



**COMMISSIONERS COURT
COMMUNICATION**

COURT ORDER NUMBER 145122

PAGE 1 OF 61

DATE: 5/6/2025

SUBJECT: RECEIVE AND FILE THE ANNUAL AUDIT REPORT AND FINANCIAL STATEMENTS FOR TARRANT COUNTY HOSPITAL DISTRICT, D/B/A JPS HEALTH NETWORK FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2023 AND SEPTEMBER 30, 2024

***** CONSENT AGENDA *****

COMMISSIONERS COURT ACTION REQUESTED

It is requested that the Commissioners Court receive and file the Annual Audit Report and Financial Statements for Tarrant County Hospital District, d/b/a JPS Health Network for the fiscal years ended September 30, 2023 and September 30, 2024.

BACKGROUND

JPS Health Network engaged Forvis, LLC to preform the annual independent financial audit of the JPS Health Network. The audit was completed by the firm and approved by JPS Health Network Board of Managers. There were no issues related to the audit.

FISCAL IMPACT

There is no fiscal impact associated with this action.


| | | | |
|--------------|---------------|--------------|---------------|
| SUBMITTED BY | Administrator | PREPARED BY: | Vanessa Perez |
| | | APPROVED BY: | Vanessa Perez |



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

**Independent Auditor's Report, Financial Statements,
and Supplementary Information**

September 30, 2024 and 2023



Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
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September 30, 2024 and 2023

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of the 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, 2024 and 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District, as of September 30, 2024 and 2023 and the changes in financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary 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 balance sheet combining schedule and statements of revenues, expenses and changes in net position combining schedule as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion on it or provide any assurance on it.

Forvis Mazars, LLP

**Dallas, Texas
December 12, 2024**

**Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Management’s Discussion and Analysis (Unaudited)
Years Ended September 30, 2024 and 2023**

(In Thousands)

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, 2024 and 2023. It should be read in conjunction with the accompanying financial statements of the District. Unless otherwise indicated, amounts are in thousands.

Financial Highlights

- Cash (excluding restricted cash), short-term investments, and other noncurrent investments increased in 2024 by \$335,817, or 17.7%, and increased in 2023 by \$676,621, or 55.6%.
- The District’s net position increased in 2024 by \$336,477, or 19.3%, and increased in 2023 by \$252,239, or 16.9%.
- The District reported operating losses in both 2024 (\$308,547) and 2023 (\$379,868). The loss in 2024 decreased by \$71,321, or 18.8%, as compared to the operating loss reported in 2023. The loss in 2023 decreased by \$19,150, or 4.8%, as compared to the operating loss reported in 2022.
- Net nonoperating revenues increased by \$12,796, or 2.0%, in 2024 compared to 2023 and increased by \$120,372, or 23.5%, in 2023 compared to 2022.

Using This Annual Report

The District’s financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any hospital’s finances is “Is the hospital as a whole better or worse off as a result of the year’s activities?” The balance sheet and the statement of revenues, expenses and changes in net position report information about the District’s resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, 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?”

Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Management's Discussion and Analysis (Unaudited)
Years Ended September 30, 2024 and 2023

(In Thousands)

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 \$336,477, or 19.3%, in 2024 over 2023 and increased by \$252,239, or 16.9%, in 2023 over 2022, as shown in Table 1.

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

| | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|---------------------|
| Assets | | | |
| Cash, cash equivalents and short-term investments | \$ 1,131,456 | \$ 920,165 | \$ 998,473 |
| Patient accounts receivable, net | 88,444 | 87,587 | 67,835 |
| Other current assets | 73,157 | 156,911 | 157,046 |
| Capital assets, net | 356,698 | 255,008 | 233,153 |
| Net pension asset | - | - | 26,266 |
| Other noncurrent assets | 1,259,969 | 1,112,305 | 274,321 |
| Total Assets | <u>2,909,724</u> | <u>2,531,976</u> | <u>1,757,094</u> |
| Deferred Outflows of Resources | <u>64,233</u> | <u>78,406</u> | <u>34,982</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,973,957</u> | <u>\$ 2,610,382</u> | <u>\$ 1,792,076</u> |
| Liabilities | | | |
| Long-term debt | \$ 459,846 | \$ 472,174 | \$ 24,738 |
| Net pension liability | 59,168 | 60,337 | - |
| Other current and noncurrent liabilities | 368,291 | 325,879 | 226,419 |
| Total Liabilities | <u>887,305</u> | <u>858,390</u> | <u>251,157</u> |
| Deferred Inflows of Resources | <u>3,974</u> | <u>5,791</u> | <u>46,957</u> |
| Net Position | | | |
| Net investment in capital assets | 251,765 | 211,057 | 209,367 |
| Restricted expendable | 6,567 | 5,599 | 3,075 |
| Restricted nonexpendable | 426 | 410 | 395 |
| Restricted for pension | - | - | 26,266 |
| Unrestricted | 1,823,920 | 1,529,135 | 1,254,859 |
| Total Net Position | <u>2,082,678</u> | <u>1,746,201</u> | <u>1,493,962</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 2,973,957</u> | <u>\$ 2,610,382</u> | <u>\$ 1,792,076</u> |

The most significant changes in the District's assets in 2024 is the increases in current and noncurrent cash. Cash and investments (excluding restricted cash) increased by \$335,817, or 17.7%, in 2024 due to earnings on amounts invested and continued favorable operations in 2024.

**Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Management's Discussion and Analysis (Unaudited)
Years Ended September 30, 2024 and 2023**

(In Thousands)

Capital assets increased by \$101,690 or 39.9% due to phase one of the District's Master Facility Plan including the development of the new Psychiatric Emergency Center, Medical Home Southwest and a parking garage, in addition to annual routine capital needs.

The supplemental Medicaid funding receivable decreased by \$67,239, or 75.3%, due to the timing of receipt of funding associated with these programs, which are discussed more fully in Note 3.

The most significant change in the District's liabilities in 2024 is the increase of the intergovernmental transfer obligation, which increased by \$15,899 or 15.5% related to the District's role in the Local Provider Participation Fund (LPPF). The increase is the result of the timing of intergovernmental transfers. The District's role in the LPPF is discussed more fully in Note 3.

Long-term debt decreased by \$12,768, or 2.8%, due to the annual bond principal payments and amortization of bond premiums. The District's long-term debt is discussed more fully in Note 10.

As of September 30, 2024, the Board has designated \$818,887 of unrestricted net position for future construction and capital acquisitions.

The most significant changes in the District's assets in 2023 were the increases in both current and noncurrent cash and investments. Cash and investments (excluding restricted cash) increased by \$676,621, or 55.6%, in 2023 due to the Series 2023 bond issue as further discussed in Note 10. Restricted cash, related to the District's role in the LPPF, increased by \$69,514, or 210.8%, due to the timing of required intergovernmental transfers associated with Medicaid supplemental payment programs as well as a decrease in cash from LPPF collections held in 2023. The supplemental Medicaid funding receivable decreased by \$7,429, or 7.7%, due to the timing of receipt of funding associated with these programs, which are discussed more fully in Note 3.

In addition, the District recognized a net pension liability of \$60,337 in 2023, as compared to a net pension asset of \$26,266 in 2022, due to negative plan asset performance in 2023 discussed more fully in Note 15.

Deferred outflows of resources increased \$43,424, or 124.1%, in 2023 as compared to 2022, primarily due to the return on pension plan assets, discussed more fully in Note 15.

The most significant change in the District's liabilities in 2023 is the Series 2023 bond issue resulting in an increase in long term debt of \$447,436 or 1808.7% from 2023 to 2022 which is discussed more fully in Note 10. In addition, the intergovernmental transfer obligation increased by \$69,531 or 210.5% related to the District's role in the LPPF. The increase is the result of the timing of intergovernmental transfers.

Deferred inflows of resources decreased \$41,166, or 87.7%, in 2023 as compared to 2022, primarily due to the return on pension plan assets, discussed more fully in Note 15.

As of September 30, 2023, the Board has designated \$626,234 of unrestricted net position for future construction and capital acquisitions.

Operating Results and Changes in the District's Net Position

In 2024, the District's change in net position was an increase of \$336,477, as shown in Table 2. This increase is made up of several components and represents an increase of \$84,238 over the net position for 2023 of \$252,239. The District's change in net position changed from an increase of \$112,616 in 2022 to an increase of \$252,239 in 2023.

Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Management’s Discussion and Analysis (Unaudited)
Years Ended September 30, 2024 and 2023

(In Thousands)

Table 2: Operating Results and Changes in Net Position

| | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|-------------------|
| Operating Revenues | | | |
| Net patient service revenue | \$ 855,871 | \$ 743,278 | \$ 639,967 |
| Supplemental Medicaid funding | 292,901 | 251,997 | 229,605 |
| Other operating revenue | 142,421 | 118,059 | 106,763 |
| Total Operating Revenues | <u>1,291,193</u> | <u>1,113,334</u> | <u>976,335</u> |
| Operating Expenses | | | |
| Salaries and related expenses | 961,522 | 904,479 | 830,418 |
| Purchased services and professional fees | 211,716 | 212,133 | 198,362 |
| Supplies | 314,459 | 276,281 | 241,055 |
| Depreciation and amortization | 53,934 | 46,940 | 48,423 |
| Other operating expenses | 58,109 | 53,369 | 57,095 |
| Total Operating Expenses | <u>1,599,740</u> | <u>1,493,202</u> | <u>1,375,353</u> |
| Operating Loss | <u>(308,547)</u> | <u>(379,868)</u> | <u>(399,018)</u> |
| Nonoperating Revenues (Expenses) | | | |
| Property taxes | 538,554 | 574,072 | 513,773 |
| Provider Relief Fund revenue | - | - | 2,019 |
| Investment return, interest expense and other | 105,992 | 57,678 | (4,414) |
| Total Nonoperating Revenues (Expenses) | <u>644,546</u> | <u>631,750</u> | <u>511,378</u> |
| Income Before Capital Grants and Gifts | 335,999 | 251,882 | 112,360 |
| Capital Grants and Gifts | <u>478</u> | <u>357</u> | <u>256</u> |
| Increase in Net Position | <u>\$ 336,477</u> | <u>\$ 252,239</u> | <u>\$ 112,616</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 2024 decreased by \$71,321, or 18.8%, as compared to 2023. The primary components of the change are:

- An increase in net patient service revenue of \$112,593, or 15.1%
- An increase in supplemental Medicaid funding of \$40,904, or 16.2%
- An increase in other operating revenue of \$24,362, or 20.6%

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A Component Unit of Tarrant County, Texas
Management's Discussion and Analysis (Unaudited)
Years Ended September 30, 2024 and 2023**

(In Thousands)

- An increase in salary and related expenses of \$57,043, or 6.3%
- An increase in supplies expense of \$38,178, or 13.8%

The increase in net patient service revenue from 2024 is attributable to higher volumes and favorable payor mix changes in 2024 as compared to 2023.

The increase in supplemental Medicaid funding is primarily due to an increase in the Texas Medicaid Disproportionate Share Program (DSH Program) and Hospital Augmented Reimbursement Program (HARP) funding of \$54,795 and \$13,601, respectively, from 2024 to 2023 offset by the decrease in uncompensated care costs (UC Pool) funding of \$28,288 from 2024 to 2023.

The increase in other operating revenue is related to an increase in drugs acquired through the Pharmacy Patient Assistance Program (PPAP) of \$17,198, or 30.9% in 2024, which also has a corresponding increase in drug expense.

The increase in salary and related expenses is due to adjusting wages based on the current market to remain competitive and retain talent. Additionally, an increase in pension expense was recognized based on the current year actuarial report and the difference between actual and expected plan experience. The pension plan is discussed more fully in Note 15.

The increase in supplies expense is due to overall volume increases as noted through increases in net patient service revenue in 2024 in addition to increased cost of medical supplies and pharmaceuticals resulting from inflation.

The operating loss for 2023 decreased by \$19,150, or 4.8%, as compared to 2022. The primary components of the change are:

- An increase in net patient service revenue of \$103,311, or 16.1%
- An increase in supplemental Medicaid funding of \$22,392, or 9.8%
- An increase in other operating revenue of \$11,296, or 10.6%
- An increase in salary and related expenses of \$74,061, or 8.9%
- An increase in purchased services and professional fees of \$13,771, or 6.9%
- An increase in supplies expense of \$35,226, or 14.6%

The increase in net patient service revenue from 2023 is attributable to higher volumes and favorable payor mix changes in 2023 as compared to 2022.

The increase in supplemental Medicaid funding is primarily due to an increase in the Texas DSH Program funding of \$16,070 from 2023 to 2022.

The increase in other operating revenue is related to an increase in drugs acquired through the PPAP of \$5,194, or 9.4%, in 2023, which also has a corresponding increase in drug expense. In addition, the increase in other operating revenue is related to an increase in other payor incentive revenues received by Acclaim of \$3,522, in 2023.

The increase in salary and related expenses is due to overall increase in volumes and wage increases in 2023.

The increase in purchase services and professional fees is due to facility maintenance, contract services, software maintenance and consultation fees in 2023.

**Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Management's Discussion and Analysis (Unaudited)
Years Ended September 30, 2024 and 2023**

(In Thousands)

The increase in supplies expense is due to overall volume increases as noted through increases in net patient service revenue in 2023 in addition to increased cost of medical supplies and pharmaceuticals resulting from inflation.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the District, contributions and investment income, and interest expense. Nonoperating revenues and expenses increased \$12,796, or 2.0% from 2023 to 2024, and increased by \$120,372, or 23.5% from 2022 to 2023

The District's tax rates decreased in 2024, which resulted in a net decrease in property tax revenue of \$35,518, or 6.2%, from 2023 to 2024. The District did not change tax rates in 2023, but an increase in overall property values resulted in a net increase in property tax revenue of \$60,299, or 11.7% from 2022 to 2023.

Investment return increased \$53,832 or 76.2% in 2024 from 2023 and \$75,312 or 1,600.3% in 2023 to 2022, due to continued positive investment performance and higher invested balances.

The District's Cash Flows

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2024, 2023, and 2022, as discussed previously.

Capital, Lease and Subscription Assets and Debt Administration

Capital, Lease and Subscription Assets

At September 30, 2024, the District had \$356,698 invested in capital assets, net of accumulated depreciation, \$10,970 of lease assets, net of accumulated amortization, and \$31,785 of subscription assets, net of accumulated amortization, as detailed in Note 7 to the financial statements. In 2024, the District purchased new capital assets costing \$137,673, entered into new lease agreements with lease assets of \$740 and entered into new subscription agreements with subscription assets of \$23,593.

At September 30, 2023, the District had \$255,008 invested in capital assets, net of accumulated depreciation, \$13,724 of lease assets, net of accumulated amortization, and \$22,649 of subscription assets, net of accumulated amortization, as detailed in Note 7 to the financial statements. In 2023, the District purchased new capital assets costing \$66,917, entered into new lease agreements with lease assets of \$6,624 and entered into new subscription agreements with subscription assets of \$20,541.

Debt

At September 30, 2024, the District had \$446,435 in revenue, general obligation refunding and limited tax bonds outstanding, \$11,819 in lease liabilities and \$28,394 in subscription liabilities.

At September 30, 2023, the District had \$456,835 in revenue, general obligation refunding and limited tax bonds outstanding, \$14,421 in lease liabilities and \$18,491 in subscription liabilities. The District issued the Series 2023 limited tax bonds in 2023 of \$437,295 with a premium of \$16,408 for the purpose of providing funds for acquiring, constructing, improving, equipping or enlarging facilities of the hospital system.

The District's formal debt issuances, revenue bonds, are subject to limitations imposed by state law. The District has a current Aa3 rating from Moody's, AA from Fitch, AAA from Kroll and an AA rating from Standard & Poor's on the revenue bonds.

**Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Management's Discussion and Analysis (Unaudited)
Years Ended September 30, 2024 and 2023**

(In Thousands)

Other Economic Factors

The Tarrant County Commissioner's Court set the property tax rate for fiscal year 2025 to \$0.182500 per \$100 valuation, which is lower than the property tax rate from fiscal year 2024 of \$0.194500 per \$100 valuation.

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 new directed payment programs 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
- Recent inflation trends in labor and non-labor expenses

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, 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, 2024 and 2023

(In Thousands)

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 256,023 | \$ 100,073 |
| Restricted cash and cash equivalents | 118,459 | 102,489 |
| Short-term investments | 756,974 | 717,603 |
| Patient accounts receivable, net | 88,444 | 87,587 |
| Property taxes receivable, net | 2,358 | 3,454 |
| Supplemental Medicaid funding receivable | 22,101 | 89,340 |
| Internally designated investments for self-insurance, current portion | 242 | 150 |
| Estimated amounts due from third-party payers | - | 17,605 |
| Supplies inventory | 15,037 | 16,149 |
| Prepaid expenses and other assets | 33,419 | 30,213 |
| Total Current Assets | <u>1,293,057</u> | <u>1,164,663</u> |
| Noncurrent Cash, Cash Equivalents, and Investments | | |
| Internally designated for debt service | 4,342 | 3,503 |
| Internally designated for self-insurance | 13,626 | 12,930 |
| Restricted by donors for capital acquisitions and specific operating activities | 2,813 | 2,688 |
| Internally designated for capital acquisitions and operating activities | 818,887 | 626,234 |
| Held by trustee for capital acquisitions | 370,629 | 427,474 |
| Noncurrent investments | 5,385 | 2,449 |
| Total Noncurrent Cash, Cash Equivalents, and Investments | <u>1,215,682</u> | <u>1,075,278</u> |
| Capital Assets, Net | 356,698 | 255,008 |
| Lease Assets, Net | 10,970 | 13,724 |
| Subscription Assets, Net | 31,785 | 22,649 |
| Leases Receivable | <u>1,532</u> | <u>654</u> |
| Total Assets | <u>2,909,724</u> | <u>2,531,976</u> |
| Deferred Outflows of Resources – Pension Related | <u>64,233</u> | <u>78,406</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,973,957</u> | <u>\$ 2,610,382</u> |

Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Balance Sheets
September 30, 2024 and 2023

(In Thousands)(Continued)

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| Current Liabilities | | |
| Accounts payable | \$ 80,330 | \$ 73,711 |
| Accrued expenses | 109,676 | 101,430 |
| Intergovernmental transfer obligation | 118,454 | 102,555 |
| Estimated amounts due to third-party payers | 3,394 | 300 |
| Current portion of lease liabilities | 3,009 | 3,238 |
| Current portion of subscription liabilities | 12,699 | 8,357 |
| Current portion of self-insurance costs | 8,090 | 7,585 |
| Current maturities of long-term debt | 10,840 | 10,400 |
| Total Current Liabilities | <u>346,492</u> | <u>307,576</u> |
| Estimated Self-Insurance Costs | 1,705 | 2,060 |
| Lease Liabilities, Noncurrent | 8,810 | 11,183 |
| Subscription Liabilities, Noncurrent | 15,695 | 10,134 |
| Long-Term Debt | 449,006 | 461,774 |
| Net Pension Liability | 59,168 | 60,337 |
| Other Long-Term Liabilities | <u>6,429</u> | <u>5,326</u> |
| Total Liabilities | <u>887,305</u> | <u>858,390</u> |
| Deferred Inflows of Resources | | |
| Pension related | 3,404 | 5,054 |
| Leases | <u>570</u> | <u>737</u> |
| Total Deferred Inflows of Resources | <u>3,974</u> | <u>5,791</u> |
| Net Position | | |
| Net investment in capital assets | 251,765 | 211,057 |
| Restricted expendable | 6,567 | 5,599 |
| Restricted nonexpendable | 426 | 410 |
| Unrestricted (See Note 13) | <u>1,823,920</u> | <u>1,529,135</u> |
| Total Net Position | <u>2,082,678</u> | <u>1,746,201</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 2,973,957</u> | <u>\$ 2,610,382</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, 2024 and 2023

(In Thousands)

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Operating Revenues | | |
| Net patient service revenue, net of provision for uncollectible accounts; 2024 – \$170,108; 2023 – \$138,973 | \$ 855,871 | \$ 743,278 |
| Supplemental Medicaid funding | 292,901 | 251,997 |
| Other operating revenue | 142,421 | 118,059 |
| Total Operating Revenues | <u>1,291,193</u> | <u>1,113,334</u> |
| Operating Expenses | | |
| Salaries and related expenses | 961,522 | 904,479 |
| Professional fees and purchased services | 211,716 | 212,133 |
| Supplies | 314,459 | 276,281 |
| Depreciation and amortization | 53,934 | 46,940 |
| Other | 58,109 | 53,369 |
| Total Operating Expenses | <u>1,599,740</u> | <u>1,493,202</u> |
| Operating Loss | <u>(308,547)</u> | <u>(379,868)</u> |
| Nonoperating Revenues (Expenses) | | |
| Property tax revenue | 538,554 | 574,072 |
| Contribution revenue | 2,246 | 1,902 |
| Bond issue costs | - | (3,690) |
| Interest expense | (20,692) | (11,140) |
| Investment return and other | 124,438 | 70,606 |
| Total Nonoperating Revenues (Expenses) | <u>644,546</u> | <u>631,750</u> |
| Income Before Capital Grants and Gifts | 335,999 | 251,882 |
| Capital Grants and Gifts | <u>478</u> | <u>357</u> |
| Increase in Net Position | 336,477 | 252,239 |
| Net Position, Beginning of Year | <u>1,746,201</u> | <u>1,493,962</u> |
| Net Position, End of Year | <u>\$ 2,082,678</u> | <u>\$ 1,746,201</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, 2024 and 2023

(In Thousands)

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Receipts from and on behalf of patients | \$ 868,926 | \$ 724,737 |
| Receipts from supplemental Medicaid funding programs | 365,420 | 265,403 |
| Gross receipts from Local Provider Participation Fund | 477,334 | 441,960 |
| Gross payments for Local Provider Participation Fund | (461,489) | (372,436) |
| Payments to suppliers and contractors | (589,506) | (538,685) |
| Payments to employees | (948,787) | (885,978) |
| Other receipts, net | 146,587 | 112,606 |
| Net Cash Used in Operating Activities | <u>(141,515)</u> | <u>(252,393)</u> |
| Cash Flows From Noncapital Financing Activities | | |
| Noncapital grants and gifts | 2,246 | 1,902 |
| Increase (decrease) in outstanding checks in excess of bank balance | 457 | (12,960) |
| Property taxes supporting operations | 510,162 | 571,248 |
| Net Cash Provided by Noncapital Financing Activities | <u>512,865</u> | <u>560,190</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from issuance of long-term debt | - | 450,000 |
| Principal payments made on long-term debt | (10,400) | (5,297) |
| Principal payments received on leases receivable | (878) | 299 |
| Principal payments made on leases payable | (3,342) | (3,308) |
| Principal payments made on subscription liabilities | (12,057) | (8,577) |
| Interest paid on long-term debt, leases payable and subscription liabilities | (22,687) | (9,477) |
| Property taxes supporting debt service | 29,488 | 1,952 |
| Capital grants and gifts | 478 | 357 |
| Proceeds from sale of capital assets | 85 | 17,144 |
| Purchase of subscription assets | (1,633) | (2,017) |
| Purchase of capital assets | (122,014) | (65,391) |
| Net Cash (Used in) Provided by Capital and Related Financing Activities | <u>(142,960)</u> | <u>375,685</u> |
| Cash Flows From Investing Activities | | |
| Purchase of investments | (1,659,938) | (1,617,836) |
| Proceeds from the sale and maturities of investments | 1,501,087 | 930,046 |
| Interest income | 102,709 | 57,988 |
| Net Cash Used in Investing Activities | <u>(56,142)</u> | <u>(629,802)</u> |
| Increase in Cash and Cash Equivalents | 172,248 | 53,680 |
| Cash and Cash Equivalents, Beginning of Year | <u>202,809</u> | <u>149,129</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 375,057</u> | <u>\$ 202,809</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, 2024 and 2023

(In Thousands)(Continued)

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Reconciliation of Cash and Equivaents to the Balance Sheets | | |
| Cash and cash equivalents | \$ 256,023 | \$ 100,073 |
| Restricted cash and cash equivalents | 118,459 | 102,489 |
| Cash and cash equivalents in noncurrent cash, cash equivalents and investments | <u>575</u> | <u>247</u> |
| | <u>\$ 375,057</u> | <u>\$ 202,809</u> |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities | | |
| Operating loss | \$ (308,547) | \$ (379,868) |
| Depreciation and amortization | 53,934 | 46,940 |
| Gain on sale of fixed assets | (619) | (4,636) |
| Provision for uncollectible accounts | 170,108 | 138,973 |
| Changes in operating assets and liabilities | | |
| Patient accounts receivable | (170,965) | (158,725) |
| Supplemental Medicaid funding receivable | 67,239 | 7,429 |
| Estimated amounts due from and to third-party payers | 19,052 | 6,010 |
| Accounts payable and accrued expenses | (1,273) | 28,899 |
| Intergovernmental transfer obligation | 15,845 | 69,524 |
| Net pension liability | (1,169) | 86,603 |
| Deferred outflows of resources - pension | 14,173 | (43,424) |
| Deferred inflows of resources - leases | (167) | (193) |
| Deferred inflows of resources - pension | (1,650) | (40,973) |
| Other assets and liabilities | <u>2,524</u> | <u>(8,952)</u> |
| Net Cash Used in Operating Activities | <u>\$ (141,515)</u> | <u>\$ (252,393)</u> |
| Noncash Investing, Capital, and Financing Activities | | |
| Capital asset acquisitions included in accounts payable | \$ 18,271 | \$ 2,712 |
| Credit received for trade in of capital assets | \$ - | \$ 120 |
| Lease obligations incurred for lease assets | \$ 740 | \$ 6,624 |
| Subscription liabilities incurred for subscription assets | \$ 21,960 | \$ 18,524 |
| Bond issue costs paid by escrow funds | \$ - | \$ 3,690 |

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, ambulatory health centers, a psychiatric emergency center, an emergency department and a designated Level 1 trauma center, outpatient primary care and specialty clinics, and dental services at several 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 the District's 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 17.

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 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 17.

Tarrant County Hospital District Public Facility Corporation (PFC) was formed in February 2021, for the purpose of partnering on an affordable housing project. PFC is governed by the District Board, as such, PFC is presented as blended component unit of the District. The activity of PFC was not significant for the years ended September 30, 2024 and 2023.

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.

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.

Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Notes to Financial Statements
Years Ended September 30, 2024 and 2023

(In Thousands)

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, 2024 and 2023, 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.

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.

Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Notes to Financial Statements
Years Ended September 30, 2024 and 2023

(In Thousands)

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 and amortization is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the District:

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

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease, and Subscription Asset Impairment

The District evaluates capital, lease and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease or subscription asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended September 30, 2024 and 2023.

Compensated Absences

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 an agent defined benefit pension plan (Plan) as more fully described in *Note 15*. 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

The District reports an acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

The District reports the consumption of net assets that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheet.

Net Position

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

- Net investment in capital assets consists of capital, lease and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase, use or construction of those assets.
- 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.
- 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 \$10,958 and \$10,638 in revenue from this settlement for the years ended September 30, 2024 and 2023, 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, PFC and Acclaim also carry an exemption from income taxes under IRC Section 501(c)(3). The District, the Foundation, PFC, and Acclaim are all subject to federal income tax on any unrelated business taxable income.

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, 2020.
- **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.

Approximately 57% and 66% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2024 and 2023, 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.

Note 3. Supplemental Medicaid Funding Revenue

In response to the growing number of uninsured patients and the rising cost of health care, the Texas Legislature established a Texas Medicaid Disproportionate Share Program (DSH Program) that was designated to assist those facilities serving the majority of the indigent patients by providing funds supporting increased access to health care within the community. This program allows the Texas Department of Human Services to levy assessments from certain hospitals, use the assessed funds to obtain federal matching funds, and then redistribute the total funds to those facilities serving a disproportionate share of indigent patients in the state of Texas.

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).

Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Notes to Financial Statements
Years Ended September 30, 2024 and 2023

(In Thousands)

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.

On April 22, 2022, CMS approved an extension of the Waiver through September 30, 2030. The extension provides for the continuation of the UC Pool and an expansion of directed payment programs, which transitioned participating hospitals away from the DSRIP program which ended on September 30, 2021.

Comprehensive Hospital Increased Reimbursement Program (CHIRP) is a directed payment program, which adds a quality component to the existing Uniform Hospital Rate Increase Program (UHRIP). Under UHRIP and CHIRP, HHSC directed managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals. CHIRP also provides for rate increases similar to UHRIP but also provides for a rate enhancement above the UHRIP rate, based upon a percentage of estimated average commercial reimbursement. Participating hospitals may opt into this second component. The UHRIP program ended on August 31, 2021 and the CHIRP program began on September 1, 2021 and has been approved through August 31, 2025. Revenue from CHIRP and UHRIP is recognized as a component of net patient service revenue.

Beginning on September 1, 2024, HHSC provided for a third component to CHIRP, Alternative Participating Hospital Reimbursement for Improving Quality Award (APHRIQA) that provides an additional pay-for-performance component open to urban and children's hospitals for state fiscal year 2025. Revenue from APHRIQA is recognized as a component of Supplemental Medicaid funding revenue.

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.

The District participates in the Hospital Augmented Reimbursement Program (HARP). HARP is a statewide supplemental program that provides Medicaid payments to hospitals for inpatient and outpatient services that serve Texas Medicaid fee-for-service patients. The program serves as a financial transition for providers historically participating in the DSRIP program and provides additional funding to hospitals to assist in offsetting the cost hospitals incur while providing Medicaid services.

Supplemental Medicaid funding revenue from each program, excluding CHIRP and UHRIP, which are recognized as a portion of net patient service revenue, in 2024 and 2023 was:

| | <u>2024</u> | <u>2023</u> |
|-----------------|-------------------|-------------------|
| DSH Program | \$ 116,721 | \$ 61,927 |
| UC Pool | 110,264 | 138,552 |
| GME Program | 6,429 | 6,693 |
| APHIRQA Program | 1,061 | - |
| HARP Program | <u>58,426</u> | <u>44,825</u> |
| | <u>\$ 292,901</u> | <u>\$ 251,997</u> |

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.

Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Notes to Financial Statements
Years Ended September 30, 2024 and 2023

(In Thousands)

The District administers 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, 2024, the District held \$118,459 in restricted cash for LPPF assessments that will be transferred in 2025. At September 30, 2023, the District held \$102,489 in LPPF assessments that was transferred in 2024. The liability is reflected in the accompanying balance sheets as intergovernmental transfer obligation.

Note 4. Property Tax Revenue

The District received approximately 29 and 34% of its support from property taxes during the years ended September 30, 2024 and 2023, 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. The District recognized an allowance of uncollectible property taxes of approximately \$10,964 and \$9,989 at September 30, 2024 and 2023, respectively.

The District's total property tax rate was \$0.194500 and \$0.224429 per \$100 valuation for 2024 and 2023, respectively. The District's maintenance and operation tax rate was \$0.183872 and \$0.223654 per \$100 valuation for 2024 and 2023, respectively. The District's interest and debt service tax rate was \$0.010628 and \$0.000775 per \$100 valuation for 2024 and 2023, respectively. The District's property tax revenue was \$538,554 and \$574,072 for the years ended September 30, 2024 and 2023, 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.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At September 30, 2024 and 2023, the District's deposits were either insured or collateralized in accordance with state law.

At September 30, 2024 and 2023, the Foundation's cash accounts exceeded federally insured limits by \$961 and \$1,902, 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.

Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Notes to Financial Statements
Years Ended September 30, 2024 and 2023

(In Thousands)

At September 30, 2024 and 2023, the District had the following investments and maturities:

| Type | Fair Value | September 30, 2024 | | | |
|---------------------------|---------------------|---------------------|-------------------|-------------|--------------|
| | | Maturities in Years | | | |
| | | Less Than 1 | 1--5 | 6--0 | More Than 10 |
| Investment pools | \$ 279,926 | \$ 279,926 | \$ - | \$ - | \$ - |
| U.S. treasury obligations | 915,261 | 613,629 | 301,632 | - | - |
| U.S. agency obligations | 745,186 | 440,744 | 304,442 | - | - |
| Municipal bonds | 2,581 | - | 2,581 | - | - |
| Money market mutual funds | 118,052 | 118,052 | - | - | - |
| Commercial paper | 6,976 | 6,976 | - | - | - |
| Mutual funds | 7,668 | 7,668 | - | - | - |
| | <u>\$ 2,075,650</u> | <u>\$ 1,466,995</u> | <u>\$ 608,655</u> | <u>\$ -</u> | <u>\$ -</u> |
| Type | Fair Value | September 30, 2023 | | | |
| | | Maturities in Years | | | |
| | | Less Than 1 | 1--5 | 6--0 | More Than 10 |
| Investment pools | \$ 183,538 | \$ 183,538 | \$ - | \$ - | \$ - |
| U.S. treasury obligations | 316,159 | 242,020 | 74,139 | - | - |
| U.S. agency obligations | 1,107,738 | 680,624 | 427,114 | - | - |
| Money market mutual funds | 105,343 | 105,343 | - | - | - |
| Commercial paper | 146,207 | 146,207 | - | - | - |
| Mutual funds | 4,768 | 4,768 | - | - | - |
| | <u>\$ 1,863,753</u> | <u>\$ 1,362,500</u> | <u>\$ 501,253</u> | <u>\$ -</u> | <u>\$ -</u> |

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.

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 and treasury securities 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

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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 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.

The money market mutual funds, mutual funds and pools are presented as an investment with a maturity of less than one-year because they are redeemable in full immediately.

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, and the District diversifies its investment portfolio in terms of investment instruments, maturity scheduling and issuers to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, maturity or issuer.

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

| | <u>2024</u> | <u>2023</u> |
|--|-------------|-------------|
| Federal Home Loan Bank | 18.7% | 36.8% |
| U.S. Treasury | 43.1% | 15.8% |
| Federal Farm Credit Bank | 10.2% | 10.6% |
| Federal Home Loan Mortgage Corporation | 4.9% | 9.0% |

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Summary of Carrying Values

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

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Carrying value | | |
| Deposits | \$ 271,730 | \$ 131,840 |
| Investments | <u>2,075,650</u> | <u>1,863,753</u> |
| | <u>\$ 2,347,380</u> | <u>\$ 1,995,593</u> |
| Included in the following balance sheet captions | | |
| Cash and cash equivalents | \$ 256,023 | \$ 100,073 |
| Restricted cash and cash equivalents | 118,459 | 102,489 |
| Short-term investments | 756,974 | 717,603 |
| Internally designated for self-insurance, current portion | 242 | 150 |
| Noncurrent cash and investments | <u>1,215,682</u> | <u>1,075,278</u> |
| | <u>\$ 2,347,380</u> | <u>\$ 1,995,593</u> |

Investment Income

Investment income for the years ended September 30 2024, and 2023, consisted of:

| | <u>2024</u> | <u>2023</u> |
|---|-------------------|------------------|
| Interest and dividend income | \$ 103,332 | \$ 65,711 |
| Net increase in fair value of investments | <u>20,688</u> | <u>4,665</u> |
| | <u>\$ 124,020</u> | <u>\$ 70,376</u> |

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 2024 and 2023, consisted of:

| | <u>2024</u> | <u>2023</u> |
|---|------------------|------------------|
| Medicare | \$ 32,920 | \$ 33,748 |
| Medicaid | 26,942 | 26,982 |
| Other third-party payers | 47,272 | 46,969 |
| Patients | <u>76,045</u> | <u>67,816</u> |
| | 183,179 | 175,515 |
| Less allowance for uncollectible accounts | <u>94,735</u> | <u>87,928</u> |
| | <u>\$ 88,444</u> | <u>\$ 87,587</u> |

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Note 7. Capital, Lease, and Subscription Assets

Capital assets activity for the years ended September 30, 2024 and 2023 was:

| | 2024 | | | | |
|---|------------------------------|-------------------|--------------------|--------------------------------|---------------------------|
| | Beginning Balance | Additions | Disposals | Transfers and Other | Ending Balance |
| Land and improvements | \$ 63,466 | \$ - | \$ (20) | \$ 8,774 | \$ 72,220 |
| Buildings and improvements | 269,177 | 2,105 | (417) | 677 | 271,542 |
| Equipment | 513,681 | 10,361 | (4,665) | 3,356 | 522,733 |
| Construction in progress | 37,517 | 125,207 | - | (12,807) | 149,917 |
| | <u>883,841</u> | <u>137,673</u> | <u>(5,102)</u> | <u>-</u> | <u>1,016,412</u> |
| Less accumulated depreciation and amortization | <u>628,833</u> | <u>35,983</u> | <u>(5,102)</u> | <u>-</u> | <u>659,714</u> |
| Capital assets, net | <u>\$ 255,008</u> | <u>\$ 101,690</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 356,698</u> |
| | 2023 | | | | |
| | Beginning Balance | Additions | Disposals | Transfers and Other | Ending Balance |
| Land and improvements | \$ 67,689 | \$ 4,050 | \$ (11,472) | \$ 3,199 | \$ 63,466 |
| Buildings and improvements | 277,197 | 502 | (12,709) | 4,187 | 269,177 |
| Equipment | 503,434 | 23,065 | (14,727) | 1,909 | 513,681 |
| Construction in progress | 8,487 | 39,300 | - | (10,270) | 37,517 |
| | <u>856,807</u> | <u>66,917</u> | <u>(38,908)</u> | <u>(975)</u> | <u>883,841</u> |
| Less accumulated depreciation and amortization | <u>623,654</u> | <u>33,313</u> | <u>(28,134)</u> | <u>-</u> | <u>628,833</u> |
| Capital assets, net | <u>\$ 233,153</u> | <u>\$ 33,604</u> | <u>\$ (10,774)</u> | <u>\$ (975)</u> | <u>\$ 255,008</u> |

As of September 30, 2024, the District has \$184,497 of outstanding construction commitments for the development of the North Expansion Pavilion, the Medical Home Southwest and a parking garage funded through existing cash on hand and the Series 2023 bond proceeds.

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Lease assets activity for the years ended September 30, 2024 and 2023 was:

| | 2024 | | | | |
|-------------------------------|------------------------------|-------------------|------------------|------------------|---------------------------|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Buildings | \$ 21,603 | \$ 740 | \$ (3,898) | \$ - | \$ 18,445 |
| Equipment | 613 | - | - | - | 613 |
| | <u>22,216</u> | <u>740</u> | <u>(3,898)</u> | <u>-</u> | <u>19,058</u> |
| Less accumulated amortization | | | | | |
| Buildings | 7,941 | 3,432 | (3,898) | - | 7,475 |
| Equipment | 551 | 62 | - | - | 613 |
| | <u>8,492</u> | <u>3,494</u> | <u>(3,898)</u> | <u>-</u> | <u>8,088</u> |
| Lease assets, net | <u>\$ 13,724</u> | <u>\$ (2,754)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,970</u> |
| | | | | | |
| | 2023 | | | | |
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Buildings | \$ 17,248 | \$ 6,624 | \$ (2,269) | \$ - | \$ 21,603 |
| Equipment | 613 | - | - | - | 613 |
| | <u>17,861</u> | <u>6,624</u> | <u>(2,269)</u> | <u>-</u> | <u>22,216</u> |
| Less accumulated amortization | | | | | |
| Buildings | 6,715 | 3,495 | (2,269) | - | 7,941 |
| Equipment | 367 | 184 | - | - | 551 |
| | <u>7,082</u> | <u>3,679</u> | <u>(2,269)</u> | <u>-</u> | <u>8,492</u> |
| Lease assets, net | <u>\$ 10,779</u> | <u>\$ 2,945</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,724</u> |

Subscription assets activity for the years ended September 30, 2024 and 2023 was:

| | 2024 | | | | |
|-------------------------------|------------------------------|------------------|------------------|------------------|---------------------------|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Subscription IT asset | \$ 35,460 | \$ 23,593 | \$ (2,003) | \$ - | \$ 57,050 |
| Less accumulated amortization | | | | | |
| Subscription IT asset | 12,811 | 14,457 | (2,003) | - | 25,265 |
| Subscription Assets, Net | <u>\$ 22,649</u> | <u>\$ 9,136</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 31,785</u> |

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| | 2023 | | | | Ending Balance |
|-------------------------------|------------------------------|------------------|------------------|------------------|---------------------------|
| | Beginning Balance | Additions | Disposals | Transfers | |
| Subscription IT asset | \$ 18,745 | \$ 20,541 | \$ (3,826) | \$ - | \$ 35,460 |
| Less accumulated amortization | | | | | |
| Subscription IT asset | <u>6,941</u> | <u>9,696</u> | <u>(3,826)</u> | <u>-</u> | <u>12,811</u> |
| Subscription Assets, Net | <u>\$ 11,804</u> | <u>\$ 10,845</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,649</u> |

Note 8. Accounts Payable and Accrued Expenses

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

| | 2024 | 2023 |
|---|-------------------|-------------------|
| Payable to suppliers and contractors | \$ 75,166 | \$ 67,713 |
| Payable to employees (including payroll taxes and benefits) | 94,799 | 94,503 |
| Patient credit balances | 4,032 | 3,892 |
| Other liabilities and deferred revenue | <u>16,009</u> | <u>9,033</u> |
| | <u>\$ 190,006</u> | <u>\$ 175,141</u> |

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.

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Activity in the District's accrued medical malpractice and general liability claims liability during 2024 and 2023, is summarized as follows:

| | <u>2024</u> | <u>2023</u> |
|---|---------------|---------------|
| Balance, beginning of year | \$ 734 | \$ 724 |
| Current year claims incurred and changes in estimates for claims incurred in prior years | 4 | 408 |
| Claims and expenses paid | <u>(373)</u> | <u>(398)</u> |
| Balance, end of year | <u>\$ 365</u> | <u>\$ 734</u> |

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.

Activity in the District's accrued employee health claims liability during 2024, 2023 and 2022, is summarized as follows:

| | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|---|-----------------|-----------------|-----------------|
| Balance, beginning of year | \$ 6,413 | \$ 5,250 | \$ 5,250 |
| Current year claims incurred and changes in estimates for claims incurred in prior years | 68,577 | 68,713 | 59,401 |
| Claims and expenses paid | <u>(67,990)</u> | <u>(67,550)</u> | <u>(59,401)</u> |
| Balance, end of year | <u>\$ 7,000</u> | <u>\$ 6,413</u> | <u>\$ 5,250</u> |

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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 2024 and 2023, is summarized as follows:

| | <u>2024</u> | <u>2023</u> |
|--|-----------------|-----------------|
| Balance, beginning of year | \$ 2,498 | \$ 2,584 |
| Current year claims incurred and changes in estimates for claims incurred in prior years | 1,882 | 1,591 |
| Claims and expenses paid | <u>(1,950)</u> | <u>(1,677)</u> |
| Balance, end of year | <u>\$ 2,430</u> | <u>\$ 2,498</u> |

Note 10. Long-Term Debt

A summary of long-term debt is as follows:

| | <u>2024</u> | <u>2023</u> |
|---|-------------------|-------------------|
| General obligation refunding bonds, Series 2016 | \$ 9,365 | \$ 11,115 |
| Revenue bonds, Series 2012 | 6,415 | 8,425 |
| Limited Tax Bonds, Series 2023 | <u>430,655</u> | <u>437,295</u> |
| | 446,435 | 456,835 |
| Bond premium (discount), net | <u>13,411</u> | <u>15,339</u> |
| | <u>\$ 459,846</u> | <u>\$ 472,174</u> |

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%. The Series 2016 Bonds are payable in annual installments of \$1,790 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% to 5.0 %. The Series 2012 Bonds are payable in annual installments of \$2,075 to \$2,205 through

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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.

Limited Tax Bonds – Series 2023

The Series 2023 bonds consist of Tarrant County Hospital District Limited Tax Bonds, Series 2023 (Series 2023) in the original amount of \$437,295 dated February 28, 2023, which bear interest at 4.0 to 5.25%. The Series 2023 Bonds are payable in annual installments of \$6,975 to \$26,240 through August 15, 2053. The Series 2023 Bonds are secured by the ad valorem tax revenues of the District. The Series 2023 bonds were issued at a premium and the outstanding balance of the premium is \$13,465 and \$15,428 at September 30, 2024 and 2023, respectively.

All of the Series 2023 Bonds still outstanding may be redeemed on August 15, 2032 or any date thereafter. The Series 2023 Bonds were issued for the purpose of providing funds for acquiring, constructing, improving, equipping or enlarging facilities of the District including a new medical home, new medical office building with an ambulatory surgery center, a new parking garage and expansion of existing parking, a new central utility plant, a new behavioral health emergency center, modifications and expansion of the existing pavilion building and paying the costs associated with the sale and issuance of the bonds.

Long-Term Obligations

The following is a summary of long-term debt transactions for the District for the years ended September 30, 2024 and 2023:

| | 2024 | | | | |
|---|--------------------------|-------------------|-------------------|-----------------------|------------------------|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Long-term debt | | | | | |
| General obligation refunding bonds, Series 2016 | \$ 11,115 | \$ - | \$ 1,750 | \$ 9,365 | \$ 1,790 |
| Revenue bonds, Series 2012 | 8,425 | - | 2,010 | 6,415 | 2,075 |
| Limited tax bonds, Series 2023 | 437,295 | - | 6,640 | 430,655 | 6,975 |
| Total Long-term debt | \$ 456,835 | \$ - | \$ 10,400 | \$ 446,435 | \$ 10,840 |
| | | | | | |
| | 2023 | | | | |
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Long-term debt | | | | | |
| General obligation refunding bonds, Series 2016 | \$ 12,825 | \$ - | \$ 1,710 | \$ 11,115 | \$ 1,750 |
| Revenue bonds, Series 2012 | 10,340 | - | 1,915 | 8,425 | 2,010 |
| Limited tax bonds, Series 2023 | - | 437,295 | - | 437,295 | 6,640 |
| Note payable | 1,672 | - | 1,672 | - | - |
| Total Long-term debt | \$ 24,837 | \$ 437,295 | \$ 5,297 | \$ 456,835 | \$ 10,400 |

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The debt service requirements on long-term debt as of September 30, 2024, are as follows:

| <u>Year Ending September 30,</u> | <u>Total to Be Paid</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------------------------|-----------------------------|-------------------|-------------------|
| 2025 | \$ 31,637 | \$ 10,840 | \$ 20,797 |
| 2026 | 31,631 | 11,285 | 20,346 |
| 2027 | 31,637 | 11,765 | 19,872 |
| 2028 | 29,363 | 9,990 | 19,373 |
| 2029 | 29,356 | 10,430 | 18,926 |
| 2030–2034 | 136,899 | 49,175 | 87,724 |
| 2035–2039 | 136,899 | 63,225 | 73,674 |
| 2040–2044 | 136,899 | 80,425 | 56,474 |
| 2045–2049 | 136,904 | 100,720 | 36,184 |
| 2050–2053 | 109,524 | 98,580 | 10,944 |
| | <u>\$ 810,749</u> | <u>\$ 446,435</u> | <u>\$ 364,314</u> |

Note 11. Lease Liabilities

The District leases medical office, warehouse and office space and certain equipment, the terms of which expire in various years through 2030. During the years ended September 30, 2024 and 2023, the District recognized approximately \$3,793 and \$3,639 respectively, of rental expense for variable payments, short-term and cancelable leases that are not included in the measurement of the lease liability.

The following is a summary of lease liability transactions for the District for the years ended September 30, 2024 and 2023:

| | 2024 | | | | |
|-------------------|------------------------------|------------------|-------------------|---------------------------|----------------------------|
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
| Lease liabilities | <u>\$ 14,421</u> | <u>\$ 740</u> | <u>\$ 3,342</u> | <u>\$ 11,819</u> | <u>\$ 3,009</u> |
| | 2023 | | | | |
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
| Lease liabilities | <u>\$ 11,060</u> | <u>\$ 6,669</u> | <u>\$ 3,308</u> | <u>\$ 14,421</u> | <u>\$ 3,238</u> |

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

| Year Ending September 30, | Total to Be Paid | Principal | Interest |
|------------------------------|---------------------|------------------|---------------|
| 2025 | \$ 3,354 | \$ 3,009 | \$ 345 |
| 2026 | 2,976 | 2,717 | 259 |
| 2027 | 2,640 | 2,466 | 174 |
| 2028 | 2,250 | 2,154 | 96 |
| 2029 | 962 | 919 | 43 |
| 1905 | 568 | 554 | 14 |
| | <u>\$ 12,750</u> | <u>\$ 11,819</u> | <u>\$ 931</u> |

Note 12. Subscription Liabilities

The District has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2029. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance. The District did not recognize any subscription expense for variable payments not previously included in the measurement of the subscription liability during the years ended September 20, 2024 and 2023.

The following is a summary of subscription liability transactions for the District for the years ended September 30:

| | 2024 | | | | |
|--------------------------|----------------------|-----------|------------|-------------------|--------------------|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Subscription liabilities | \$ 18,491 | \$ 21,960 | \$ 12,057 | \$ 28,394 | \$ 12,699 |
| | 2023 | | | | |
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Subscription liabilities | \$ 8,544 | \$ 18,524 | \$ 8,577 | \$ 18,491 | \$ 8,357 |

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

| Year Ending September 30, | Total to Be Paid | Principal | Interest |
|------------------------------|---------------------|------------------|-----------------|
| 2025 | \$ 13,467 | \$ 12,699 | \$ 768 |
| 2026 | 6,106 | 5,664 | 442 |
| 2027 | 4,702 | 4,462 | 240 |
| 2028 | 4,019 | 3,955 | 64 |
| 2029 | 1,622 | 1,614 | 8 |
| | <u>\$ 29,916</u> | <u>\$ 28,394</u> | <u>\$ 1,522</u> |

Note 13. Restricted and Designated Net Position

At September 30, 2024 and 2023, \$6,567 and \$5,599, respectively, of net position were restricted by donors for capital and operating activities.

At September 30, 2024 and 2023, \$818,887 and \$626,234, respectively, of unrestricted net position has been designated by the Board for future construction 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, 2024 and 2023, the District had \$426 and \$410, respectively, of restricted nonexpendable net position which is a general endowment for the Foundation.

Note 14. 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 \$365,641 and \$380,740 for 2024 and 2023, respectively. The decrease in charity care costs is attributable to a lower cost to charge ratio during the year ended September 30, 2024. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross charity care charges.

Note 15. 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.

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Benefits Provided

The Plan provides retirement, disability, and death benefits. Retirement benefits for eligible employees are calculated as 1.4% of the employee's final five-year average compensation plus 0.7% of the employee's final five-year average compensation, if any, that exceeds \$75, 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. Senior executives have a different formula and a cap on considered years of service. 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, 2023 and 2022 (measurement date), are:

| | <u>2023</u> | <u>2022</u> |
|--|--------------|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 612 | 575 |
| Inactive employees entitled to but not yet receiving benefits | | |
| Active employees | 1,932 | 1,878 |
| | <u>3,047</u> | <u>3,431</u> |
| | <u>5,591</u> | <u>5,884</u> |

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, 2024, the active employee contribution rate was 2.00% of annual pay, and the District's contribution rate was 6.25% of annual payroll.

The District's contribution is set to be 6.25% of participants payroll effective October 1, 2023, 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% of estimated participant compensation for the plan year ending September 30, 2023. The average active employee contribution rate was 2.0% of annual pay for the plan year ending September 30, 2023. The costs of administering the Plan are paid by the Plan and are considered in the determination of the employer contribution rate.

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Net Pension Liability

The District's net pension liability was measured as of October 1, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The total pension liability in the October 1, 2023 and 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------------|--|--|
| Inflation | 2.50% | 2.50% |
| Salary increases | 5.50%, average, including inflation | 5.62%, average, including inflation |
| Ad hoc cost of living adjustments | Not included | Not included |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation | 6.75%, net of pension plan investment expense, including inflation |

Mortality rates were based on the Society of Actuaries Pri-2012 Mortality Table, projected from the 2012 base year with Projection Scale MP-2021, for both the October 1, 2023 and 2022 valuations.

The actuarial assumptions used in both the October 1, 2023 and 2022 valuation were based on the results of an actuarial experience study for the period 2016-2021 for retirement rates, 2013-2022 for earnings progression, 2017-2022 for withdrawal rates, and 2018-2022 for form of payment.

The long-term expected rate of return used in the October 1, 2023 and 2022 valuations 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 (2.50% for both 2023 and 2022). In addition, during 2023 the final 6.75% assumption reflected a reduction of 0.61% for adverse deviation and 0.2% for investment expenses and during 2022 the final 6.75% assumption reflected a reduction of 0.61% for adverse deviation and 0.20% for investment expenses.

The target allocation and expected arithmetic real rates of return for each major asset class for both the October 1, 2023 and 2022 valuations are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>2023 Long-term Expected Real Rate of Return</u> | <u>2022 Long-term Expected Real Rate of Return</u> |
|----------------------|--------------------------|--|--|
| Domestic equity | 60% | 6.1% | 6.1% |
| International equity | 15% | 6.0% | 6.0% |
| Fixed income | 24% | 2.0% | 2.0% |
| Cash | 1% | 0.5% | 0.5% |
| Total | <u>100%</u> | | |

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Discount Rate

The discount rate used to measure the total pension liability was 6.75% at both October 1, 2023 and 2022. 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 (asset) are:

| | 2024 | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at September 30, 2023 | \$ 429,966 | \$ 369,629 | \$ 60,337 |
| Changes for the year | | | |
| Service cost | 17,015 | - | 17,015 |
| Interest on total pension liability | 29,636 | - | 29,636 |
| Changes of benefit terms | (40) | - | (40) |
| Differences between expected and actual experience | 32,030 | - | 32,030 |
| Contributions – employee | - | 5,424 | (5,424) |
| Contributions – employer | - | 18,861 | (18,861) |
| Net investment income | - | 55,525 | (55,525) |
| Benefit payments, including refunds of employee contributions | (13,897) | (13,897) | - |
| Administrative expenses | (1,093) | (1,093) | - |
| Net changes | <u>63,651</u> | <u>64,820</u> | <u>(1,169)</u> |
| Balances at September 30, 2024 | <u>\$ 493,617</u> | <u>\$ 434,449</u> | <u>\$ 59,168</u> |

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| | 2023 | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at September 30, 2022 | \$ 405,504 | \$ 431,770 | \$ (26,266) |
| Changes for the year | | | |
| Service cost | 13,198 | - | 13,198 |
| Interest on total pension liability | 27,646 | - | 27,646 |
| Differences between expected and actual experience | 5,556 | - | 5,556 |
| Contributions – employee | - | 5,573 | (5,573) |
| Contributions – employer | - | 20,425 | (20,425) |
| Net investment loss | - | (70,626) | 70,626 |
| Benefit payments, including refunds of employee contributions | (16,510) | (16,510) | - |
| Administrative expenses | (1,003) | (1,003) | - |
| Assumption changes | (4,425) | - | (4,425) |
| Net changes | <u>24,462</u> | <u>(62,141)</u> | <u>86,603</u> |
| Balances at September 30, 2023 | <u>\$ 429,966</u> | <u>\$ 369,629</u> | <u>\$ 60,337</u> |

The net pension liability of the District has been calculated using a discount rate of 6.75% at October 1, 2023. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate as of September 30, 2024.

| | 1% Decrease | Current | 1% Increase |
|--|--------------------|---------------------------------------|--------------------|
| | 5.75 % | Discount Rate 6.75 % | 7.75 % |
| District's net pension liability as of September 30, 2024 | <u>\$ 125,632</u> | <u>\$ 59,168</u> | <u>\$ 4,737</u> |

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

For the years ended September 30, 2024 and 2023, the District recognized pension expense of \$33,561 and \$21,071, respectively. At September 30, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

| | 2024 | |
|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 28,612 | \$ - |
| Employer contributions subsequent to the measurement date | 18,975 | - |
| Changes of assumptions | 1,720 | 3,327 |
| Net difference between projected and actual earnings on plan investments | 11,681 | - |
| | <u>\$ 60,988</u> | <u>\$ 3,327</u> |
| | 2023 | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 8,805 | \$ - |
| Employer contributions subsequent to the measurement date | 18,861 | - |
| Changes of assumptions | 3,984 | 4,974 |
| Net difference between projected and actual earnings on plan investments | 46,740 | - |
| | <u>\$ 78,390</u> | <u>\$ 4,974</u> |

Deferred outflows and inflows of resources associated with the Governmental Excess Benefit Arrangement Plan are included in amounts reported on the accompanying balance sheets.

At September 30, 2024 and 2023, the District reported \$18,975 and \$18,861, 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, 2025 and 2024.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2024, related to pensions will be recognized in pension expense as follows:

| | |
|--------------------------|------------------|
| Year ending September 30 | |
| 2025 | \$ 14,458 |
| 2026 | 11,754 |
| 2027 | 18,642 |
| 2028 | <u>(6,168)</u> |
| | <u>\$ 38,686</u> |

Pension Plan Fiduciary Net Position

As of October 1, 2023 and 2022, the master pension trust fund was comprised of the following:

| | <u>2023</u> | <u>2022</u> |
|------------------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 23,691 | \$ 26,298 |
| Receivable for investments sold | 3,673 | - |
| Investments, at fair value | | |
| Mutual funds | 242,195 | 337,298 |
| Common/collective trust funds | 400,003 | 211,273 |
| 103-12 investment fund | <u>51,813</u> | <u>42,995</u> |
| Total investments at fair value | <u>694,011</u> | <u>591,566</u> |
| Payables for investments purchased | <u>(3,989)</u> | <u>-</u> |
| Total Plan Fiduciary Net Pension | <u>\$ 717,386</u> | <u>\$ 617,864</u> |

The Plan's interest in the master pension trust fund as of the measurement date of October 1, 2023 and 2022, was \$434,449 and \$369,629, 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.

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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 and 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% of the portfolio, measured at market value.
- Equity holdings in any one economic sector should not exceed the greater of 30% of the portfolio or 10 percentage points above the sector weight in benchmark.
- Equity holdings in any single company (including common stock and convertible securities) should not exceed 10% 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% 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.

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 15.2% and (16.6)% for the 12 months ended October 1, 2023 and 2022, respectively.

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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% 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 30% of the portfolio or 10% above the sector weight in the benchmark and limit equity holdings in any single company to 10% 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% of the portfolio.

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

| | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| State Street S&P 500 Index NL Fund | 36.8% | 34.2% |
| Vanguard Small Cap Index | 14.3% | 14.1% |
| PIMCO Total Return | 11.6% | 12.6% |
| State Street Aggregate Bond Index NL Fund | 11.5% | 12.3% |
| State Street Russell 1000 Index SL Fund | 7.4% | 7.9% |
| Dodge & Cox International Stock | 7.4% | 7.2% |
| Morgan Stanley International Equity Trust | 7.2% | 7.0% |

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.

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The fair value of the pension plan assets at October 1, 2023 and 2022, 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, 2023 | | | | |
| Investments by fair value level | | | | |
| Mutual funds | \$ 242,195 | \$ 242,195 | \$ - | \$ - |
| Total investments by fair value level | 242,195 | \$ 242,195 | \$ - | \$ - |
| Investments measured at the net asset value (NAV) (A) | | | | |
| Common/collective trust fund | 400,003 | | | |
| 103-12 investment fund | 51,813 | | | |
| Total Investments measured at the NAV | 451,816 | | | |
| Total investments measured at fair value | \$ 694,011 | | | |
| | | Fair Value Measurements Using | | |
| | Carrying Amount | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| October 1, 2022 | | | | |
| Investments by fair value level | | | | |
| Mutual funds | \$ 337,298 | \$ 337,298 | \$ - | \$ - |
| Total Investments by fair value level | 337,298 | \$ 337,298 | \$ - | \$ - |
| Investments measured at the net asset value (NAV) (A) | | | | |
| Common/collective trust fund | 211,273 | | | |
| 103-12 investment fund | 42,995 | | | |
| Total Investments measured at the NAV | 254,268 | | | |
| Total investments measured at fair value | \$ 591,566 | | | |

(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.

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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, 2023 and 2022.

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% of an employee's contribution to the IRC Section 403(b) plan discussed below, up to 4% of pay if hired prior to October 1, 2020. For employees hired after October 1, 2020, the employer match is dollar for dollar up to 5% of pay. The contributions for the employer match on the Plan were approximately \$13,256 and \$11,080 for the years ended September 30, 2024 and 2023, 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 \$27,242 and \$24,733 for the years ended September 30, 2024 and 2023, respectively.

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. On October 12, 2023, the Board amended the plan to freeze all plan benefit accruals effective November 30, 2023 and to terminate the plan.

As of September 30, 2024 and 2023, the District has recorded a liability for amounts due under this plan of \$3,305 and \$4,553, respectively, measured as of October 1, 2023 and 2022, respectively, which is included in other long-term liabilities in the accompanying balance sheets. The remaining balances associated with the plan are insignificant.

Note 16. Disclosures About Fair Value of Assets

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

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

Recurring Measurements

The following tables present 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, 2024 | | | | |
| Investments by fair value level | | | | |
| U.S. agency obligations | \$ 745,186 | \$ 143,071 | \$ 602,115 | \$ - |
| U.S. Treasury obligations | 915,261 | 913,217 | 2,044 | - |
| Municipal bonds | 2,581 | - | 2,581 | - |
| Commercial paper | 6,976 | - | 6,976 | - |
| Money market mutual funds | 118,052 | 118,052 | - | - |
| Mutual funds | 7,668 | 7,668 | - | - |
| Total investments by fair value level | 1,795,724 | \$ 1,182,008 | \$ 613,716 | \$ - |
| Investment Pools Carried at Amortized Cost | 279,926 | | | |
| Total investments | \$ 2,075,650 | | | |

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| | <u>Fair Value Measurements Using</u> | | | |
|---|--------------------------------------|---|--|--|
| | <u>Carrying Amount</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| September 30, 2023 | | | | |
| Investments by fair value level | | | | |
| U.S. agency obligations | \$ 1,107,738 | \$ 272,463 | \$ 835,275 | \$ - |
| U.S. Treasury obligations | 316,159 | 316,159 | - | - |
| Commercial paper | 146,207 | - | 146,207 | - |
| Money market mutual funds | 105,343 | 105,343 | - | - |
| Mutual funds | 4,768 | 4,768 | - | - |
| Total investments by fair value level | 1,680,215 | <u>\$ 698,733</u> | <u>\$ 981,482</u> | <u>\$ -</u> |
| Investment Pools Carried at Amortized Cost | <u>183,538</u> | | | |
| Total investments | <u>\$ 1,863,753</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, 2024 and 2023.

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Note 17. Condensed Combining Information

The following tables include condensed combining balance sheet information for the District and its blended component units as of September 30, 2024 and 2023:

| | September 30, 2024 | | | | |
|--|---------------------|------------------|-----------------|-------------------|---------------------|
| | Hospital | Acclaim | Foundation | Eliminations | Total |
| Assets and Deferred Outflows of Resources | | | | | |
| Current assets | \$ 1,287,268 | \$ 12,089 | \$ 937 | \$ (7,237) | \$ 1,293,057 |
| Due from affiliates | 1,990 | 373 | 89 | (2,452) | - |
| Noncurrent cash and investments | 1,207,484 | - | 8,198 | - | 1,215,682 |
| Capital assets, net | 356,201 | 497 | - | - | 356,698 |
| Lease assets, net | 9,513 | 1,457 | - | - | 10,970 |
| Subscription assets, net | 31,785 | - | - | - | 31,785 |
| Lease receivable | 1,532 | - | - | - | 1,532 |
| Total Assets | <u>2,895,773</u> | <u>14,416</u> | <u>9,224</u> | <u>(9,689)</u> | <u>2,909,724</u> |
| Deferred Outflows of Resources | <u>64,233</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>64,233</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,960,006</u> | <u>\$ 14,416</u> | <u>\$ 9,224</u> | <u>\$ (9,689)</u> | <u>\$ 2,973,957</u> |
| Liabilities, Deferred Inflows of Resources and Net Position | | | | | |
| Current liabilities | \$ 329,157 | \$ 24,543 | \$ 29 | \$ (7,237) | \$ 346,492 |
| Due to affiliates | 260 | 1,895 | 297 | (2,452) | - |
| Estimated self-insurance costs | 1,641 | 64 | - | - | 1,705 |
| Lease liabilities, noncurrent | 7,879 | 931 | - | - | 8,810 |
| Subscription liabilities, noncurrent | 15,695 | - | - | - | 15,695 |
| Long-term debt | 449,006 | - | - | - | 449,006 |
| Net pension liability | 59,168 | - | - | - | 59,168 |
| Other long-term liabilities | 5,615 | 814 | - | - | 6,429 |
| Total Liabilities | <u>868,421</u> | <u>28,247</u> | <u>326</u> | <u>(9,689)</u> | <u>887,305</u> |
| Deferred inflows of resources | <u>3,974</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,974</u> |
| Net Position | | | | | |
| Net investment in capital assets | 251,356 | 409 | - | - | 251,765 |
| Restricted expendable | 4,342 | - | 2,225 | - | 6,567 |
| Restricted nonexpendable | - | - | 426 | - | 426 |
| Unrestricted | 1,831,913 | (14,240) | 6,247 | - | 1,823,920 |
| Total Net Position | <u>2,087,611</u> | <u>(13,831)</u> | <u>8,898</u> | <u>-</u> | <u>2,082,678</u> |
| Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 2,960,006</u> | <u>\$ 14,416</u> | <u>\$ 9,224</u> | <u>\$ (9,689)</u> | <u>\$ 2,973,957</u> |

Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Notes to Financial Statements
Years Ended September 30, 2024 and 2023

(In Thousands)

| | September 30, 2023 | | | | |
|--|---------------------|------------------|-----------------|--------------------|---------------------|
| | Hospital | Acclaim | Foundation | Eliminations | Total |
| Assets | | | | | |
| Current assets | \$ 1,158,123 | \$ 12,729 | \$ 2,089 | \$ (8,278) | \$ 1,164,663 |
| Due from affiliates | 1,720 | 165 | 42 | (1,927) | - |
| Noncurrent cash and investments | 1,070,141 | - | 5,137 | - | 1,075,278 |
| Capital assets, net | 254,696 | 312 | - | - | 255,008 |
| Lease assets, net | 11,821 | 1,903 | - | - | 13,724 |
| Subscription assets, net | 22,381 | 268 | - | - | 22,649 |
| Lease receivable | 654 | - | - | - | 654 |
| Total Assets | 2,519,536 | 15,377 | 7,268 | (10,205) | 2,531,976 |
| Deferred Outflows of Resources | 78,406 | - | - | - | 78,406 |
| Total Assets and Deferred Outflows of Resources | \$ 2,597,942 | \$ 15,377 | \$ 7,268 | \$ (10,205) | \$ 2,610,382 |
| Liabilities and Net Position | | | | | |
| Current liabilities | \$ 290,451 | \$ 25,396 | \$ 6 | \$ (8,277) | \$ 307,576 |
| Due to affiliates | 201 | 1,490 | 237 | (1,928) | - |
| Estimated self-insurance costs | 1,904 | 156 | - | - | 2,060 |
| Lease liabilities, noncurrent | 9,512 | 1,671 | - | - | 11,183 |
| Subscription liabilities, noncurrent | 10,134 | - | - | - | 10,134 |
| Long-term debt | 461,774 | - | - | - | 461,774 |
| Net pension liabilities | 60,337 | - | - | - | 60,337 |
| Other long-term liabilities | 4,553 | 773 | - | - | 5,326 |
| Total Liabilities | 838,866 | 29,486 | 243 | (10,205) | 858,390 |
| Deferred inflows of resources | 5,791 | - | - | - | 5,791 |
| Net Position | | | | | |
| Net investment in capital assets | 210,687 | 370 | - | - | 211,057 |
| Restricted expendable | 3,503 | - | 2,096 | - | 5,599 |
| Restricted nonexpendable | - | - | 410 | - | 410 |
| Unrestricted | 1,539,095 | (14,479) | 4,519 | - | 1,529,135 |
| Total Net Position | 1,753,285 | (14,109) | 7,025 | - | 1,746,201 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 2,597,942 | \$ 15,377 | \$ 7,268 | \$ (10,205) | \$ 2,610,382 |

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, 2024 and 2023:

| | September 30, 2024 | | | | |
|--|---------------------|--------------------|-----------------|--------------|---------------------|
| | Hospital | Acclaim | Foundation | Eliminations | Total |
| Operating revenues | \$ 1,223,281 | \$ 152,535 | \$ 240 | \$ (84,863) | \$ 1,291,193 |
| Operating expenses | 1,474,952 | 208,560 | 4,211 | (87,983) | 1,599,740 |
| Operating income (loss) | (251,671) | (56,025) | (3,971) | 3,120 | (308,547) |
| Nonoperating revenues (expenses) | 641,751 | 84 | 5,831 | (3,120) | 644,546 |
| Capital grants and gifts | 331 | 134 | 13 | - | 478 |
| Transfer of net position | (56,085) | 56,085 | - | - | - |
| Increase in Net Position | 334,326 | 278 | 1,873 | - | 336,477 |
| Net Position, Beginning of Year | 1,753,285 | (14,109) | 7,025 | - | 1,746,201 |
| Net Position, End of Year | \$ 2,087,611 | \$ (13,831) | \$ 8,898 | \$ - | \$ 2,082,678 |

Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Notes to Financial Statements
Years Ended September 30, 2024 and 2023

(In Thousands)

| | September 30, 2023 | | | | |
|--|---------------------|--------------------|-----------------|--------------|---------------------|
| | Hospital | Acclaim | Foundation | Eliminations | Total |
| Operating revenues | \$ 1,047,889 | \$ 146,721 | \$ 114 | \$ (81,390) | \$ 1,113,334 |
| Operating expenses | 1,379,979 | 192,939 | 4,554 | (84,270) | 1,493,202 |
| Operating income (loss) | (332,090) | (46,218) | (4,440) | 2,880 | (379,868) |
| Nonoperating revenues (expenses) | 630,106 | (28) | 4,552 | (2,880) | 631,750 |
| Capital grants and gifts | 348 | - | 9 | - | 357 |
| Transfer of net position | (35,405) | 35,405 | - | - | - |
| Increase in Net Position | 262,959 | (10,841) | 121 | - | 252,239 |
| Net Position, Beginning of Year | 1,490,326 | (3,268) | 6,904 | - | 1,493,962 |
| Net Position, End of Year | <u>\$ 1,753,285</u> | <u>\$ (14,109)</u> | <u>\$ 7,025</u> | <u>\$ -</u> | <u>\$ 1,746,201</u> |

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, 2024 and 2023:

| | September 30, 2024 | | | | |
|---|--------------------|---------------|-----------------|--------------|-------------------|
| | Hospital | Acclaim | Foundation | Eliminations | Total |
| Net cash provided by (used in) | | | | | |
| Operating activities | \$ (140,139) | \$ (442) | \$ (4,054) | \$ 3,120 | \$ (141,515) |
| Noncapital financing activities | 511,334 | 124 | 4,527 | (3,120) | 512,865 |
| Capital and related financing activities | (143,210) | 237 | 13 | - | (142,960) |
| Investing activities | (54,863) | 5 | (1,284) | - | (56,142) |
| Increase (decrease) in cash and cash equivalents | 173,122 | (76) | (798) | - | 172,248 |
| Cash and Cash Equivalents, Beginning of Year | 200,632 | 168 | 2,009 | - | 202,809 |
| Cash and Cash Equivalents, End of Year | <u>\$ 373,754</u> | <u>\$ 92</u> | <u>\$ 1,211</u> | <u>\$ -</u> | <u>\$ 375,057</u> |
| | September 30, 2023 | | | | |
| | Hospital | Acclaim | Foundation | Eliminations | Total |
| Net cash provided by (used in) | | | | | |
| Operating activities | \$ (250,943) | \$ (5) | \$ (4,325) | \$ 2,880 | \$ (252,393) |
| Noncapital financing activities | 559,176 | 24 | 3,870 | (2,880) | 560,190 |
| Capital and related financing activities | 375,703 | (18) | - | - | 375,685 |
| Investing activities | (629,650) | 11 | (163) | - | (629,802) |
| Increase (decrease) in cash and cash equivalents | 54,286 | 12 | (618) | - | 53,680 |
| Cash and Cash Equivalents, Beginning of Year | 146,346 | 156 | 2,627 | - | 149,129 |
| Cash and Cash Equivalents, End of Year | <u>\$ 200,632</u> | <u>\$ 168</u> | <u>\$ 2,009</u> | <u>\$ -</u> | <u>\$ 202,809</u> |

Note 18. Future Change in Accounting Principle

GASB Statement No. 101, *Compensated Absences* (GASB 101) updates the recognition and measurement guidance for compensated absences under a unified model. It defines compensated absences and requires that liabilities be recognized for leave for which employees may receive one or more cash payments when the leave is used for time off; other cash payments, such as payment for unused leave upon termination of employment which includes voluntary resignation or retirement; or noncash settlements, such as conversion to defined benefit postemployment benefits. GASB 101 also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. GASB 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The changes adopted at transition to conform to the provisions of GASB 101, should be reported as a change in accounting principle in accordance with GASB 100, *Accounting Changes and Error Corrections*, including the related display and disclosure requirements.

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 Position (Asset) Liability and Related Ratios

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Total Pension Liability | | | | | | | | | | |
| Service cost | \$ 17,015 | \$ 13,198 | \$ 28,335 | \$ 18,432 | \$ 17,647 | \$ 15,429 | \$ 12,604 | \$ 12,028 | \$ 12,181 | \$ 11,556 |
| Interest on total pension liability | 29,636 | 27,646 | 25,495 | 23,472 | 21,612 | 19,526 | 17,416 | 15,931 | 14,805 | 12,953 |
| Differences between expected and actual experience | 32,030 | 5,556 | 5,978 | 2,314 | 1,073 | 4,775 | 5,794 | 1,523 | 1,720 | (717) |
| Changes of benefit terms | (40) | - | - | 200 | - | 184 | - | - | - | - |
| Changes of assumptions | - | (4,425) | (2,375) | 10,774 | (1,028) | 8,396 | (1,084) | (2,153) | (4,900) | 6,650 |
| Benefit payments, including refunds of employee contributions | (13,897) | (16,510) | (16,330) | (13,021) | (11,805) | (8,577) | (6,590) | (7,210) | (6,069) | (7,021) |
| Administrative expenses | (1,093) | (1,003) | (1,053) | (1,110) | (942) | (886) | (515) | (496) | - | - |
| Net Change in Total Pension Liability | 63,651 | 24,462 | 40,050 | 41,061 | 26,557 | 38,847 | 27,625 | 19,623 | 17,737 | 23,421 |
| Total Pension Liability—Beginning | 429,966 | 405,504 | 365,454 | 324,393 | 297,836 | 258,989 | 231,364 | 211,741 | 194,004 | 170,583 |
| Total Pension Liability—Ending (a) | \$ 493,617 | \$ 429,966 | \$ 405,504 | \$ 365,454 | \$ 324,393 | \$ 297,836 | \$ 258,989 | \$ 231,364 | \$ 211,741 | \$194,004 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions—employer | \$ 18,861 | \$ 20,425 | \$ 20,153 | \$ 18,225 | \$ 17,281 | \$ 17,305 | \$ 14,443 | \$ 13,579 | \$ 12,313 | \$ 11,625 |
| Contributions—employee | 5,424 | 5,573 | 5,476 | 5,258 | 4,956 | 2,314 | 1,933 | 1,805 | 1,641 | 1,575 |
| Net investment income (loss) | 55,525 | (70,626) | 82,016 | 19,485 | 10,602 | 25,385 | 29,994 | 20,967 | (2,629) | 20,134 |
| Benefit payments, including refunds of employee contributions | (13,897) | (16,510) | (16,330) | (13,021) | (11,805) | (8,577) | (6,590) | (7,210) | (6,069) | (7,021) |
| Administrative expense | (1,093) | (1,003) | (1,053) | (1,110) | (942) | (886) | (515) | (496) | (587) | (407) |
| Net Change in Plan Fiduciary Net Position | 64,820 | (62,141) | 90,262 | 28,837 | 20,092 | 35,541 | 39,265 | 28,645 | 4,669 | 25,906 |
| Plan Fiduciary Net Position—Beginning | 369,629 | 431,770 | 341,508 | 312,671 | 292,579 | 257,038 | 217,773 | 189,128 | 184,459 | 158,553 |
| Plan Fiduciary Net Position—Ending (b) | \$ 434,449 | \$ 369,629 | \$ 431,770 | \$ 341,508 | \$ 312,671 | \$ 292,579 | \$ 257,038 | \$ 217,773 | \$ 189,128 | \$184,459 |
| District's Net Pension Liability (Asset)—Ending (a) – (b) | \$ 59,168 | \$ 60,337 | \$ (26,266) | \$ 23,946 | \$ 11,722 | \$ 5,257 | \$ 1,951 | \$ 13,591 | \$ 22,613 | \$ 9,545 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | | | | | | | | | |
| Covered-Employee Payroll | \$ 301,779 | \$ 326,804 | \$ 322,441 | \$ 291,597 | \$ 276,493 | \$ 256,366 | \$ 213,963 | \$ 201,170 | \$ 182,418 | \$178,847 |
| District's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll | 19.61% | 18.46% | -8.15% | 8.21% | 4.24% | 2.05% | 0.91% | 6.76% | 12.40% | 5.34% |

Notes to Schedule:

No changes of assumptions in 2023

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

All amounts are in thousands unless otherwise indicated.

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, 2024

(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 |
|--------------------------------------|--|---|---|-------------------------------------|--|
| 2024 | \$ 18,975 | \$ 18,975 | \$ - | \$ 303,607 | 6.25% |
| 2023 | \$ 18,861 | \$ 18,861 | \$ - | \$ 301,779 | 6.25% |
| 2022 | \$ 20,425 | \$ 20,425 | \$ - | \$ 326,804 | 6.25% |
| 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% |

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 | 8.8 years at October 1, 2023; recalculated annually; employer contribution rate constant unless amortization period > 25 years or ≤ 0 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.50% |
| Salary increases | 5.50%, average, including inflation |
| Investment rate of return | 6.75% net of pension plan investment expense, including inflation |
| Retirement age | 62 (average) |
| Mortality | Pri-2012 Total Dataset Mortality Table, Projected from the 2012 base year using the MP-2021 mortality improvement scale |

All amounts are in thousands unless otherwise indicated.

Supplementary 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, 2024

(In Thousands)

| | <u>Hospital</u> | <u>Acclaim</u> | <u>Foundation</u> | <u>Eliminations</u> | <u>Total</u> |
|---|---------------------|------------------|-------------------|---------------------|---------------------|
| ASSETS AND DEFERRED OUTFLOW OF RESOURCES | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | \$ 255,295 | \$ 92 | \$ 636 | \$ - | \$ 256,023 |
| Restricted cash and cash equivalents | 118,459 | - | - | - | 118,459 |
| Short-term investments | 756,839 | - | 135 | - | 756,974 |
| Patient accounts receivable, net | 86,525 | 4,682 | - | (2,763) | 88,444 |
| Property taxes receivable, net | 2,358 | - | - | - | 2,358 |
| Supplemental Medicaid funding receivable | 21,721 | 380 | - | - | 22,101 |
| Internally designated for self-insurance, current portion | 242 | - | - | - | 242 |
| Supplies inventory | 15,037 | - | - | - | 15,037 |
| Prepaid expenses and other assets | 30,792 | 6,935 | 166 | (4,474) | 33,419 |
| Total Current Assets | <u>1,287,268</u> | <u>12,089</u> | <u>937</u> | <u>(7,237)</u> | <u>1,293,057</u> |
| Due from Affiliates | <u>1,990</u> | <u>373</u> | <u>89</u> | <u>(2,452)</u> | <u>-</u> |
| Noncurrent Cash, Cash Equivalents and Investments | | | | | |
| Internally designated for debt service | 4,342 | - | - | - | 4,342 |
| Internally designated for self-insurance | 13,626 | - | - | - | 13,626 |
| Restricted by donors for capital acquisitions and specific operating activities | - | - | 2,813 | - | 2,813 |
| Internally designated for capital acquisitions and operating activities | 818,887 | - | - | - | 818,887 |
| Held by trustee for capital acquisitions | 370,629 | - | - | - | 370,629 |
| Noncurrent investments | - | - | 5,385 | - | 5,385 |
| Total Concurrent Cash, Cash Equivalents and investments | <u>1,207,484</u> | <u>-</u> | <u>8,198</u> | <u>-</u> | <u>1,215,682</u> |
| Capital Assets, Net | 356,201 | 497 | - | - | 356,698 |
| Lease Assets, Net | 9,513 | 1,457 | - | - | 10,970 |
| Subscription Assets, Net | 31,785 | - | - | - | 31,785 |
| Leases Receivable | <u>1,532</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,532</u> |
| Total Assets | <u>2,895,773</u> | <u>14,416</u> | <u>9,224</u> | <u>(9,689)</u> | <u>2,909,724</u> |
| Deferred Outflows of Resources – Pension Related | <u>64,233</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>64,233</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,960,006</u> | <u>\$ 14,416</u> | <u>\$ 9,224</u> | <u>\$ (9,689)</u> | <u>\$ 2,973,957</u> |

Tarrant County Hospital District d/b/a JPS Health Network
A Component Unit of Tarrant County, Texas
Combining Schedule – Balance Sheet Information
September 30, 2024

(In Thousands)(Continued)

| | Hospital | Acclaim | Foundation | Eliminations | Total |
|--|---------------------|------------------|-----------------|-------------------|---------------------|
| Liabilities, Deferred Inflows of Resources and Net Position | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | \$ 85,944 | \$ 1,623 | \$ - | \$ (7,237) | \$ 80,330 |
| Accrued expenses | 87,419 | 22,228 | 29 | - | 109,676 |
| Intergovernmental transfer obligation | 118,454 | - | - | - | 118,454 |
| Estimated amounts due to third-party payers | 3,394 | - | - | - | 3,394 |
| Current portion of lease liabilities | 2,395 | 614 | - | - | 3,009 |
| Current portion of subscription liabilities | 12,699 | - | - | - | 12,699 |
| Current portion of self-insurance costs | 8,012 | 78 | - | - | 8,090 |
| Current maturities of long-term debt | 10,840 | - | - | - | 10,840 |
| Total Current Liabilities | 329,157 | 24,543 | 29 | (7,237) | 346,492 |
| Due to Affiliates | 260 | 1,895 | 297 | (2,452) | - |
| Estimated Self-Insurance Costs | 1,641 | 64 | - | - | 1,705 |
| Lease Liabilities, Noncurrent | 7,879 | 931 | - | - | 8,810 |
| Subscription Liabilities, Noncurrent | 15,695 | - | - | - | 15,695 |
| Long-Term Debt | 449,006 | - | - | - | 449,006 |
| Net Pension Liability | 59,168 | - | - | - | 59,168 |
| Other Long-Term Liabilities | 5,615 | 814 | - | - | 6,429 |
| Total Liabilities | 868,421 | 28,247 | 326 | (9,689) | 887,305 |
| Deferred Inflows of Resources | | | | | |
| Pension related | 3,404 | - | - | - | 3,404 |
| Leases | 570 | - | - | - | 570 |
| Total Deferred Inflows of Resources | 3,974 | - | - | - | 3,974 |
| Net Position | | | | | |
| Net investment in capital assets | 251,356 | 409 | - | - | 251,765 |
| Restricted expendable | 4,342 | - | 2,225 | - | 6,567 |
| Restricted nonexpendable | - | - | 426 | - | 426 |
| Unrestricted | 1,831,913 | (14,240) | 6,247 | - | 1,823,920 |
| Total Net Position | 2,087,611 | (13,831) | 8,898 | - | 2,082,678 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 2,960,006 | \$ 14,416 | \$ 9,224 | \$ (9,689) | \$ 2,973,957 |

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, 2024

(In Thousands)

| | <u>Hospital</u> | <u>Acclaim</u> | <u>Foundation</u> | <u>Eliminations</u> | <u>Total</u> |
|--|---------------------|--------------------|-------------------|---------------------|---------------------|
| Operating Revenues | | | | | |
| Net patient service revenue | \$ 793,720 | \$ 95,690 | \$ - | \$ (33,539) | \$ 855,871 |
| Supplemental Medicaid funding | 292,901 | - | - | - | 292,901 |
| Other operating revenue | 136,660 | 56,845 | 240 | (51,324) | 142,421 |
| Total Operating Revenues | <u>1,223,281</u> | <u>152,535</u> | <u>240</u> | <u>(84,863)</u> | <u>1,291,193</u> |
| Operating Expenses | | | | | |
| Salaries and related expenses | 767,325 | 194,618 | 807 | (1,228) | 961,522 |
| Professional fees and purchased services | 286,103 | 10,148 | 1,133 | (85,668) | 211,716 |
| Supplies | 313,047 | 752 | 660 | - | 314,459 |
| Depreciation and amortization | 53,508 | 426 | - | - | 53,934 |
| Other | 54,969 | 2,616 | 1,611 | (1,087) | 58,109 |
| Total Operating Expenses | <u>1,474,952</u> | <u>208,560</u> | <u>4,211</u> | <u>(87,983)</u> | <u>1,599,740</u> |
| Operating Income (Loss) | <u>(251,671)</u> | <u>(56,025)</u> | <u>(3,971)</u> | <u>3,120</u> | <u>(308,547)</u> |
| Nonoperating Revenues (Expenses) | | | | | |
| Property tax revenue | 538,554 | - | - | - | 538,554 |
| Contribution revenue | 715 | 124 | 4,527 | (3,120) | 2,246 |
| Interest expense | (20,647) | (45) | - | - | (20,692) |
| Investment return and other | 123,129 | 5 | 1,304 | - | 124,438 |
| Total Nonoperating Revenues (Expenses) | <u>641,751</u> | <u>84</u> | <u>5,831</u> | <u>(3,120)</u> | <u>644,546</u> |
| Income (Loss) Before Capital Grants and Gifts and Transfers | <u>390,080</u> | <u>(55,941)</u> | <u>1,860</u> | <u>-</u> | <u>335,999</u> |
| Transfer of Net Position | <u>(56,085)</u> | <u>56,085</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Capital Grants and Gifts | <u>331</u> | <u>134</u> | <u>13</u> | <u>-</u> | <u>478</u> |
| Increase in Net Position | <u>334,326</u> | <u>278</u> | <u>1,873</u> | <u>-</u> | <u>336,477</u> |
| Net Position, Beginning of Year | <u>1,753,285</u> | <u>(14,109)</u> | <u>7,025</u> | <u>-</u> | <u>1,746,201</u> |
| Net Position, End of Year | <u>\$ 2,087,611</u> | <u>\$ (13,831)</u> | <u>\$ 8,898</u> | <u>\$ -</u> | <u>\$ 2,082,678</u> |



1/31/25

Commissioners Court Communication

Regarding:

Tarrant County Hospital District, d/b/a JPS Health Network

Independent Auditor's Report for the Fiscal Years Ending September 30, 2024 and 2023.

Dear Commissioners Court,

In December 2024, JPS Health Network's independent auditor's report was completed by Forvis, LLP and approved by the Board of Managers. The audit opinion issued by Forvis, LLP is that the financial statements present fairly, in all material respects, the financial position of the District, as of September 30, 2024 and 2023, and the change in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis in the audit report provides an overview of the District's financial activities for the years ended September 30, 2024 and 2023. The Network had a very strong operational and financial year in fiscal year 2024.

The financial highlights identified in the accompanying financial report are:

- Cash (excluding restricted cash), short-term investments, and other noncurrent investments increased in 2024 by \$335,817,341, or 17.7 percent, and increased in 2023 by \$676,621,448, or 55.6 percent.
- The District's net position increased in 2024 by \$336,477,394, or 19.3 percent, and increased in 2023 by \$252,239,284, or 16.9 percent.
- The District reported operating losses in both 2024 (\$308,546,941) and 2023 (\$379,868,497). The loss in 2024 decreased by \$71,321,556 or 18.8 percent, as compared to the operating loss reported in 2023. The loss in 2023 decreased by \$19,150,272, or 4.8 percent, as compared to the operating loss reported in 2022.
- Net nonoperating revenues increased by \$12,795,439 or 2.0 percent, in 2024 compared to 2023 and increased by \$120,371,792, or 23.5 percent, in 2023 compared to 2022.

The operating loss for 2024 improved by \$71,321,556 or 18.8 percent, compared to 2023 primarily due to the following:

- An increase in net patient service revenue of \$112,593,157 or 15.1 percent
- An increase in supplemental Medicaid funding of \$40,904,156 or 16.2 percent
- An increase in other operating revenue of \$24,361,800 or 20.6 percent
- An increase in salary and related expenses of \$57,043,571 or 6.3 percent



- An increase in supplies expense of \$38,178,348 or 13.8 percent

As of September 30, 2024, the District had \$459,845,923 of outstanding debt primarily related to the Series 2023 limited tax bonds issued in February 2023 for the purpose of providing funds for acquiring, constructing, improving, equipping, or enlarging facilities of the hospital system.

The District's formal debt issuances, revenue bonds, are subject to limitations imposed by state law. In fiscal year 2024, the District had an Aa3 rating from Moody's, AA from Fitch, AAA from Kroll and an AA rating from Standard & Poor's on the revenue bonds.

We look forward to another successful year in fiscal year 2025.

Thank you,

A handwritten signature in black ink, appearing to read 'Karen Duncan', written over a light blue horizontal line.

Dr. Karen Duncan
President and CEO, JPS Health Network