




**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?”

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(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

	2024	2023	2022
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	2,909,724	2,531,976	1,757,094
Deferred Outflows of Resources	64,233	78,406	34,982
Total Assets and Deferred Outflows of Resources	\$ 2,973,957	\$ 2,610,382	\$ 1,792,076
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	887,305	858,390	251,157
Deferred Inflows of Resources	3,974	5,791	46,957
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	2,082,678	1,746,201	1,493,962
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,973,957	\$ 2,610,382	\$ 1,792,076

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.

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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.

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(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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- 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.

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(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.

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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
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(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>

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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
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(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).

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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
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(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.

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Notes to Financial Statements
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(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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(In Thousands)

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	2,075,650	1,863,753
	<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	1,215,682	1,075,278
	<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	20,688	4,665
	<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	76,045	67,816
	<u>183,179</u>	<u>175,515</u>
Less allowance for uncollectible accounts	94,735	87,928
	<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:

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

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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	7.75 %
	<u>5.75 %</u>	<u>6.75 %</u>	<u>7.75 %</u>
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			
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	2,895,773	14,416	9,224	(9,689)	2,909,724
Deferred Outflows of Resources	64,233	-	-	-	64,233
Total Assets and Deferred Outflows of Resources	\$ 2,960,006	\$ 14,416	\$ 9,224	\$ (9,689)	\$ 2,973,957
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	868,421	28,247	326	(9,689)	887,305
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
Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,960,006	\$ 14,416	\$ 9,224	\$ (9,689)	\$ 2,973,957

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	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

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	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	88.01%	85.97%	106.48%	93.45%	96.39%	98.23%	99.25%	94.13%	89.32%	95.08%
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)

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
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>