflows of Resources					
	<u>38,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,522</u>
Total assets and deferred outflows of resources	<u>\$ 1,745,313</u>	<u>\$ 17,638</u>	<u>\$ 7,124</u>	<u>\$ (11,637)</u>	<u>\$ 1,758,438</u>

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Combining Schedule – Balance Sheet Information (Continued)
September 30, 2021
(In Thousands)

**Liabilities, Deferred Inflows of Resources
and Net Position**

	Hospital	Acclaim	Foundation	Eliminations	Total
Current Liabilities					
Accounts payable	\$ 72,135	\$ 2,399	\$ -	\$ (9,982)	\$ 64,552
Accrued expenses	61,558	11,862	3	-	73,423
Intergovernmental transfer obligation	131,153	-	-	-	131,153
Due to third-party payers	300	-	-	-	300
Medicare Advance Payments	37,225	-	-	-	37,225
Current portion of self-insurance costs	6,990	52	-	-	7,042
Current maturities of long-term debt	5,167	-	-	-	5,167
	<u>314,528</u>	<u>14,313</u>	<u>3</u>	<u>(9,982)</u>	<u>318,862</u>
Total current liabilities	314,528	14,313	3	(9,982)	318,862
Due to Affiliates	278	1,235	142	(1,655)	-
Estimated Self-insurance Costs	1,761	64	-	-	1,825
Long-term Debt	24,764	-	-	-	24,764
Net Pension Liability	23,946	-	-	-	23,946
Other Long-term Liabilities	6,021	925	-	-	6,946
	<u>371,298</u>	<u>16,537</u>	<u>145</u>	<u>(11,637)</u>	<u>376,343</u>
Total liabilities	371,298	16,537	145	(11,637)	376,343
Deferred Inflows of Resources	749	-	-	-	749
	<u>749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>749</u>
Deferred inflows of resources	749	-	-	-	749
Net Position					
Net investment in capital assets	211,623	184	-	-	211,807
Restricted expendable	683	-	2,963	-	3,646
Restricted nonexpendable	-	-	403	-	403
Unrestricted	1,160,960	917	3,613	-	1,165,490
	<u>1,373,266</u>	<u>1,101</u>	<u>6,979</u>	<u>-</u>	<u>1,381,346</u>
Total net position	1,373,266	1,101	6,979	-	1,381,346
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,745,313</u>	<u>\$ 17,638</u>	<u>\$ 7,124</u>	<u>\$ (11,637)</u>	<u>\$ 1,758,438</u>

Tarrant County Hospital District
d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Combining Schedule – Statement of Revenues, Expenses and
Changes in Net Position Information
Year Ended September 30, 2021
(In Thousands)

	Hospital	Acclaim	Foundation	Eliminations	Total
Operating Revenues					
Net patient service revenue	\$ 593,751	\$ 72,911	-	\$ (30,977)	\$ 635,685
Supplemental Medicaid funding	251,763	-	-	-	251,763
Other operating revenue	88,070	54,434	75	(47,606)	94,973
	<u>933,584</u>	<u>127,345</u>	<u>75</u>	<u>(78,583)</u>	<u>982,421</u>
Operating Expenses					
Salaries and related expenses	568,456	144,185	697	(56)	713,282
Professional fees and purchased services	266,769	13,638	159	(81,263)	199,303
Supplies	215,031	601	20	-	215,652
Depreciation and amortization	37,802	101	-	-	37,903
Other	55,474	3,289	2,138	508	61,409
	<u>1,143,532</u>	<u>161,814</u>	<u>3,014</u>	<u>(80,811)</u>	<u>1,227,549</u>
Operating Income (Loss)	<u>(209,948)</u>	<u>(34,469)</u>	<u>(2,939)</u>	<u>2,228</u>	<u>(245,128)</u>
Nonoperating Revenues (Expenses)					
Property tax revenue	479,150	-	-	-	479,150
Provider Relief Fund revenue	87,429	-	-	-	87,429
Contribution revenue	1,020	3	3,314	(2,228)	2,109
Interest expense	(723)	-	-	-	(723)
Investment return and other	3,785	-	454	-	4,239
	<u>570,661</u>	<u>3</u>	<u>3,768</u>	<u>(2,228)</u>	<u>572,204</u>
Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Net Position	360,713	(34,466)	829	-	327,076
Transfer of Equity	(37,675)	37,675	-	-	-
Capital Grants and Gifts	18	-	10	-	28
Increase in Net Position	323,056	3,209	839	-	327,104
Net Position, Beginning of Year	<u>1,050,210</u>	<u>(2,108)</u>	<u>6,140</u>	<u>-</u>	<u>1,054,242</u>
Net Position, End of Year	<u>\$ 1,373,266</u>	<u>\$ 1,101</u>	<u>\$ 6,979</u>	<u>\$ -</u>	<u>\$ 1,381,346</u>