

**Midland County Hospital District**  
Independent Auditor's Report and Financial Statements  
September 30, 2021 and 2020

**Midland County Hospital District**  
**September 30, 2021 and 2020**

**Contents**

**Independent Auditor's Report..... 1**

**Management's Discussion and Analysis ..... 3**

**Financial Statements**

Balance Sheets..... 9

Statements of Revenues, Expenses, and Changes in Net Position ..... 11

Statements of Cash Flows ..... 12

Fiduciary Net Position-Pension Trust Fund ..... 14

Statements of Changes in Fiduciary Net Position-Pension Trust Fund..... 15

Notes to Financial Statements ..... 16

**Required Supplementary Information**

Schedule of Changes in Net Pension Liability and Related Ratios ..... 53

Schedule of Employer Contributions ..... 54

Schedule of Investment Returns ..... 55

**Supplementary Information**

Divisional Balance Sheets ..... 56

Divisional Schedule of Revenues, Expenses and Changes in Net Position..... 57

## Independent Auditor's Report

Audit Committee  
Midland County Hospital District  
Midland, Texas

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Midland County Hospital District (the District), its fiduciary activities and its discretely presented component unit as of and for the years September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Emphasis of Matter***

As described in *Note 1* to the financial statements, in 2021, the District adopted GASB Statement No. 84, *Fiduciary Activities*, and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other information is fairly stated in all material respects in relation to the financial statements as a whole.

**BKD, LLP**

Dallas, Texas  
May 2, 2022

# Midland County Hospital District

## Management's Discussion and Analysis

### September 30, 2021 and 2020

#### ***Introduction***

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

#### ***Financial Highlights***

- Unrestricted cash and investments increased in 2021 from 2020 by \$20.4 million, or 30 percent, and increased in 2020 from 2019 by \$44.4 million, or 180 percent.
- The District's net position increased in 2021 by \$13.9 million, or 9 percent, and decreased in 2020 by \$8.0 million, or 5 percent.
- The District reported an operating loss in 2021 of \$44.5 million and an operating loss in 2020 of \$37.0 million. The operating loss in 2021 increased by \$7.5 million over the operating loss reported in 2020. The operating loss in 2020 increased by \$27.6 million over the operating income reported in 2019.
- Net nonoperating revenues increased by \$23.4 million in 2021 compared to 2020 and increased \$15.0 million in 2020 compared to 2019.

#### ***Using This Annual Report***

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

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

One of the most important questions asked about any District's finances is "Is the District 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.

**Midland County Hospital District**  
**Management's Discussion and Analysis**  
**September 30, 2021 and 2020**

***The Statement of Cash Flows***

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

***The District's Net Position***

The District's net position is the difference between its assets, liabilities and deferred inflows and outflows of resources reported in the Balance Sheet. The District's net position increased in 2021 by \$13.9 million, or 9 percent, and decreased in 2020 by \$8.0 million, or 5 percent, as shown in Table 1.

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

Assets	<b>2021</b>	<b>2020</b>	<b>2019</b>
Patient accounts receivable, net	\$ 32,398,586	\$ 31,183,518	\$ 40,495,314
Estimated amounts due from third-party payers	4,263,433	9,961,234	20,889,728
Other current assets	122,765,198	104,331,482	68,944,253
Capital assets, net	256,720,417	233,205,670	228,844,822
Other noncurrent assets	15,633,690	19,377,323	19,897,037
Total assets	<u>431,781,324</u>	<u>398,059,227</u>	<u>379,071,154</u>
<b>Deferred Outflows of Resources</b>	<u>3,807,437</u>	<u>5,160,265</u>	<u>5,650,639</u>
Total assets and deferred outflows of resources	<u>\$ 435,588,761</u>	<u>\$ 403,219,492</u>	<u>\$ 384,721,793</u>
<b>Liabilities</b>			
Long-term debt	\$ 153,431,770	\$ 140,230,811	\$ 137,201,259
Net pension liability	1,986,244	23,393,180	24,229,609
Other current and noncurrent liabilities	77,352,985	88,012,416	63,853,634
Total liabilities	<u>232,770,999</u>	<u>251,636,407</u>	<u>225,284,502</u>
<b>Deferred Inflows of Resources</b>	<u>39,759,586</u>	<u>2,455,702</u>	<u>2,357,850</u>
<b>Net Position</b>			
Net investment in capital assets	115,099,089	103,527,683	95,400,512
Restricted - expendable for capital assets	-	283,317	283,317
Restricted - expendable for debt service	2,044,548	3,846,725	4,264,409
Unrestricted	45,914,539	41,469,658	57,131,203
Total net position	<u>163,058,176</u>	<u>149,127,383</u>	<u>157,079,441</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 435,588,761</u>	<u>\$ 403,219,492</u>	<u>\$ 384,721,793</u>

# Midland County Hospital District

## Management's Discussion and Analysis

### September 30, 2021 and 2020

Significant changes in the District's assets and liabilities in 2021 compared to 2020 include the following:

- Unrestricted cash and investments increased in 2021 from 2020 by \$20.4 million, or 30 percent due to an increase in net patient service revenue and sales tax support as further described in *Note 1*.
- Patient accounts receivable, net, increased \$1.2 million from 2020 to 2021 as a result of an increase in net patient service revenue.
- Other receivables decreased \$5.0 million from 2020 to 2021 as a result of timing of payments received.
- Estimated amounts due from third-party payers decreased by \$5.7 million from 2020 to 2021 due to the timing of receipts from various supplemental Medicaid funding programs.
- Capital assets, net, increased \$23.5 million from 2020 to 2021 due to additions of \$50.2 million offset by depreciation expense of \$26.7 million.
- Other current and noncurrent liabilities decreased \$10.7 million which is primarily attributed to the recoupment of Medicare advance payments and recognition of provider relief funds.

Significant changes in the District's assets and liabilities in 2020 as compared to 2019 include the following:

- Unrestricted cash and investments increased in 2020 from 2019 by \$44.4 million, or 180 percent due to improved collections on accounts receivable and receipt of Medicare advance payments and provider relief funds as further described in *Note 12*.
- Patient accounts receivable, net, decreased \$9.3 million from 2019 to 2020 as a result of both the decrease in net patient service revenue and improved collections.
- Other receivables decreased \$17.1 million from 2019 to 2020 as a result of timing of payments received.
- Estimated amounts due from third-party payers decreased by \$10.9 million from 2019 to 2020 due to the timing of receipts from various supplemental Medicaid funding programs.
- Capital assets, net, increased \$4.4 million from 2019 to 2020 due to additions of \$30.0 million offset by depreciation expense of \$25.2 million.
- Other current and noncurrent liabilities increased \$24.2 million which is primarily attributed to the receipt of Medicare advance payments and provider relief funds.

#### ***Operating Results and Changes in the District's Net Position***

The District's net position increased in 2021 by \$13.9 million, or 9 percent, as shown in Table 2. This increase is made up of several different components and represents an increase of 275 percent compared with the decrease in net position for 2020 of \$8.0 million. The District's change in net position decreased from an increase of \$24.7 million in 2019 to a decrease of \$8.0 million in 2020, an overall decrease of 132 percent.

**Midland County Hospital District**  
**Management's Discussion and Analysis**  
**September 30, 2021 and 2020**

**Table 2: Operating Results and Changes in Net Position**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Operating Revenues</b>			
Net patient care revenues	\$ 305,614,556	\$ 265,999,929	\$ 282,233,831
Net patient care revenues-Nursing Homes	21,633,372	24,116,154	23,524,084
Other operating revenues	14,917,366	13,547,245	14,851,495
Total operating revenues	<u>342,165,294</u>	<u>303,663,328</u>	<u>320,609,410</u>
<b>Operating Expenses</b>			
Salaries and benefits	179,350,414	174,427,698	166,455,982
Supplies and other	155,161,965	116,443,629	116,091,593
Other-Nursing Homes	24,826,085	24,116,154	23,524,084
Depreciation and amortization	27,369,606	25,678,399	23,902,906
Total operating expenses	<u>386,708,070</u>	<u>340,665,880</u>	<u>329,974,565</u>
<b>Operating Loss</b>	<u>(44,542,776)</u>	<u>(37,002,552)</u>	<u>(9,365,155)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Ad valorem tax support	41,729,638	39,698,476	36,326,769
Sales tax support	14,243,221	-	-
Investment income	279,913	381,596	323,287
Interest expense and BAB subsidy	(5,654,189)	(5,710,027)	(6,187,814)
Contributions to government programs	(9,740,314)	(14,624,582)	(15,850,000)
Provider relief funds	8,795,022	11,508,325	-
Noncapital grant from local government	4,413,358	-	-
Other nonoperating revenue (expense), net	8,375,870	7,822,813	9,510,063
Total nonoperating revenues (expenses)	<u>62,442,519</u>	<u>39,076,601</u>	<u>24,122,305</u>
<b>Excess of Revenues Over Expenses</b>			
<b>Before Distribution to Other Beneficial Owners of Partnership and Capital Grants and Gifts</b>	17,899,743	2,074,049	14,757,150
<b>Distributions to Other Beneficial Owners of Partnership</b>	(4,736,718)	(21,002,986)	(7,681,582)
<b>Capital Grants and Gifts</b>	<u>767,768</u>	<u>10,976,879</u>	<u>17,581,664</u>
<b>Change in Net Position</b>	13,930,793	(7,952,058)	24,657,232
<b>Net Position - Beginning of Year</b>	<u>149,127,383</u>	<u>157,079,441</u>	<u>132,422,209</u>
<b>Net Position - End of Year</b>	<u>\$ 163,058,176</u>	<u>\$ 149,127,383</u>	<u>\$ 157,079,441</u>

# Midland County Hospital District

## Management's Discussion and Analysis

### September 30, 2021 and 2020

#### ***Operating Income (Loss)***

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 and other operating revenues and the expenses incurred to perform those services. The District was formed and is operated primarily to serve residents of Midland County and the surrounding area. The District levies property taxes to provide resources to enable the facility to serve lower income and other residents.

The operating loss for 2021 increased by \$7.5 million, or 20 percent, as compared to 2020. The primary components of the increased operating loss are:

- An increase in net patient service revenue of \$39.6 million, or 15 percent. Net patient service revenue increased due to increases in patient volumes over the significant decreases experienced in 2020 as a result of the COVID-19 pandemic.
- An increase in salaries and benefits of \$4.9 million, or 3 percent, due to an increase in wages paid to employees through merit increases and cost of living adjustments for retention and recruitment efforts. These efforts result primarily from the shortage of nurses and other health care professionals as a result of the COVID-19 pandemic.
- An increase in supplies and other of \$38.8 million, or 33 percent. The rate of health care inflation has a direct effect on the cost of services provided by the District. Expenditures for medical supplies and prescription drugs are a major component of the District's costs. Some of the major factors contributing to the increased medical supply and drug costs include an aging population, the introduction of new drugs that cannot be obtained in generic form, changes in therapeutic mix, and pharmaceutical marketing and impacts of the COVID-19 pandemic.

The operating loss for 2020 increased by \$27.6 million, or 295 percent, as compared to 2019. The primary components of the increased operating loss are:

- A decrease in net patient service revenue of \$16.2 million, or 6 percent. Net patient service revenue decreased due to declines in patient volumes as a result of the COVID-19 pandemic.
- An increase in salaries and benefits of \$8.0 million, or 5 percent, due to an increase in wages paid to employees through merit increases and cost of living adjustments.

#### ***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses consist of ad valorem taxes levied by the District, sales tax support, investment income, interest expense, contributions to government program and provider relief funds. Ad valorem tax support increased by \$2.0 million, or 5 percent, in 2021 as compared to 2020. The District began receiving sales tax support in 2021. Sales tax support increased by \$14.2 million, or 100 percent, in 2021 as compared to 2020. Other nonoperating revenues increased \$4.4 million due to grant funding received from local government being received in 2021 and not in 2020. In 2021 and 2020, provider relief funds of \$8.8 million and \$11.5 million, respectively, were recognized to cover lost revenue and expenses stemming from the COVID-19 pandemic.

# Midland County Hospital District

## Management's Discussion and Analysis

### September 30, 2021 and 2020

#### ***Capital Grants and Gifts***

The District received gifts of \$0.7 million during 2021, primarily from Midland Memorial Foundation, to purchase capital assets, a decrease of \$10.2 million, or 93 percent from 2020.

#### ***Distributions to Other Beneficial Owners of Partnership***

The District purchased an additional net interest in revenue sharing agreements of 10 percent in 2020. The purchase price of the additional interest was approximately \$14.4 million and is more fully described in *Note 1*.

#### ***The District's Cash Flows***

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2021, 2020, and 2019, discussed earlier, with exceptions to follow. Cash provided by operating activities was more than the operating loss in 2020 due to receipt of Medicare advance payments of \$25.5 million.

#### ***Capital Asset and Debt Administration***

##### ***Capital Assets***

At September 30, 2021, the District had \$256.7 million invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements.

##### ***Debt***

In 2021, the District issued the Midland County Hospital District Limited Tax General Obligation Refunding Bonds, Series 2021 and the Limited Tax General Obligation Refunding Bonds, Taxable Series 2021A in the original amount of \$15,290,000 and \$54,355,000, respectively. The Bonds were issued to defease and refund certain outstanding notes payable, fund the unfunded accrued pension liability as of July 30, 2021, and to pay issuance costs of the Bonds.

At September 30, 2021, the District had \$159.5 million in notes payable and general obligations bonds outstanding. During 2021, the District had access to an open line of credit with its' depository institution in the amount of \$20.0 million. As of September 30, 2021 and 2020, there were no amounts due on the lines of credit.

#### ***Contacting the District's Financial Management***

This financial report is designed to provide our patients, suppliers, taxpayers and creditors 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 Administration Office at Midland County Hospital District, 400 Rosalind Redfern Grover Parkway, Midland, TX 79701.

**Midland County Hospital District**  
**Balance Sheets**  
**September 30, 2021 and 2020**

	2021		2020	
	The District	Component Unit Foundation	The District	Component Unit Foundation
<b>Assets and Deferred Outflows of Resources</b>				
Current assets				
Cash and cash equivalents	\$ 24,573,391	\$ 483,521	\$ 29,124,025	\$ 711,747
Cash and cash equivalents-Nursing Homes	429,875	-	401,717	-
Cash designated for capital projects	-	-	283,317	-
Short-term investments	64,939,574	53,702,036	39,971,015	43,941,238
Property and sales tax receivable, net	4,861,333	-	932,718	-
Patient accounts receivable, less allowance for doubtful accounts of \$29,627,000 in 2021 and \$30,741,000 in 2020	32,398,586	-	31,183,518	-
Patient accounts receivable-Nursing Homes, net	1,664,810	-	2,519,109	-
Supplies	10,202,332	-	10,298,952	-
Prepaid expenses	3,415,745	-	2,882,729	-
Other receivables	10,320,816	1,189,784	15,304,724	11,481,608
Estimated amounts due from third-party payers	4,263,433	-	9,961,234	-
Self-funded insurance funds, current	312,774	-	266,451	-
Investments designated for bond indenture	2,044,548	-	2,346,725	-
Total current assets	<u>159,427,217</u>	<u>55,375,341</u>	<u>145,476,234</u>	<u>56,134,593</u>
Noncurrent cash and investments				
Restricted under debt agreement	-	-	1,500,000	-
Self-funded insurance funds	1,466,993	-	1,437,573	-
Deferred compensation plan investments	-	256,815	-	176,169
Donor restricted funds	-	30,498,668	-	26,822,449
Total noncurrent cash and investments	<u>1,466,993</u>	<u>30,755,483</u>	<u>2,937,573</u>	<u>26,998,618</u>
Capital assets, net of accumulated depreciation	<u>256,720,417</u>	<u>116,353</u>	<u>233,205,670</u>	<u>116,353</u>
Other assets	<u>14,166,697</u>	<u>-</u>	<u>16,439,750</u>	<u>-</u>
Total assets	<u>431,781,324</u>	<u>86,247,177</u>	<u>398,059,227</u>	<u>83,249,564</u>
Deferred outflows of resources				
	<u>3,807,437</u>	<u>-</u>	<u>5,160,265</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 435,588,761</u>	<u>\$ 86,247,177</u>	<u>\$ 403,219,492</u>	<u>\$ 83,249,564</u>

**Midland County Hospital District**  
**Balance Sheets (Continued)**  
**September 30, 2021 and 2020**

	2021		2020	
	The District	Component Unit Foundation	The District	Component Unit Foundation
<b>Liabilities and Deferred Inflows of Resources</b>				
Current liabilities				
Accounts payable and accrued liabilities	\$ 29,777,576	\$ 3,254	\$ 21,124,717	\$ 8,810,108
Accounts payable and accrued liabilities-Nursing Homes	2,094,685	-	2,920,826	-
Accrued interest payable	2,152,662	-	2,292,012	-
Accrued payroll	14,369,550	350,000	12,899,395	350,000
Accrued self-insurance liabilities	1,780,021	-	1,756,088	-
Advance Medicare payments	17,567,489	-	8,964,376	-
Unearned revenue - provider relief funds	-	-	8,274,006	-
Current maturities of general obligation bonds payable	6,025,000	-	3,180,000	-
Current maturities of long-term debt	-	-	8,149,164	-
Total current liabilities	<u>73,766,983</u>	<u>353,254</u>	<u>69,560,584</u>	<u>9,160,108</u>
Net pension liability	1,986,244	-	23,393,180	-
Interest rate swap	-	-	69,583	-
Deferred compensation plan liabilities	-	256,815	-	176,169
Accrued self-insurance liabilities	1,825,074	-	1,825,121	-
Advance Medicare payments	1,760,928	-	16,557,128	-
Long-term debt	-	-	53,915,811	-
General obligation bonds payable	153,431,770	-	86,315,000	-
Total liabilities	<u>232,770,999</u>	<u>610,069</u>	<u>251,636,407</u>	<u>9,336,277</u>
Deferred inflows of resources	<u>39,759,586</u>	<u>-</u>	<u>2,455,702</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	115,099,089	116,353	103,527,683	116,353
Restricted - expendable for capital assets and other	-	29,682,721	283,317	22,830,458
Restricted - expendable for debt service	2,044,548	-	3,846,725	-
Restricted - nonexpendable	-	56,681,093	-	51,437,909
Unrestricted	45,914,539	(843,059)	41,469,658	(471,433)
Total net position	<u>163,058,176</u>	<u>85,637,108</u>	<u>149,127,383</u>	<u>73,913,287</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 435,588,761</u>	<u>\$ 86,247,177</u>	<u>\$ 403,219,492</u>	<u>\$ 83,249,564</u>

**Midland County Hospital District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended September 30, 2021 and 2020**

	2021		2020	
	The District	Component Unit Foundation	The District	Component Unit Foundation
<b>Operating Revenues</b>				
Net patient care revenues	\$ 305,614,556	\$ -	\$ 265,999,929	\$ -
Net patient care revenues - Nursing Homes	21,633,372	-	24,116,154	-
Other operating revenues	14,917,366	9,161,522	13,547,245	13,042,711
Total operating revenues	<u>342,165,294</u>	<u>9,161,522</u>	<u>303,663,328</u>	<u>13,042,711</u>
<b>Operating Expenses</b>				
Salaries and benefits	179,350,414	-	174,427,698	-
Supplies	66,148,060	-	53,469,692	-
Other	89,013,905	5,124,068	62,973,937	16,084,720
Other - Nursing Homes	24,826,085	-	24,116,154	-
Depreciation and amortization	27,369,606	-	25,678,399	-
Total operating expenses	<u>386,708,070</u>	<u>5,124,068</u>	<u>340,665,880</u>	<u>16,084,720</u>
<b>Operating Income (Loss)</b>	<u>(44,542,776)</u>	<u>4,037,454</u>	<u>(37,002,552)</u>	<u>(3,042,009)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Ad valorem tax support	41,729,638	-	39,698,476	-
Sales tax support	14,243,221	-	-	-
Investment income	279,913	7,686,367	381,596	1,863,972
Interest expense	(7,473,443)	-	(7,626,051)	-
Build America Bond interest subsidy	1,819,254	-	1,916,024	-
Contributions to government programs	(9,740,314)	-	(14,624,582)	-
Provider relief funds revenue	8,795,022	-	11,508,325	-
Noncapital grant from local government	4,413,358	-	-	-
Other nonoperating revenue, net	8,375,870	-	7,822,813	-
Total nonoperating revenues (expenses)	<u>62,442,519</u>	<u>7,686,367</u>	<u>39,076,601</u>	<u>1,863,972</u>
<b>Excess (Deficiency) of Revenues Over Expenses Before Distribution to Other Beneficial Owners of Partnership and Capital Grants and Gifts</b>	17,899,743	11,723,821	2,074,049	(1,178,037)
<b>Distributions to Other Beneficial Owners of Partnership</b>	(4,736,718)	-	(21,002,986)	-
<b>Capital Grants and Gifts</b>	<u>767,768</u>	<u>-</u>	<u>10,976,879</u>	<u>-</u>
<b>Change in Net Position</b>	13,930,793	11,723,821	(7,952,058)	(1,178,037)
<b>Net Position - Beginning of Year</b>	<u>149,127,383</u>	<u>73,913,287</u>	<u>157,079,441</u>	<u>75,091,324</u>
<b>Net Position - End of Year</b>	<u>\$ 163,058,176</u>	<u>\$ 85,637,108</u>	<u>\$ 149,127,383</u>	<u>\$ 73,913,287</u>

**Midland County Hospital District**  
**Statements of Cash Flows**  
**Years Ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating Activities</b>		
Cash received for patient care	\$ 302,465,787	\$ 312,698,243
Cash received for patient care-Nursing Homes	23,926,086	25,340,931
Cash received from others	41,540,300	26,558,296
Cash payments to suppliers for goods and services	(173,298,017)	(160,418,795)
Cash payments to suppliers for goods and services-Nursing Homes	1,065,946	(2,004,455)
Cash payments to employees for services	(192,945,086)	(175,345,165)
	<u>2,755,016</u>	<u>26,829,055</u>
Net cash provided by operating activities		
<b>Noncapital Financing Activities</b>		
Ad valorem tax support	31,808,103	32,921,373
Sales tax support	14,243,221	-
Proceeds from provider relief funds	521,016	19,782,331
Contribution from local government	4,413,358	-
Proceeds from issuance of notes payable	-	14,365,374
Contributions to government programs	(9,740,314)	(14,624,582)
	<u>41,245,384</u>	<u>52,444,496</u>
Net cash provided by noncapital financing activities		
<b>Capital and Related Financing Activities</b>		
Ad valorem tax support related to general obligation bonds	5,992,920	6,586,733
Proceeds from issuance of general obligation bonds	69,645,000	-
Premium on issuance of general obligation bonds	3,496,770	-
Principal payments on general obligation bonds	(3,180,000)	(3,065,000)
Principal payments on long-term debt obligations	(62,064,975)	(8,018,518)
Interest paid on long-term debt obligations	(1,945,791)	(1,739,590)
Interest paid on general obligation funds	(5,667,002)	(5,923,704)
Receipt of Build America Bond interest subsidy	1,819,254	1,916,024
Purchases of capital assets	(48,657,285)	(27,835,749)
Proceeds from sale of capital assets	-	359,699
Contributions for capital purchases	9,026,656	15,294,999
	<u>(31,534,453)</u>	<u>(22,425,106)</u>
Net cash used in capital and related financing activities		
<b>Investing Activities</b>		
Investment income	279,913	381,596
Distributions to other beneficial owners	(4,736,718)	(6,637,612)
Purchase of interest in revenue sharing agreement	-	(14,365,374)
Sale of investments	75,744	-
Purchase of investments	(24,742,126)	(29,951,166)
Other investing activity	10,351,447	7,925,938
	<u>(18,771,740)</u>	<u>(42,646,618)</u>
Net cash used in investing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(6,305,793)	14,201,827
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>31,309,059</u>	<u>17,107,232</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 25,003,266</u>	<u>\$ 31,309,059</u>

**Midland County Hospital District**  
**Statements of Cash Flows (Continued)**  
**Years Ended September 30, 2021 and 2020**

	2021	2020
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheets</b>		
Cash and cash equivalents	\$ 24,573,391	\$ 29,124,025
Cash and cash equivalents-Nursing Homes	429,875	401,717
Cash designated for other capital projects	-	283,317
Restricted under debt agreement	-	1,500,000
	\$ 25,003,266	\$ 31,309,059
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>		
Operating loss	\$ (44,542,776)	\$ (37,002,552)
Depreciation and amortization	27,369,606	25,678,399
Changes in operating assets and liabilities:		
Net patient accounts receivable	(1,215,068)	9,311,796
Net patient accounts receivable-Nursing Homes	854,299	2,161,297
Supplies	96,620	(1,911,761)
Prepaid expenses	(533,016)	(8,412,997)
Other receivables and other assets	(3,233,939)	13,179,156
Estimated amounts due from third-party payers	5,697,801	10,928,494
Accrued self-insurance liabilities	(51,857)	324,568
Advance Medicare payments	(6,193,087)	25,521,504
Accrued payroll	1,470,155	(493,471)
Accounts payable and accrued liabilities	7,089,043	(9,672,686)
Accounts payable and accrued liabilities-Nursing Homes	(826,141)	(2,004,455)
Payable for pension	(21,406,936)	(836,429)
Deferred outflows of resources	876,428	(39,660)
Deferred inflows of resources	37,303,884	97,852
	\$ 2,755,016	\$ 26,829,055
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital assets acquisitions included in accounts payable	\$ 6,261,057	\$ 4,766,824

**Midland County Hospital District**  
**Fiduciary Net Position-Pension Trust Fund**  
**September 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Investments at fair value		
Money market mutual fund	\$ -	\$ 1,083,491
Mutual funds - equities	24,022,336	17,773,358
Mutual funds - fixed income	18,232,318	8,280,880
Mutual funds - international	18,066,201	11,955,746
	60,320,855	39,093,475
Total investments		
	\$ 60,320,855	\$ 39,093,475
	60,320,855	39,093,475
<b>Net Position</b>		
<b>Net Position</b>		
Restricted for		
Pensions	\$ 60,320,855	\$ 39,093,475
	60,320,855	39,093,475
Total net position		
	60,320,855	39,093,475
Total liabilities and net position	\$ 60,320,855	\$ 39,093,475

**Midland County Hospital District**  
**Statements of Changes in Fiduciary Net Position-Pension Trust Fund**  
**Years Ended September 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Additions</b>		
Contributions		
Employers	\$ 18,078,251	\$ 2,167,000
Total contributions	18,078,251	2,167,000
Investment earnings		
Net increase in fair value of investments	7,244,400	1,881,623
Interest, dividends and other	922,084	1,360,470
Total investment earnings	8,166,484	3,242,093
Total additions	26,244,735	5,409,093
<b>Deductions</b>		
Benefits paid to participants or beneficiaries	4,871,177	4,727,101
Administrative expense	146,178	123,463
Total deductions	5,017,355	4,850,564
<b>Net Increase in Fiduciary Net Position</b>	21,227,380	558,529
<b>Net Position, Beginning of Year</b>	39,093,475	38,534,946
<b>Net Position, End of Year</b>	\$ 60,320,855	\$ 39,093,475

# Midland County Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

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

##### ***Nature of Operations and Reporting Entity***

The Midland County Hospital District (the District) is a political subdivision of the state of Texas and is also tax-exempt under Section 501(c)(3) of the Internal Revenue Code. It was formed for the purpose of establishing a hospital or a hospital system to furnish hospital and medical care to the residents of Midland County. Residents of Midland County elect the board of directors, which has the authority to levy ad valorem taxes on property located within Midland County. The District has two divisions: a healthcare operations division (the Hospital) and an ad valorem tax administration division which administers all receipts and disbursements related to the ad valorem taxes.

In April 2017, the District assumed ownership of five nursing homes in West Texas to participate in the Quality Incentive Payment Program or QIPP. As of April 1, 2017, the District assumed ownership of the following Nursing Homes: Monahans Nursing Operations, LLC, Midland Nursing Operations, LLC known as Rockwood Manor, Odessa Nursing Operations LLC known as Seabury Nursing Facility, Midland Sage Nursing Operations, LLC known as Hogan Park and Fort Stockton Living & Rehabilitation. The District also entered into a Management Agreement for day-to-day management of the homes. Under the management agreements, the managers provide all services necessary to operate the homes, including employees, supplies and other operating costs.

**Blended Component Units.** Midland Memorial, Inc. (MMI) is a corporation established as a Texas Nonprofit Corporation. The District is the sole corporate member of MMI, which is included as a blended component unit in the accompanying financial statements. Financial activity of MMI consists solely of ownership of shares in joint ventures and related income. Separate financial statements are not issued for MMI.

Midland Memorial Healthcare System (MMHS) is a nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. MMHS shares the same board of directors as the District and is included as a blended component unit in the accompanying financial statements. Financial activity of MMHS consists solely of ownership of shares in joint ventures. Separate financial statements are not issued for MMHS.

Premier Family Care (PFC) is a Texas nonprofit corporation established under the Texas Medical Practice Act. PFC was organized February 1, 1996 to provide patient health care services to the public and provide a path for recruiting and employing physicians to fill the needs of the community. The District is the sole member of PFC, which is included as a blended component unit in the accompanying financial statements. Separate financial statements are not issued for PFC.

# Midland County Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

Permian Cardiology, Inc. (PCI) is a Texas nonprofit corporation established under the Texas Medical Practice Act. PCI was organized May 19, 2012 to provide patient health care services to the public and engage in the instruction of the general public in the area of medical science, public health and hygiene and related instruction useful to the individual and beneficial to the community.

The District is the sole member of PCI, which is included as a blended component unit in the accompanying financial statements. Separate financial statements are not issued for PCI.

Midland Texas Orthopedic Group, Inc. (MTOG) is a Texas nonprofit corporation established under the Texas Medical Practice Act. MTOG was organized November 22, 2013 to provide patient health care services to the public and engage in the instruction of the general public in the area of medical science, public health and hygiene and related instruction useful to the individual and beneficial to the community. The District is the sole member of MTOG, which is included as a blended component unit in the accompanying financial statements. Separate financial statements are not issued for MTOG.

MMH Physicians d/b/a Midland Inpatient Medical Associates (MIMA) is a Texas nonprofit corporation established under the Texas Medical Practice Act. MIMA was organized September 9, 2013 to provide patient health care services to the public and engage in the instruction of the general public in the area of medical science, public health and hygiene and related instruction useful to the individual and beneficial to the community. The District is the sole member of MIMA, which is included as a blended component unit in the accompanying financial statements. Separate financial statements are not issued for MIMA.

PFC, PCI, MTOG and MIMA are collectively referred to as the “501(a) entities.”

**Discretely Presented Component Unit.** Midland Memorial Foundation (the Foundation) is a legally separate, tax-exempt 501(c)(3) entity. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the District in support of its programs. The 28-member board of the Foundation is self-perpetuating. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is included as a discretely presented component unit in the District’s financial statements.

The Foundation distributed approximately \$2.1 million and \$2.8 million to the District for the years ending September 30, 2021 and 2020, respectively, for both restricted and unrestricted purposes. At September 30, 2021 and 2020, the District recorded a receivable of \$0.7 million and \$8.9 million, respectively, for restricted and unrestricted purposes. Separate financial statements for the Foundation can be obtained from the Administrative Office at 400 Rosalind Redfern Grover Parkway, Midland, TX 79701.

Unless otherwise noted, the following notes do not include the discretely presented component unit.

# Midland County Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

**Fiduciary Funds.** The District sponsors the Midland Memorial Hospital Defined Benefit Retirement Savings Plan (the Plan), a single employer defined benefit pension plan for eligible employees included in the financial statements as a pension trust fiduciary fund. The fiduciary fund statements are presented as of September 30, 2021 and 2020, the Plan fiscal year end. 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/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. Separate financial statements are not issued for the Plan.

**Joint Ventures.** The District has entered a number of joint ventures that are generally reported as equity investments.

In 2010, the District joined with other healthcare organization investors to form Texas Healthcare Linen, LLC (THL). The District is a 33 percent investor in THL, and the District contracts with THL for most linen services which amounted to approximately \$1.1 and \$1.0 million for 2021 and 2020, respectively.

In 2012, the District joined with another healthcare organization to form the Midland Memorial/USP Surgery Centers, LLC (MMUSC) as a 50.1 percent investor. The MMUSC was formed to purchase a 51 percent interest in the Midland Texas Surgical Center, LLC. The District appoints two of the four voting members of MMUSC.

In July 2016 Midland Memorial, Inc. received a capital contribution from HealthSouth Rehabilitation Hospital of Midland/Odessa, LLC (HealthSouth) with a fair value in the amount of \$2,941,200 in exchange for a covenant not to compete for a term of 15 years, with an option to automatically renew with terms of five years. Along with the capital contribution, Midland Memorial, Inc. is entitled to 18 percent (22 percent in 2020) of HealthSouth's operating gains and losses.

The District's interest in joint ventures was approximately \$12.3 million and \$14.8 million at September 30, 2021 and 2020, respectively, which is reflected as a component of other assets in the balance sheets. Income from joint ventures was approximately \$3.5 million and \$6.6 million during the years ended September 30, 2021 and 2020, respectively, which is reflected as a component of other nonoperating revenues in the statements of revenues, expenses and changes in net position.

Separate financial statements are not issued for the joint ventures.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

The District has certain agreements to distribute net revenues, as defined, of its outpatient diagnostic imaging services and occupational therapy practice to various investors. Under these arrangements, the District distributes a portion of the operating income of certain service lines. The ownership percentages of the District by service are shown below:

	<b>2021</b>	<b>2020</b>
MRI	85%	85%
Diagnostic Imaging	85%	85%
Mammography	85%	85%
Cardiology	85%	85%
Occupational Therapy	50%	50%

The District purchased an additional net interest of 10 percent in 2020. The purchase price of the additional interest was approximately \$14.4 million. During fiscal years ended September 30, 2021 and 2020, the District distributed approximately \$4.7 million and \$6.6 million, respectively, in residual amounts to beneficial owners. The purchase price and distributions are included in Distributions to Other Beneficial Owners of Partnership in the accompanying statements of revenues, expenses, and changes in net assets.

***Basis of Presentation***

The 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, deferred outflows of resources, liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally ad valorem and sales taxes) 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 (such as ad valorem and sales taxes), investment income, interest on capital assets-related debt and gains or losses on the sale of capital assets 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 are available.

# Midland County Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

#### **Change in Accounting Principle**

In 2021, the District adopted GASB Statement No. 84, *Fiduciary Activities*, and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, which establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Adoption of GASB 84 and 97 resulted in the Plan being reported as a fiduciary fund in the accompanying financial statements.

#### **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 and 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 Equivalents**

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2021 and 2020, cash equivalents consisted primarily of certificates of deposit.

#### **Ad Valorem Taxes**

Ad valorem 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. Ad valorem taxes become due and payable when levied on October 1. This is the date on which an enforceable legal claim arises, and the District records a receivable for the ad valorem tax assessment, less an allowance for uncollectible taxes. Ad valorem taxes are considered delinquent after January 31 of the following year.

Ad valorem taxes were assessed in fiscal years 2021 and 2020 on 100 percent of appraised property value at the rate of \$0.099634 and \$0.099072 per \$100 valuation, respectively. Approximately 16.2 percent and 16.7 percent of the assessed taxes were used for debt service obligations and the remaining 83.8 percent and 83.3 percent were used for operations for the years ended September 30, 2021 and 2020, respectively. The District's board has designated that all tax receipts for operations are to be used for providing indigent care services. The debt service obligations that are the basis for the approved tax rate include payments in the subsequent fiscal period; therefore, the portion of the debt service tax revenue that relates to the following year is deferred.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

***Sales Tax***

In July 2020, Midland County held an election to vote on the allocation of sales tax monies to the District by creating a Special Purposes District. The ordinance was passed to levy and assess a county excise (sales tax) of one fourth of one percent (1/4 percent). The sales tax began on January 1, 2021. The sales tax shall be used by the District in its discretion to be able to offset anticipated cuts in Medicaid supplemental programs so that the District can continue use for community health care services funding, including nonprofits, the Midland Community Healthcare Services, contracted physicians, mental health services, ER calls and Texas Tech University Health Science Center.

***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, general and automotive liability, 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, general and automotive liability, 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.

***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. The investments in equity investees is reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

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.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

***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, determined using the first-in, first-out method, or market.

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are amortized over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

Land improvements	5-25 years
Buildings and leasehold improvements	25-40 years
Equipment	3-20 years
Computer software	3-5 years

***Capital Asset Impairment***

The District evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended September 30, 2021 and 2020.

***Deferred Outflows of Resources***

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

At September 30, 2021 and 2020, the District's deferred outflows of resources was comprised of the following:

	<b>2021</b>	<b>2020</b>
Accumulated decrease in fair value of interest rate swap	\$ -	\$ 69,583
Pension related	6,734	883,162
Goodwill	3,800,703	4,207,520
	<b>\$ 3,807,437</b>	<b>\$ 5,160,265</b>

**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 vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. 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.

**Deferred Inflows of Resources**

The District reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its statements of net position. At September 30, 2021 and 2020, the District's deferred inflows of resources was comprised of the following:

	<b>2021</b>	<b>2020</b>
Property taxes under time restrictions	\$ 1,846,401	\$ 1,922,654
Pension related	3,617,047	361,153
Deferred revenue-energy asset concession arrangement	33,649,837	-
Other	646,301	171,895
	<b>\$ 39,759,586</b>	<b>\$ 2,455,702</b>

# Midland County Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

#### ***Net Position***

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

#### ***Charity Care***

The District's healthcare operational division provides care to patients who lack financial resources without charge or at amounts less than its established rates to patients meeting certain criteria under its indigent care policy. These individuals may qualify for three different types of indigent care coverage. The first coverage is based on the patient's income compared to the poverty guidelines and their residency in the county. The second coverage is based on the patient's income compared to the poverty guidelines without respect to their residency. The third coverage compares the patient's income to the outstanding balance. The charges related to this care totaled approximately \$44.1 million and \$15.1 million for the years ended September 30, 2021 and 2020, respectively.

Because the District does not pursue collection of amounts determined to qualify as indigent care, these amounts are not reported as net patient care revenue. The costs of indigent care provided under the District's charity care policy was approximately \$10.3 million and \$3.5 million for the years ended September 30, 2021 and 2020, respectively. The cost of charity care is estimated by applying the District's overall ratio of cost to gross charges to the gross indigent charges forgiven.

# Midland County Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

#### ***Build America Bond Interest Subsidy***

The District issued taxable Build America Bonds (BABs) in 2009. Under the BABs program, the U.S. Treasury pays 35 percent of the interest as a subsidy to the issuer. The District records the interest subsidy received or receivable from the U.S. Treasury as nonoperating revenue when the District has met all of the eligibility criteria to receive the subsidy. The District recorded approximately \$1.8 million and \$1.9 million, respectively, of nonoperating revenue in 2021 and 2020, for the BABs interest subsidy.

#### ***Income Taxes***

As an essential government function, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income. The 501(a) entities and MMI are subject to federal income taxes and related filing requirements for corporations. Additionally, the Foundation and MMHS have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. These entities are 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 rates. 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 based 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.

*Medicaid.* Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system. Outpatient and physician services are reimbursed under a mixture of fees 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 38 percent and 40 percent of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2021 and 2020, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

# Midland County Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

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.

#### ***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 designed 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 Medicaid section 1115(a) demonstration entitled “Texas Health Transformation and Quality Improvement Program” (the Waiver) that allowed the state to expand Medicaid managed care while preserving hospital funding, provides incentive payments for health care improvements and directs more funding to hospitals that serve large numbers of uninsured patients. The Waiver established two pools, an Uncompensated Care Pool (UC Pool) to offset the cost of uncompensated care and a Delivery System Reform Incentive Payment Pool (DSRIP) as incentive payments for developing programs and strategies supporting hospitals’ efforts to improve access to health care; improve quality and outcomes of care, improve efficiencies of care provided; and to improve the patient experience by managing the health of patients and families served. DSRIP payments are made for system improvements identified in Regional Healthcare Partnerships (RHP) delivery system reform and improvement plans (RHP Plan) led by public hospitals such as the District or governmental entities that will provide the state share of Waiver pool funds. The revenue from the two funding pools is recognized as earned throughout the related demonstration year. Funding from the UC Pool is limited to actual uncompensated care costs, as defined by the Waiver.

The Waiver was originally effective from December 12, 2011 to September 30, 2016 and extended through December 2017 as the Texas Health and Human Services Commission (HHSC) and 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 January 15, 2021, CMS approved an extension to the Waiver for an additional ten-year period through September 30, 2030. This latest extension would have ended the DSRIP pool effective September 30, 2021, expanded and added other direct payment programs and made other administrative changes to reflect CMS policy changes beginning September 1, 2021. On April 16, 2021, CMS rescinded the extension approval citing an improper exemption from the public notice and comment process originally granted. On March 25, 2022, CMS approved certain directed payment programs, including the Comprehensive Hospital Increased Reimbursement Program (CHIRP), for the period of September 1, 2021 – August 31, 2022. CHIRP replaces and expands

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

the funding pool available under the Uniform Hospital Rate Increase Program (UHRIP). On April 22, 2022, CMS rescinded its April 16, 2021 letter, effectively approving the Waiver extension through September 30, 2032. The District has not yet determined the financial impact of the Waiver extension or CHIRP.

The District participates in the Network Access Improvement Program (NAIP). The NAIP aims to increase the availability and effectiveness of primary care for Medicaid beneficiaries by providing incentive payments to participating Health Related Institutions (HRIs). Participation is voluntary and requires HRIs to create a proposal in partnership with a managed care organization (MCO). When the proposal is approved by HHSC, the costs associated with the incentive payments are added to the monthly capitation rates paid to the MCO and the MCOs are responsible for making payments to the HRIs, such as the District.

The District also participates in UHRIP. Under UHRIP, HHSC may direct managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals. UHRIP revenue is recognized as part of net patient service revenue as part of the payment on patient claims. The UHRIP program ended on August 31, 2021 and has yet to be extended. As discussed above, UHRIP has been replaced by CHIRP beginning September 1, 2021.

The District also participates in the Quality Improvement Payment Program (QIPP). QIPP is designed to assist nursing facilities serving indigent patients by providing funding to support increased access to health care into the community. It is also designed to allow participating providers to receive improvements in up to four predetermined quality measures.

In 2019, the District began receiving supplemental payments through the Medicaid Graduate Medical Education (GME) program. The GME program provides reimbursement to support teaching hospitals that operate approved medical residency training programs in recognition of the higher costs incurred by teaching hospitals.

Revenue recognized from all programs is included as a component of net patient service revenue in the statements of revenues, expenses and changes in net position as follows:

	<b>2021</b>	<b>2020</b>
DSH	\$ 9,694,545	\$ 8,926,884
UC Pool	8,278,234	9,922,492
DSRIP	6,107,268	9,450,000
GME	122,428	102,320
NAIP	8,398,729	5,000,000
QIPP	2,121,027	1,100,001
	<u>\$ 34,722,231</u>	<u>\$ 34,501,697</u>

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

Amounts receivable under these programs was approximately \$4.3 million and \$9.6 million at September 30, 2021 and 2020, respectively, and are included in estimated amounts due from third-party payers.

The District incurred increased costs to supplement the state’s funding of some of the programs mentioned above for affiliated providers of approximately \$9.7 million and \$14.6 million in 2021 and 2020, respectively. The supplement to the state’s funding is recorded as contributions to government programs in the statements of revenues, expenses and changes in net position. As part of regional indigent care affiliations with area hospitals that participate in the state’s supplemental funding programs, the District also realized a savings in medical service costs of approximately \$13.7 million and \$20.2 million in 2021 and 2020, respectively.

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.

**Note 3: 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, 2021 and 2020, approximately \$76,000 of the District’s bank balances were uninsured and uncollateralized.

**Note 4: Patient Accounts Receivable**

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

	<b>2021</b>	<b>2020</b>
Medicare	\$ 9,598,659	\$ 5,875,663
Medicaid	3,558,675	2,341,300
Other third-party payers	23,675,726	34,977,868
Patients	25,192,345	18,729,375
	62,025,405	61,924,206
Less allowance for uncollectible accounts	29,626,819	30,740,688
	\$ 32,398,586	\$ 31,183,518



**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Note 6: Accounts Payable and Accrued Expenses**

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

	<b>2021</b>	<b>2020</b>
Payables to suppliers and contractors	\$ 23,516,519	\$ 16,357,893
Payables for capital assets	6,261,057	4,766,824
	\$ 29,777,576	\$ 21,124,717

**Note 7: 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 \$100,000 per individual and \$300,000 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.

***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 \$350,000. 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.

***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.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

Activity in the District's self-insured risk liabilities during 2021 and 2020 is summarized as follows:

	<b>2021</b>		
	<b>Medical Malpractice</b>	<b>Employee Health</b>	<b>Workers Compensation</b>
Balance, beginning of year	\$ 426,926	\$ 1,450,413	\$ 1,703,870
Current year claims incurred and changes in estimates for claims incurred in prior years	(32,197)	10,489,088	404,796
Claims and expenses paid	<u>-</u>	<u>(10,508,748)</u>	<u>(329,053)</u>
Balance end of year	<u>\$ 394,729</u>	<u>\$ 1,430,753</u>	<u>\$ 1,779,613</u>
Due within one year	\$ 36,494	\$ 1,430,753	\$ 312,774
Due in subsequent years	<u>358,235</u>	<u>-</u>	<u>1,466,839</u>
	<u>\$ 394,729</u>	<u>\$ 1,430,753</u>	<u>\$ 1,779,613</u>
	<b>2020</b>		
	<b>Medical Malpractice</b>	<b>Employee Health</b>	<b>Workers Compensation</b>
Balance, beginning of year	\$ 437,165	\$ 1,115,604	\$ 1,837,064
Current year claims incurred and changes in estimates for claims incurred in prior years	89,761	9,602,872	182,225
Claims and expenses paid	<u>(100,000)</u>	<u>(9,268,063)</u>	<u>(315,419)</u>
Balance end of year	<u>\$ 426,926</u>	<u>\$ 1,450,413</u>	<u>\$ 1,703,870</u>
Due within one year	\$ 39,224	\$ 1,450,413	\$ 266,451
Due in subsequent years	<u>387,702</u>	<u>-</u>	<u>1,437,419</u>
	<u>\$ 426,926</u>	<u>\$ 1,450,413</u>	<u>\$ 1,703,870</u>

The liabilities for self-insured risks are recognized as accrued self-insurance liabilities in the balance sheets.



# Midland County Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

During 2014, the District obtained a line of credit for up to \$10 million. The line of credit must be renewed on an annual basis and is secured by certificates of deposit. The line of credit bore interest at a rate of 2.30 percent and 4.25 percent during 2021 and 2020, respectively. There were no amounts due under the line of credit at September 30, 2021 and 2020. The District has also obtained an unsecured line of credit for up to \$10 million. This line of credit must also be renewed on an annual basis and bears interest at the prime rate (4.25 and 3.90 percent at September 30, 2021 and 2020, respectively). In January 2022, the District renewed the \$10 million line of credit secured by certificates of deposit for another year at the same terms.

During 2016, the District entered into a note payable with Prosperity Bank for a total of \$35,508,000. The proceeds from this note were used for the purchase of an additional 25 percent of the outstanding interest of outpatient diagnostic imaging services and the acquisition of the Imaging Center and Imaging Center Practice. In 2020, the District and lender executed an amended agreement that created an additional credit facility in the amount of \$14,365,374, extended the maturity date to September 30, 2025 and changed the interest rate to 3.5%. The note was refinanced in 2021 as further described below.

During 2016, the District entered into limited revenue bonds series for \$3,000,000, “Midland County Hospital District Hospital Mortgage Limited Revenue Bond, Series 2016A” with Bank of New York Mellon Trust Company, N.A. (trustee) and Prosperity Bank. The proceeds from the revenue bonds were used for constructing, remodeling, renovating, improving, furnishing and equipping a neonatal intensive care unit, pharmacy, sterile processing and hospital materials management departments and the acquisition and implementation of an electronic medical records system. The total aggregate principal was not to exceed \$40,000,000, of which \$3,000,000 has been drawn down for the sterile processing project costs at both, September 30, 2021 and 2020. The bonds were refunded in 2021.

During 2017, the District entered into limited revenue bonds series for \$15,500,000, “Midland County Hospital District Hospital Mortgage Limited Revenue Bond, Series 2017” with Bank of New York Mellon Trust Company, N.A. (trustee) and Prosperity Bank. The proceeds from the revenue bonds were to be used for the acquisition and implementation of an electronic medical records system. The total aggregate principal could not exceed \$40,000,000, of which \$15,500,000 had been drawn down for an electronic medical records system at both September 30, 2021 and 2020. The note was refunded in 2021.

As further described below, the proceeds from the Series 2021 Bonds were placed in escrow with the bond trustee in the amount necessary to accomplish the discharge, defeasance and final payment of the Revenue Bonds. As a result, the Series 2016A and 2017 Bonds are considered defeased and have been removed from the District’s balance sheet. The advance refunding did not result in a significant difference between the reacquisition price and net carrying amount of the old debt.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

***General Obligation Bonds***

The Series B 2009 bonds were issued as taxable Build America Bonds and are dated as of August 1, 2009 with scheduled maturity dates between May 15, 2018 and May 15, 2022 in amounts ranging from \$2,860,000 to \$3,305,000. The Series B 2009 bonds carry interest rates ranging from 5.255 percent to 5.855 percent. The Series B 2009 bonds also include two term bonds maturing May 15, 2029 and May 15, 2039, with principal of \$27,295,000 and \$55,715,000, respectively. The term bonds require mandatory redemptions beginning May 15, 2023 through May 15, 2039 and interest rates of 6.34 percent and 6.44 percent. The Series B 2009 have a Build America Bonds tax rebate provision from the federal government effectively reducing the interest rate of the bonds by 1.54 percent from the stated rate. During 2021 and 2020, the tax rebate provision was reduced by 8.7 percent due to federally mandated sequestration adjustments. The District earned rebates of approximately \$2.0 million for the years ending September 30, 2021 and 2020. The Series B bonds constitute a direct obligation of the District, payable from the levy and collection of an annual ad valorem tax levied by the District.

In 2021, the District issued the Midland County Hospital District Limited Tax General Obligation Refunding Bonds, Series 2021 (Series 2021 Bonds) and the Limited Tax General Obligation Refunding Bonds, Taxable Series 2021A (Series 2021A Bonds) in the original amount of \$15,290,000 and \$54,355,000, respectively, dated August 19, 2021. The Series 2021 Bonds bear interest at 5.00 percent. The Series 2021A Bonds bear interest at rates ranging from 0.282 percent to 3.120 percent. Interest on the Bonds is payable on May 15, 2022, and each November 15 and May 15, thereafter until maturity or prior redemption. The bonds were issued to defease and refund the District's outstanding notes payable as described above, fund the unfunded accrued pension liability as of July 30, 2021, and to pay issuance costs of the Bonds. The Series 2021 Bonds are payable in annual installments ranging from \$1,305,000 to \$1,725,000 through May 15, 2032. The Series 2021A Bonds are payable in annual installments ranging from \$1,145,000 to \$3,645,000 on May 15 in the years 2022 through 2036 and as term bonds maturing on May 15, 2041 and May 15, 2051. The Bonds outstanding having stated maturities on or after May 15, 2032 may be redeemed at the District's option at a price of par plus accrued interest to the redemption date. The Series 2021A Bonds maturing on May 15 in the years 2041 and 2051 are subject to mandatory redemption prior to maturity. The Series 2021 Bonds constitute direct obligations of the District, payable from the levy and collection of the District's annual ad valorem tax levied by the District. The Series 2021 Bonds were issued with an original premium of \$3,496,770, and the premium is being amortized as a reduction of interest expense using an effective interest method over the term of the debt. There was no premium amortization for the year ended September 30, 2021.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

The maturities of the general obligation bond issues as of September 30, 2021 are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>BAB Subsidy</b>	<b>Total Debt Service</b>
2022	\$ 6,025,000	\$ 5,868,374	\$ (1,819,254)	\$ 10,074,120
2023	5,690,000	5,586,120	(1,755,387)	9,520,733
2024	5,900,000	5,376,749	(1,683,509)	9,593,240
2025	6,115,000	5,155,180	(1,608,597)	9,661,583
2026	6,335,000	4,921,483	(1,530,546)	9,725,937
2027 to 2031	35,600,000	20,641,901	(6,426,775)	49,815,126
2032 to 2036	43,105,000	13,083,388	(4,052,467)	52,135,921
2037 to 2041	32,320,000	4,808,791	(878,835)	36,249,956
2042 to 2046	6,860,000	1,824,350	-	8,684,350
2047 to 2051	8,010,000	670,899	-	8,680,899
	<u>\$ 155,960,000</u>	<u>\$ 67,937,235</u>	<u>\$ (19,755,370)</u>	<u>\$ 204,141,865</u>

**Note 9: Interest Rate Swap**

***Objective of the Interest Rate Swap***

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations and to lower its borrowing costs when compared against fixed-rate debt at the time of issuance, the District entered into an interest rate swap agreement for its 2002 long-term note payable to bank. The intention of the swap is to effectively change the District's variable interest rate on this note to a synthetic fixed rate of 5.02 percent.

***Terms***

The District entered an interest rate swap agreement on January 1, 2006 which terminated May 1, 2021. The agreement provided for the District to receive interest from the counterparty at the 67 percent of the London Interbank Offering Rate (LIBOR) plus 1.3 percent and to pay interest to the counterparty at a fixed rate of 5.02 percent on notional amount of \$4,733,361 at September 30, 2020. The notional amount of the swap amortizes over time. Under the agreement, the District pays or receives the net interest amount monthly, with the monthly settlements included in interest expense.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

***Fair Value***

As of September 30, 2020, the agreement had a negative fair value of \$69,583 calculated using the par-value method, i.e., the fixed rate on the swap was compared with the current fixed rates that could be achieved in the marketplace should the swap be unwound. The fixed-rate component was valued by discounting the fixed-rate cash flows using the current yield to maturity of a comparable bond. The variable-rate component was assumed to be at par value because the interest rate resets to the market rate at every reset date. The fair value was then calculated by subtracting the estimated market value of the fixed component from the established market value of the variable component. The fair value of the agreement is recognized as a liability in the District's balance sheet. As of October 1, 2011, the swap is being accounted for as an effective hedging instrument and the offsetting balance is reflected as a deferred outflow on the District's balance sheet. The change in fair value of the swap of \$(69,583) and \$123,216 for the years ended September 30, 2021 and 2020, respectively, is shown as an adjustment to the carrying amount of the related deferred outflow on the balance sheet.

**Note 10: Pension Plans**

***Defined Contribution Plans***

In 2005, the District began a defined contribution pension plan known as a Section 401(a) Plan. This plan covers selected managerial employees. The plan is administered by a third-party administrator appointed by the District's board. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body. The employees do not contribute to the plan. District contributions to the plan were not significant in 2021 or 2020 and there are no amounts outstanding.

In 2005, the District also began a defined contribution pension plan known as a Section 403(b) Plan. This plan covers substantially all employees meeting age and service requirements. The plan is administered by a third-party administrator appointed by the District board. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the District's governing body. Employee contributions are discretionary. Based on years of service, the District matches employee contributions on an increasing scale starting at 50 percent of the first 6 percent increasing to 100 percent of the first 7.5 percent. A member is fully vested in the employer match after 1 year of service. Part-time employees are also allowed to contribute to the plan; however, the District does not match any contributions made by those employees. As of September 30, 2021 and 2020, the District has outstanding liabilities of \$372,065 and \$355,134, respectively, for the plan that are reported in accrued payroll on the balance sheets.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

During the years ended September 30, 2021 and 2020, employee and District contributions to the plan were as follows:

	<b>2021</b>	<b>2020</b>
Participant salaries	\$ 60,884,598	\$ 57,540,575
Contributions by employees	\$ 4,721,900	\$ 4,492,093
Percent of participant salaries	7.76%	7.81%
Contributions by the District	\$ 2,825,046	\$ 2,519,593
Percent of participant salaries	4.64%	4.38%

***Defined Benefit Plan***

The District sponsors the Midland Memorial Hospital Defined Benefit Retirement Savings Plan (the Plan), a single employer defined benefit pension plan for eligible employees. The Plan provides retirement, death and disability benefits. Benefits ceased to accrue effective December 31, 2004 for all participants who had not both attained age 50 and completed at least five years of benefit accrual services as of December 31, 2004. Participants who had both attained age 50 and completed five years of benefit accrual services as of December 31, 2005, through December 31, 2009 were given the choice of having a continuation of benefit accruals or opting not to have continuing benefit accruals. Amendments to the plan are made only with the authority of the District's board of directors.

From January 1, 2005 through the payroll period ended June 19, 2010, eligible participants who opted to have continuing benefit accruals and less than 20 years of benefit accrual service were required to make employee contributions of 4 percent of eligible salary; employees with years of benefit accrual service of 20 to 29 years were required to make employee contributions of 3 percent of eligible salary; and employees with 30 years or more of benefit accrual service were required to make employee contributions of 2 percent of eligible salary. Effective December 31, 2005, no new participants were eligible to enter the Plan. During 2010, a Voluntary Enhanced Retirement Program (VERP) was offered to certain participants during the period July 12, 2010 to August 26, 2010. Effective September 3, 2010, remaining benefit accruals were frozen and a benefit enhancement in connection with the benefit freeze was offered to certain participants and all employee contributions ceased. In May 2013, the District offered a buy-out option to participants in the frozen benefit plan. Out of 376 participants, 112 opted for the final lump sum payments, in the total amount of \$1,892,033, at an interest rate of 9.5 percent. In March 2013, the District offered voluntary enhanced retirement program (VERP), in which 80 participants received a lump sum payout of \$4 million.

# Midland County Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

The plan administrator for “Midland Memorial Hospital Defined Benefit Retirement Savings Plan” is Transamerica Retirement Solutions (formerly, Diversified Investment Advisors), Riverside Center, 275 Grove Street, Suite 2-300, Newton, MA 02466. The plan does not issue a stand-alone financial report.

#### **Benefits Provided**

The Plan provides retirement, disability, and death benefits. Retirement benefits for general employees are calculated as the sum of 0.75 percent of the employee’s average monthly compensation times the employee’s years of service and 0.65 percent the employee’s highest 5 year of the last 10 years average monthly compensation in excess of \$400 times up to 30 years of the employee’s years of service. Benefits for a limited group of management employees are calculated as 4 percent of the employee’s final 3-year average monthly compensation times the employee’s years of service up to 15 years.

Employees with 5 years of continuous service are eligible to retire at age 55 at a reduced rate and are eligible for full benefits at age 65. General employees are eligible for disability benefits that are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are equivalent to the present value of accrued normal retirement benefit. An employee who leaves District service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms for the select group of management provides for an annual cost-of-living adjustment based on the lower of 3 percent or the consumer price index for urban consumers at September of each year.

The employees covered by the Plan at September 30, 2021 and 2020, are:

	2021	2020
Inactive employees or beneficiaries currently receiving benefits	413	383
Inactive employees entitled to but not yet receiving benefits	314	341
Active employees	163	178
	890	902

The plan was closed to new entrants effective December 31, 2005.

#### **Contributions**

The board of directors of the District has sole authority to establish and amend the contribution requirements of the Plan. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance any unfunded accrued liability. The District has established an annual contribution of \$2,500,000. In 2021, proceeds from a bond issuance were used to fund the unfunded liability as of July 30, 2021. The District contributed \$18,078,251 and \$2,167,000 in 2021 and 2020, respectively. As of 2010, no contributions by employees are required under the Plan.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Net Pension Liability**

The District's net pension liability was measured as of September 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021 and 2020, respectively, updated through the measurement dates of September 30, 2021, respectively.

The total pension liability in the September 30, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Cost of living benefit increases	For select management only - CPI increase not to exceed 3%
Inflation	N/A
Investment rate of return	8%, net of pension plan administrative expense
Actuarial cost method	Entry age normal cost method
Asset valuation method	Plan invested assets are reported at fair value

Mortality rates were based on the Society of Actuaries PRI-2012 Employee Tables with the Retiree and Contingent Survivor Tables for annuitants projected forward with the Scale MP-2020 for the 2021 actuarial valuation.

Mortality rates were based on the Society of Actuaries PRI-2012 Employee Tables with the Retiree and Contingent Survivor Tables for annuitants projected forward with the Scale MP-2019 for the 2020 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense) are developed for each major asset class. These ranges 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.

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the District's Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The target allocation as of September 30, 2021, and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	40%	13.36%
Fixed	30%	8.49%
International	30%	4.68%
Total	100%	

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Discount Rate**

The discount rate used to measure the total pension liability was 8 percent for both the years ended September 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at a maximum annual rate of \$2,500,000. 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 net pension liability are as follows:

	<b>2021</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balance, beginning of year	\$ 62,486,655	\$ 39,093,475	\$ 23,393,180
Changes for the year:			
Interest	4,794,462	-	4,794,462
Differences between expected and actual experience	141,413	-	141,413
Changes in assumptions	(244,254)	-	(244,254)
Contributions - employer	-	18,078,251	(18,078,251)
Net investment income	-	8,020,306	(8,020,306)
Benefits payments, including refunds of employee contributions	(4,871,177)	(4,871,177)	-
Net changes	(179,556)	21,227,380	(21,406,936)
Balance, end of year	\$ 62,307,099	\$ 60,320,855	\$ 1,986,244

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

	<b>2020</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balance, beginning of year	\$ 62,764,555	\$ 38,534,946	\$ 24,229,609
Changes for the year:			
Interest	4,827,745	-	4,827,745
Differences between expected and actual experience	163,726	-	163,726
Changes in assumptions	(542,270)	-	(542,270)
Contributions - employer	-	2,167,000	(2,167,000)
Net investment income	-	3,118,630	(3,118,630)
Benefits payments, including refunds of employee contributions	(4,727,101)	(4,727,101)	-
Net changes	(277,900)	558,529	(836,429)
Balance, end of year	\$ 62,486,655	\$ 39,093,475	\$ 23,393,180

The net pension liability of the District has been calculated using a discount rate of 8 percent. The following presents the net pension liability using a discount rate 1 percent higher and 1 percent lower than the current rate:

	<b>1% Decrease (7%)</b>	<b>Current Discount Rate (8%)</b>	<b>1% Increase (9%)</b>
	District's net pension liability	\$ 7,320,535	\$ 1,986,244

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

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

For the years ended September 30, 2021 and 2020, the District recognized pension expense of \$803,637 and \$1,615,822, respectively. At September 30, 2021 and 2020, the District reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<b>2021</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,734	\$ -
Changes of assumptions	-	11,631
Net difference between projected and actual earnings on plan investments	-	3,605,416
	\$ 6,734	\$ 3,617,047

	<b>2020</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 28,415	\$ -
Changes of assumptions	-	94,113
Net difference between projected and actual earnings on plan investments	854,747	267,040
	\$ 883,162	\$ 361,153

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

Year ended September 30:	
2022	\$ (764,853)
2023	(784,922)
2024	(1,053,193)
2025	(1,007,345)

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

***Pension Plan Fiduciary Net Position***

As of September 30, 2021 and 2020, the Plan’s fiduciary net position was comprised of the following:

	<b>2021</b>	<b>2020</b>
Money market mutual fund	\$ -	\$ 1,083,491
Mutual funds - equities	24,022,336	17,773,358
Mutual funds - fixed income	18,232,318	8,280,880
Mutual funds - international	18,066,201	11,955,746
Total plan fiduciary net position	\$ 60,320,855	\$ 39,093,475

**Investment Policy** – Investment policy decisions are established and maintained by the District’s Board.

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 pension plan. As a consequence, two important dimensions of a pension plan’s investment program are expected return and expected risk.

The pension plan investments are diversified 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 balance of risk and return.

**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 approximately 8.0 percent for the 12 months ended September 30, 2021.

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Plan does not have a separate policy covering credit risk.

**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. The Plan’s investment policy does not address how investments are to be held.

**Concentration of Credit Risk** – The Plan does not have a policy to limit its holdings in any one issuer. At September 30, 2021 and 2020, all of the Plan’s investments were held through the Plan’s investment manager, Transamerica.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

These investments are all classified within Level 1 of the valuation hierarchy. 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 Level 3 securities at September 30, 2021 and 2020.

At September 30, 2021 and 2020, the Plan's investments had the following maturities:

	2021				
	Maturities in Years				
	Fair Value	Less than 1	1-5	6-10	More than 10
Money market mutual fund	\$ -	\$ -	\$ -	\$ -	\$ -
Mutual funds - equities	24,022,336	24,022,336	-	-	-
Mutual funds - fixed income	18,232,318	6,583,139	4,366,030	2,205,487	5,077,662
Mutual funds - international	18,066,201	18,066,201	-	-	-
	<u>\$ 60,320,855</u>	<u>\$ 48,671,676</u>	<u>\$ 4,366,030</u>	<u>\$ 2,205,487</u>	<u>\$ 5,077,662</u>
	2020				
	Maturities in Years				
	Fair Value	Less than 1	1-5	6-10	More than 10
Money market mutual fund	\$ 1,083,491	\$ 1,083,491	\$ -	\$ -	\$ -
Mutual funds - equities	17,773,358	17,773,358	-	-	-
Mutual funds - fixed income	8,280,880	3,635,418	1,475,997	1,043,296	2,126,169
Mutual funds - international	11,955,746	11,955,746	-	-	-
	<u>\$ 39,093,475</u>	<u>\$ 34,448,013</u>	<u>\$ 1,475,997</u>	<u>\$ 1,043,296</u>	<u>\$ 2,126,169</u>

**Note 11: Contingencies**

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's self-insurance program (discussed elsewhere in these notes) or by commercial insurance, for example, allegations regarding employment practices or performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

# Midland County Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

#### **Note 12: COVID-19 Pandemic & CARES Act Funding**

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

The District's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The District has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business, including receiving approximately \$25,522,000 of accelerated Medicare payments and approximately \$20,303,000 in general and targeted Provider Relief Fund distributions, both as provided for under the *Coronavirus Aid, Relief, and Economic Security Act* (CARES).

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

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

#### ***Provider Relief Fund***

During the year ended September 30, 2021 and 2020, the District received \$521,016 and \$19,782,331, respectively, of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the District is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

Subsequent to year-end, the District received approximately \$4,000,000 in additional Provider Relief Fund distributions.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

The District is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as eligibility requirements have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the District's operating revenues and expenses through year-end, the District recognized \$8,795,022 and \$11,508,325, respectively, during the years ended September 30, 2021 and 2020, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenues-provider relief funds revenue in the statements of revenues, expenses, and changes in net position. The unrecognized amount at September 30, 2021 and 2020 of \$0 and \$8,274,006, respectively, are recorded as unearned revenue in the accompanying balance sheets.

The District has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of September 30, 2021. The District will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the District's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the District is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the District's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

***Medicare Accelerated and Advanced Payment Program***

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

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

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

During the year ended September 30, 2020, the District received approximately \$25,522,000 from these accelerated Medicare payment requests. During the year ended September 30, 2021, Medicare has applied approximately \$6,193,000, from these accelerated Medicare payment requests against filed claims. As of September 30, 2021, \$17,567,489 and \$1,760,928, respectively, of accelerated Medicare payment requests are recorded as current liabilities under the caption Advance Medicare payments and noncurrent liabilities under the same caption in the accompanying balance sheets. As of September 30, 2020, \$8,964,376 and \$16,557,128, respectively, of accelerated Medicare payment requests are recorded as current liabilities under the caption Advance Medicare payments and noncurrent liabilities under the same caption in the accompanying balance sheets.

**Note 13: Foundation**

The Foundation is organized to foster and support the activities and purposes of the healthcare operations division of the District. The board of trustees of the Foundation manages the healthcare operations division under an amended agreement with the District, whereby the healthcare operations division paid an annual management fee to the Foundation of approximately \$1,100,000 for both the years ended September 30, 2021 and 2020.

The healthcare operations division is the primary beneficiary of grants from the Foundation. If the Foundation or its donors have placed restrictions on the grants, they are expended by the healthcare operations division in accordance with these restrictions. The healthcare operations division records these grants at the time they are authorized by the Foundation. During the years ended September 30, 2021 and 2020, the Foundation made contributions to the District for capital projects and other operating purposes as discussed in *Note 1*.

The following table summarizes the restricted net position held by the Foundation:

	<u>2021</u>	<u>2020</u>
Restricted - expendable		
Assets available for capital purchases	\$ 26,738,438	\$ 21,478,382
Assets available to fund specific hospital operations	2,122,544	697,484
Assets available for education and training	821,739	654,592
	<u>29,682,721</u>	<u>22,830,458</u>
Restricted - nonexpendable		
Income available for capital acquisitions	19,513,010	17,640,614
Income available to fund specific hospital operations	36,556,703	33,197,415
Income available for education and training	611,380	599,880
	<u>56,681,093</u>	<u>51,437,909</u>
	<u>\$ 86,363,814</u>	<u>\$ 74,268,367</u>

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

The Foundation is the beneficiary of multiple charitable trusts. Under some of these trusts, the Foundation will receive a specified percentage of the trust assets upon the death of the beneficiaries of the trusts. The proceeds for these trusts may be available for unrestricted purposes or for restricted purposes specified by the donors. The Foundation is also the beneficiary of perpetual trusts administered by an outside party. Under the terms of these perpetual trusts, the Foundation has the irrevocable right to receive the income earned on the assets in perpetuity, but never receives the assets held in trust.

**Note 14: Foundation Investments**

Investments at September 30, 2021 and 2020 are comprised of the following with maturities of less than one year:

		<u>2021</u>		<u>2020</u>
Money market and mutual funds	\$	18,199,879	\$	15,909,087
Equity securities		<u>35,502,157</u>		<u>28,032,151</u>
	\$	<u><u>53,702,036</u></u>	\$	<u><u>43,941,238</u></u>

Investment return is comprised of the following for the years ended September 30, 2021 and 2020:

		<u>2021</u>		<u>2020</u>
Investment income	\$	1,127,678	\$	1,218,857
Net appreciation on fair value of investments		<u>6,558,689</u>		<u>645,115</u>
	\$	<u><u>7,686,367</u></u>	\$	<u><u>1,863,972</u></u>

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Note 15: Energy Asset Concession Arrangement**

In December 2020, the District entered into various agreements related to an Energy Asset Concession Arrangement to improve and optimize the related facilities and infrastructure to improve the energy capacity and efficiency at the District. Pursuant to the terms of the lease, the District granted lessee a fifteen-year lease over certain energy infrastructure assets owned by the District in exchange for lessee funding certain energy optimization improvements. Under the lease, lessee paid the District a net advance cash payment of approximately \$16.2 million for the rights to use the energy assets. The lessee also funded approximately \$19.4 million in plant improvements to gain the desired efficiency in the District's facility. These payments are included within deferred inflows in the accompanying balance sheets and amortized over the term of the lease. The balance at September 30, 2021 was \$31,274,554, net of accumulated amortization of \$1,979,402. Lessee assumes all risk and responsibility of District's energy producing assets for the term of the lease while the District pays lessee a monthly thermal services charge. Throughout the term of the agreement, the District will pay the lessee monthly service charges. The monthly service charges totaled \$407,262 per month in 2021. The monthly service charges include various escalation adjustments based upon CPI or ranging from 3.0% to 3.2% annually and adjust each December. The monthly service charge increased to \$425,616 in December 2021. Lease expense amounted to \$4,072,620 in 2021 and is included within other operating expenses in the accompanying statements of revenues, expenses, and changes in net position.

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

**Note 16: Condensed Combining Component Unit Information**

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

	2021				2020			
	Midland County Hospital District	501(a) Entities	Nursing Homes	Combined	Midland County Hospital District	501(a) Entities	Nursing Homes	Combined
<b>Assets and Deferred Outflows of Resources</b>								
Current assets	\$ 151,908,660	\$ 5,423,872	\$ 2,094,685	\$ 159,427,217	\$ 137,425,232	\$ 5,130,176	\$ 2,920,826	\$ 145,476,234
Noncurrent cash and investments	1,466,993	-	-	1,466,993	2,937,573	-	-	2,937,573
Capital assets, net of accumulated depreciation	256,305,022	415,395	-	256,720,417	232,577,202	628,468	-	233,205,670
Other assets	14,159,173	7,524	-	14,166,697	16,432,226	7,524	-	16,439,750
Total assets	423,839,848	5,846,791	2,094,685	431,781,324	389,372,233	5,766,168	2,920,826	398,059,227
Deferred outflows of resources	3,807,437	-	-	3,807,437	5,160,265	-	-	5,160,265
Total assets and deferred outflows of resources	427,647,285	5,846,791	2,094,685	435,588,761	394,532,498	5,766,168	2,920,826	403,219,492
<b>Liabilities and Deferred Inflows of Resources</b>								
Current liabilities	\$ 65,568,688	\$ 6,103,610	\$ 2,094,685	\$ 73,766,983	\$ 59,385,429	\$ 7,254,329	\$ 2,920,826	\$ 69,560,584
Net pension liability	1,986,244	-	-	1,986,244	23,393,180	-	-	23,393,180
Interest rate swap	-	-	-	-	69,583	-	-	69,583
Accrued self-insurance liabilities	1,825,074	-	-	1,825,074	1,825,121	-	-	1,825,121
Advance Medicare payment	1,760,928	-	-	1,760,928	15,737,504	819,624	-	16,557,128
Long-term debt	-	-	-	-	53,915,811	-	-	53,915,811
General obligation bonds payable	153,431,770	-	-	153,431,770	86,315,000	-	-	86,315,000
Total liabilities	224,572,704	6,103,610	2,094,685	232,770,999	240,641,628	8,073,953	2,920,826	251,636,407
Deferred inflows of resources	39,759,586	-	-	39,759,586	2,455,702	-	-	2,455,702
<b>Net Position</b>								
Net investment in capital assets	114,683,694	415,395	-	115,099,089	102,899,215	628,468	-	103,527,683
Restricted - expendable for capital assets	-	-	-	-	283,317	-	-	283,317
Restricted - expendable for debt service	2,044,548	-	-	2,044,548	3,846,725	-	-	3,846,725
Unrestricted	46,586,753	(672,214)	-	45,914,539	44,405,911	(2,936,253)	-	41,469,658
Total net position	163,314,995	(256,819)	-	163,058,176	151,435,168	(2,307,785)	-	149,127,383
Total liabilities, deferred inflows of resources and net position	\$ 427,647,285	\$ 5,846,791	\$ 2,094,685	\$ 435,588,761	\$ 394,532,498	\$ 5,766,168	\$ 2,920,826	\$ 403,219,492

# Midland County Hospital District

## Notes to Financial Statements

### September 30, 2021 and 2020

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

	2021				2020			
	Midland County Hospital District	501(a) Entities	Nursing Homes	Combined	Midland County Hospital District	501(a) Entities	Nursing Homes	Combined
Operating Revenues								
Net patient care revenues	\$ 279,974,139	\$ 25,640,417	\$ -	\$ 305,614,556	\$ 243,232,119	\$ 22,767,810	\$ -	\$ 265,999,929
Net patient care revenues-Nursing Homes	-	-	21,633,372	21,633,372	-	-	24,116,154	24,116,154
Other income	9,074,279	5,843,087	-	14,917,366	7,871,279	5,675,966	-	13,547,245
Operating revenues	<u>289,048,418</u>	<u>31,483,504</u>	<u>21,633,372</u>	<u>342,165,294</u>	<u>251,103,398</u>	<u>28,443,776</u>	<u>24,116,154</u>	<u>303,663,328</u>
Expenses:								
Salaries and fringe benefits	143,282,069	36,068,345	-	179,350,414	140,198,735	34,228,963	-	174,427,698
Supplies	63,445,840	2,702,220	-	66,148,060	51,295,670	2,174,022	-	53,469,692
Other	78,799,047	10,214,858	-	89,013,905	53,819,333	9,154,604	-	62,973,937
Other-Nursing Homes	3,192,713	-	21,633,372	24,826,085	-	-	24,116,154	24,116,154
Depreciation and amortization	27,117,119	252,487	-	27,369,606	25,335,404	342,995	-	25,678,399
Operating expenses	<u>315,836,788</u>	<u>49,237,910</u>	<u>21,633,372</u>	<u>386,708,070</u>	<u>270,649,142</u>	<u>45,900,584</u>	<u>24,116,154</u>	<u>340,665,880</u>
Operating loss	<u>(26,788,370)</u>	<u>(17,754,406)</u>	<u>-</u>	<u>(44,542,776)</u>	<u>(19,545,744)</u>	<u>(17,456,808)</u>	<u>-</u>	<u>(37,002,552)</u>
Other nonoperating income and expense:								
Ad valorem tax support	41,729,638	-	-	41,729,638	39,698,476	-	-	39,698,476
Sales tax support	14,243,221	-	-	14,243,221	-	-	-	-
Investment income	279,913	-	-	279,913	381,585	11	-	381,596
Interest expense	(7,473,443)	-	-	(7,473,443)	(7,610,156)	(15,895)	-	(7,626,051)
Build America Bond interest subsidy	1,819,254	-	-	1,819,254	1,916,024	-	-	1,916,024
Contributions to government programs	(9,740,314)	-	-	(9,740,314)	(14,624,582)	-	-	(14,624,582)
Provider relief funds	8,795,022	-	-	8,795,022	11,508,325	-	-	11,508,325
Noncapital grant from county	4,413,358	-	-	4,413,358	-	-	-	-
Other nonoperating revenue, net	(11,429,502)	19,805,372	-	8,375,870	(10,077,983)	17,900,796	-	7,822,813
Nonoperating revenues (expenses)	<u>42,637,147</u>	<u>19,805,372</u>	<u>-</u>	<u>62,442,519</u>	<u>21,191,689</u>	<u>17,884,912</u>	<u>-</u>	<u>39,076,601</u>
Excess of revenues over expenses before distribution to other beneficial owners of partnership and capital grants and gifts	15,848,777	2,050,966	-	17,899,743	1,645,945	428,104	-	2,074,049
Distribution to other beneficial owners of partnership	(4,736,718)	-	-	(4,736,718)	(21,002,986)	-	-	(21,002,986)
Capital grants and gifts	767,768	-	-	767,768	10,976,879	-	-	10,976,879
Change in net position	11,879,827	2,050,966	-	13,930,793	(8,380,162)	428,104	-	(7,952,058)
Net position - beginning of year	151,435,168	(2,307,785)	-	149,127,383	159,815,330	(2,735,889)	-	157,079,441
Net position - end of year	<u>\$ 163,314,995</u>	<u>\$ (256,819)</u>	<u>\$ -</u>	<u>\$ 163,058,176</u>	<u>\$ 151,435,168</u>	<u>\$ (2,307,785)</u>	<u>\$ -</u>	<u>\$ 149,127,383</u>

**Midland County Hospital District**  
**Notes to Financial Statements**  
**September 30, 2021 and 2020**

The following table includes condensed combining statements of cash flow information for the District and its blended component units for the years ended September 30, 2021 and 2020.

	2021				2020			
	Midland County Hospital District	501(a) Entities	Nursing Homes	Combined	Midland County Hospital District	501(a) Entities	Nursing Homes	Combined
Net cash provided by (used in) operating activities	\$ 22,842,327	\$ (20,115,469)	\$ 28,158	\$ 2,755,016	\$ 43,800,175	\$ (17,127,962)	\$ 156,842	\$ 26,829,055
Net cash provided by noncapital financing activities	41,245,384	-	-	41,245,384	52,444,496	-	-	52,444,496
Net cash used in capital and related financing activities	(31,534,453)	-	-	(31,534,453)	(22,425,106)	-	-	(22,425,106)
Net cash provided by (used in) investing activities	<u>(38,577,112)</u>	<u>19,805,372</u>	<u>-</u>	<u>(18,771,740)</u>	<u>(60,547,414)</u>	<u>17,900,796</u>	<u>-</u>	<u>(42,646,618)</u>
Net increase (decrease) in cash and cash equivalents	(6,023,854)	(310,097)	28,158	(6,305,793)	13,272,151	772,834	156,842	14,201,827
Cash and cash equivalents, beginning of year	<u>29,969,855</u>	<u>937,487</u>	<u>401,717</u>	<u>31,309,059</u>	<u>16,697,704</u>	<u>164,653</u>	<u>244,875</u>	<u>17,107,232</u>
Cash and cash equivalents, end of year	<u>\$ 23,946,001</u>	<u>\$ 627,390</u>	<u>\$ 429,875</u>	<u>\$ 25,003,266</u>	<u>\$ 29,969,855</u>	<u>\$ 937,487</u>	<u>\$ 401,717</u>	<u>\$ 31,309,059</u>

## **Required Supplementary Information**

# Midland County Hospital District

## Schedule of Changes in the Net Pension Liability and Related Ratios

	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>							
Interest	\$ 4,794,462	\$ 4,827,745	\$ 4,806,322	\$ 4,837,438	\$ 4,840,667	\$ 4,803,747	\$ 4,497,604
Differences between expected and actual experience	141,413	163,726	3,289	(954,754)	94,028	(424,609)	(20,677)
Changes of assumptions	(244,254)	(542,270)	(127,926)	-	(1,025,940)	(111,971)	2,786,166
Benefit payments, including refunds of employee contributions	(4,871,177)	(4,727,101)	(4,290,156)	(4,143,522)	(3,801,415)	(3,626,455)	(3,347,151)
<b>Net change in total pension liability</b>	(179,556)	(277,900)	391,529	(260,838)	107,340	640,712	3,915,942
<b>Total pension liability—beginning</b>	62,486,655	62,764,555	62,373,026	62,633,864	62,526,524	61,885,812	57,969,870
<b>Total pension liability—ending (a)</b>	<u>\$ 62,307,099</u>	<u>\$ 62,486,655</u>	<u>\$ 62,764,555</u>	<u>\$ 62,373,026</u>	<u>\$ 62,633,864</u>	<u>\$ 62,526,524</u>	<u>\$ 61,885,812</u>
<b>Plan fiduciary net position</b>							
Contributions—employer	\$ 18,078,251	\$ 2,167,000	\$ 1,850,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
Net investment income	8,020,306	3,118,630	1,691,091	2,823,904	3,224,620	3,330,578	(1,539,128)
Benefit payments, including refunds of employee contributions	(4,871,177)	(4,727,101)	(4,290,156)	(4,143,522)	(3,801,415)	(3,626,455)	(3,347,151)
<b>Net change in plan fiduciary net position</b>	21,227,380	558,529	(749,065)	1,180,382	1,923,205	2,204,123	(2,386,279)
<b>Plan fiduciary net position—beginning</b>	39,093,475	38,534,946	39,284,011	38,103,629	36,180,424	33,976,301	36,362,580
<b>Plan fiduciary net position—ending (b)</b>	<u>\$ 60,320,855</u>	<u>\$ 39,093,475</u>	<u>\$ 38,534,946</u>	<u>\$ 39,284,011</u>	<u>\$ 38,103,629</u>	<u>\$ 36,180,424</u>	<u>\$ 33,976,301</u>
<b>Net pension liability—ending (a) – (b)</b>	<u>\$ 1,986,244</u>	<u>\$ 23,393,180</u>	<u>\$ 24,229,609</u>	<u>\$ 23,089,015</u>	<u>\$ 24,530,235</u>	<u>\$ 26,346,100</u>	<u>\$ 27,909,511</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	96.81%	62.56%	61.40%	62.98%	60.84%	57.86%	54.90%
<b>Covered-employee payroll</b>	N/A						
<b>Net pension liability as a percentage of covered-employee payroll</b>	N/A						

**Notes to Schedule:**

*Changes of assumptions.* A temporary lump sum window was opened for vested terminated participants in 2012 which allowed certain participants to choose a lump sum payment option.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

## Midland County Hospital District Schedule of Employer Contributions

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,981,403	\$ 2,050,502	\$ 2,166,580	\$ 1,842,470	\$ 1,950,036	\$ 1,996,818	\$ 1,785,418
Contributions in relation to the actuarially determined contribution	18,078,251	2,167,000	1,850,000	2,500,000	2,500,000	2,500,000	2,500,000
Contribution deficiency (excess)	<u>\$ (16,096,848)</u>	<u>\$ (116,498)</u>	<u>\$ 316,580</u>	<u>\$ (657,530)</u>	<u>\$ (549,964)</u>	<u>\$ (503,182)</u>	<u>\$ (714,582)</u>
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes to Schedule:**

*Valuation date:*

Actuarially determined contribution rates are calculated as of 1/1 one year 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 normal cost
Amortization method	Average future working lifetime of participants
Remaining amortization period	2.5 years
Asset valuation method	5-year smoothed market
Inflation	N/A
Salary increases	N/A
Investment rate of return	8%, net of pension plan investment expense, including inflation
Retirement age	65
Mortality	Static mortality table in accordance with IRS Regulation 1.430(h)(3)-1 for the valuation year
Other information	Plan is frozen to new participants effective December 31, 2005

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

# Midland County Hospital District

## Schedule of Investment Returns

	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	21.34%	8.44%	4.53%	7.65%	8.27%	4.20%	4.30%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

## **Supplementary Information**

# Midland County Hospital District

## Divisional Balance Sheets

### September 30, 2021 and 2020

	The District		Premier Family Care		Permian Cardiology, Inc.		Midland, Texas Orthopedic Group, Inc.		Midland Inpatient Medical Associates		Nursing Homes		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Assets and Deferred Outflows of Resources</b>														
<b>Current assets</b>														
Cash and cash equivalents	\$ 23,946,001	\$ 28,186,538	\$ 374,983	\$ 449,390	\$ 45,532	\$ 192,912	\$ 124,837	\$ 266,060	\$ 82,038	\$ 29,125	\$ -	\$ -	\$ 24,573,391	\$ 29,124,025
Cash and cash equivalents - Nursing Homes	-	-	-	-	-	-	-	-	-	-	429,875	401,717	429,875	401,717
Cash designated for capital projects	-	283,317	-	-	-	-	-	-	-	-	-	-	-	283,317
Short-term investments	64,939,574	39,971,015	-	-	-	-	-	-	-	-	-	-	64,939,574	39,971,015
Property tax receivable, net	4,861,333	932,718	-	-	-	-	-	-	-	-	-	-	4,861,333	932,718
Patient accounts receivable, less allowance for doubtful accounts	28,741,088	28,003,089	1,935,194	1,655,636	427,472	420,307	846,271	743,404	448,561	361,082	-	-	32,398,586	31,183,518
Patient accounts receivable-Nursing Homes, net	-	-	-	-	-	-	-	-	-	-	1,664,810	2,519,109	1,664,810	2,519,109
Supplies	9,951,590	9,884,210	-	-	-	-	250,742	414,742	-	-	-	-	10,202,332	10,298,952
Prepaid expenses	3,276,083	2,641,810	74,312	185,085	7,434	-	-	-	57,916	55,834	-	-	3,415,745	2,882,729
Other receivables	9,572,236	14,948,125	567,604	307,104	88,166	49,495	92,810	-	-	-	-	-	10,320,816	15,304,724
Estimated amounts due from third-party payers	4,263,433	9,961,234	-	-	-	-	-	-	-	-	-	-	4,263,433	9,961,234
Self-funded insurance funds, current	312,774	266,451	-	-	-	-	-	-	-	-	-	-	312,774	266,451
Investments designated for bond indenture	2,044,548	2,346,725	-	-	-	-	-	-	-	-	-	-	2,044,548	2,346,725
<b>Total current assets</b>	<b>151,908,660</b>	<b>137,425,232</b>	<b>2,952,093</b>	<b>2,597,215</b>	<b>568,604</b>	<b>662,714</b>	<b>1,314,660</b>	<b>1,424,206</b>	<b>588,515</b>	<b>446,041</b>	<b>2,094,685</b>	<b>2,920,826</b>	<b>159,427,217</b>	<b>145,476,234</b>
<b>Noncurrent cash and investments</b>														
Restricted under debt agreement	-	1,500,000	-	-	-	-	-	-	-	-	-	-	-	1,500,000
Self-funded insurance funds	1,466,993	1,437,573	-	-	-	-	-	-	-	-	-	-	1,466,993	1,437,573
<b>Total noncurrent cash and investments</b>	<b>1,466,993</b>	<b>2,937,573</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,466,993</b>	<b>2,937,573</b>
<b>Capital assets, net of accumulated depreciation</b>	<b>256,305,022</b>	<b>232,577,202</b>	<b>315,418</b>	<b>539,383</b>	<b>13,660</b>	<b>7,677</b>	<b>86,317</b>	<b>81,408</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>256,720,417</b>	<b>233,205,670</b>
<b>Other assets</b>	<b>14,159,173</b>	<b>16,432,226</b>	<b>7,524</b>	<b>7,524</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,166,697</b>	<b>16,439,750</b>
<b>Total assets</b>	<b>423,839,848</b>	<b>389,372,233</b>	<b>3,275,035</b>	<b>3,144,122</b>	<b>582,264</b>	<b>670,391</b>	<b>1,400,977</b>	<b>1,505,614</b>	<b>588,515</b>	<b>446,041</b>	<b>2,094,685</b>	<b>2,920,826</b>	<b>431,781,324</b>	<b>398,059,227</b>
<b>Deferred outflows of resources</b>	<b>3,807,437</b>	<b>5,160,265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,807,437</b>	<b>5,160,265</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 427,647,285</b>	<b>\$ 394,532,498</b>	<b>\$ 3,275,035</b>	<b>\$ 3,144,122</b>	<b>\$ 582,264</b>	<b>\$ 670,391</b>	<b>\$ 1,400,977</b>	<b>\$ 1,505,614</b>	<b>\$ 588,515</b>	<b>\$ 446,041</b>	<b>\$ 2,094,685</b>	<b>\$ 2,920,826</b>	<b>\$ 435,588,761</b>	<b>\$ 403,219,492</b>
<b>Liabilities and Deferred Inflows of Resources</b>														
<b>Current liabilities</b>														
Accounts payable and accrued liabilities	\$ 26,896,866	\$ 17,111,244	\$ 892,988	\$ 844,429	\$ 552,299	\$ 440,325	\$ 1,239,146	\$ 1,685,125	\$ 196,277	\$ 1,043,594	\$ -	\$ -	\$ 29,777,576	\$ 21,124,717
Accounts payable and accrued liabilities - Nursing Homes	-	-	-	-	-	-	-	-	-	-	2,094,685	2,920,826	2,094,685	2,920,826
Accrued interest payable	2,152,662	2,292,012	-	-	-	-	-	-	-	-	-	-	2,152,662	2,292,012
Accrued payroll	11,823,583	10,084,636	400,456	448,637	188,803	584,520	1,422,334	840,775	534,374	940,827	-	-	14,369,550	12,899,395
Accrued self-insurance liabilities	1,780,021	1,756,088	-	-	-	-	-	-	-	-	-	-	1,780,021	1,756,088
Advance Medicare payments	16,890,556	8,538,279	233,257	158,487	176,000	99,739	122,555	79,889	145,121	87,982	-	-	17,567,489	8,964,376
Unearned revenue - provider relief funds	-	8,274,006	-	-	-	-	-	-	-	-	-	-	-	8,274,006
Current maturities of general obligation bonds payable	6,025,000	3,180,000	-	-	-	-	-	-	-	-	-	-	6,025,000	3,180,000
Current maturities of long-term debt	-	8,149,164	-	-	-	-	-	-	-	-	-	-	-	8,149,164
<b>Total current liabilities</b>	<b>65,568,688</b>	<b>59,385,429</b>	<b>1,526,701</b>	<b>1,451,553</b>	<b>917,102</b>	<b>1,124,584</b>	<b>2,784,035</b>	<b>2,605,789</b>	<b>875,772</b>	<b>2,072,403</b>	<b>2,094,685</b>	<b>2,920,826</b>	<b>73,766,983</b>	<b>69,560,584</b>
<b>Net pension liability</b>	<b>1,986,244</b>	<b>23,393,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,986,244</b>	<b>23,393,180</b>
Interest rate swap	-	69,583	-	-	-	-	-	-	-	-	-	-	-	69,583
Accrued self-insurance liabilities	1,825,074	15,737,504	-	-	-	-	-	-	-	-	-	-	1,825,074	15,737,504
Advance Medicare payments	1,760,928	53,915,811	-	325,359	-	184,210	-	147,553	-	162,502	-	-	1,760,928	16,557,128
Long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	53,915,811
General obligation bonds payable	153,431,770	86,315,000	-	-	-	-	-	-	-	-	-	-	153,431,770	86,315,000
<b>Total liabilities</b>	<b>224,572,704</b>	<b>240,641,628</b>	<b>1,526,701</b>	<b>1,776,912</b>	<b>917,102</b>	<b>1,308,794</b>	<b>2,784,035</b>	<b>2,753,342</b>	<b>875,772</b>	<b>2,234,905</b>	<b>2,094,685</b>	<b>2,920,826</b>	<b>232,770,999</b>	<b>251,636,407</b>
<b>Deferred inflows of resources</b>	<b>39,759,586</b>	<b>2,455,702</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,759,586</b>	<b>2,455,702</b>
<b>Net Position</b>														
Net investment in capital assets	114,683,694	102,899,215	315,418	539,383	13,660	7,677	86,317	81,408	-	-	-	-	115,099,089	103,527,683
Restricted - expendable for capital assets	-	283,317	-	-	-	-	-	-	-	-	-	-	-	283,317
Restricted - expendable for debt service	2,044,548	3,846,725	-	-	-	-	-	-	-	-	-	-	2,044,548	3,846,725
Unrestricted	46,586,753	44,405,911	1,432,916	827,827	(348,498)	(646,080)	(1,469,375)	(1,329,136)	(287,257)	(1,788,864)	-	-	45,914,539	41,469,658
<b>Total net position</b>	<b>163,314,995</b>	<b>151,435,168</b>	<b>1,748,334</b>	<b>1,367,210</b>	<b>(334,838)</b>	<b>(638,403)</b>	<b>(1,383,058)</b>	<b>(1,247,728)</b>	<b>(287,257)</b>	<b>(1,788,864)</b>	<b>-</b>	<b>-</b>	<b>163,058,176</b>	<b>149,127,383</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 427,647,285</b>	<b>\$ 394,532,498</b>	<b>\$ 3,275,035</b>	<b>\$ 3,144,122</b>	<b>\$ 582,264</b>	<b>\$ 670,391</b>	<b>\$ 1,400,977</b>	<b>\$ 1,505,614</b>	<b>\$ 588,515</b>	<b>\$ 446,041</b>	<b>\$ 2,094,685</b>	<b>\$ 2,920,826</b>	<b>\$ 435,588,761</b>	<b>\$ 403,219,492</b>

# Midland County Hospital District

## Divisional Schedule of Revenues, Expenses and Changes in Net Position

### Years Ended September 30, 2021 and 2020

	The District		Premier Family Care		Permian Cardiology, Inc.		Midland, Texas Orthopedic Group, Inc.		Midland Inpatient Medical Associates		Nursing Homes		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Operating revenues														
Net patient care revenues	\$ 279,974,139	\$ 243,232,119	\$ 13,120,694	\$ 11,364,349	\$ 3,202,988	\$ 3,033,911	\$ 6,038,173	\$ 5,718,912	\$ 3,278,562	\$ 2,650,638	\$ -	\$ -	\$ 305,614,556	\$ 265,999,929
Net patient care revenues - Nursing Homes	-	-	-	-	-	-	-	-	-	-	21,633,372	24,116,154	21,633,372	24,116,154
Other income	9,074,279	7,871,279	4,132,144	4,581,583	331,867	668,671	659,443	276,143	719,633	149,569	-	-	14,917,366	13,547,245
Total operating revenues	289,048,418	251,103,398	17,252,838	15,945,932	3,534,855	3,702,582	6,697,616	5,995,055	3,998,195	2,800,207	21,633,372	24,116,154	342,165,294	303,663,328
Operating expenses														
Salaries and benefits	143,282,069	140,198,735	14,853,273	14,553,649	4,978,338	5,099,097	8,200,205	8,262,572	8,036,529	6,313,645	-	-	179,350,414	174,427,698
Supplies	63,445,840	51,295,670	1,414,827	1,365,516	234,758	241,937	1,050,785	563,186	1,850	3,383	-	-	66,148,060	53,469,692
Other	78,799,047	53,819,333	5,380,412	4,840,652	921,625	961,532	1,635,575	1,619,733	2,277,246	1,732,687	-	-	89,013,905	62,973,937
Other - Nursing Homes	3,192,713	-	-	-	-	-	-	-	-	-	21,633,372	24,116,154	24,826,085	24,116,154
Depreciation and amortization	27,117,119	25,335,404	238,374	356,656	1,924	1,924	12,189	(15,585)	-	-	-	-	27,369,606	25,678,399
Total operating expenses	315,836,788	270,649,142	21,886,886	21,116,473	6,136,645	6,304,490	10,898,754	10,429,906	10,315,625	8,049,715	21,633,372	24,116,154	386,708,070	340,665,880
Operating income (loss)	(26,788,370)	(19,545,744)	(4,634,048)	(5,170,541)	(2,601,790)	(2,601,908)	(4,201,138)	(4,434,851)	(6,317,430)	(5,249,508)	-	-	(44,542,776)	(37,002,552)
Nonoperating revenues (expenses)														
Ad valorem tax support	41,729,638	39,698,476	-	-	-	-	-	-	-	-	-	-	41,729,638	39,698,476
Sales tax support	14,243,221	-	-	-	-	-	-	-	-	-	-	-	14,243,221	-
Investment income	279,913	381,585	-	11	-	-	-	-	-	-	-	-	279,913	381,596
Interest expense	(7,473,443)	(7,610,156)	-	(15,895)	-	-	-	-	-	-	-	-	(7,473,443)	(7,626,051)
Build America Bond interest subsidy	1,819,254	1,916,024	-	-	-	-	-	-	-	-	-	-	1,819,254	1,916,024
Contributions to government programs	(9,740,314)	(14,624,582)	-	-	-	-	-	-	-	-	-	-	(9,740,314)	(14,624,582)
Provider relief funds revenue	8,795,022	11,508,325	-	-	-	-	-	-	-	-	-	-	8,795,022	11,508,325
Noncapital grant from county	4,413,358	-	-	-	-	-	-	-	-	-	-	-	4,413,358	-
Other nonoperating revenue, net	(11,429,502)	(10,077,983)	5,015,172	4,656,177	2,905,355	2,555,180	4,065,808	4,299,657	7,819,037	6,389,782	-	-	8,375,870	7,822,813
Total nonoperating revenues (expenses)	42,637,147	21,191,689	5,015,172	4,640,293	2,905,355	2,555,180	4,065,808	4,299,657	7,819,037	6,389,782	-	-	62,442,519	39,076,601
Excess (deficiency) of revenues over expenses before distribution to other beneficial owners of partnership and capital grants and gifts	15,848,777	1,645,945	381,124	(530,248)	303,565	(46,728)	(135,330)	(135,194)	1,501,607	1,140,274	-	-	17,899,743	2,074,049
Distribution to other beneficial owners of partnership	(4,736,718)	(21,002,986)	-	-	-	-	-	-	-	-	-	-	(4,736,718)	(21,002,986)
Capital grants and gifts	767,768	10,976,879	-	-	-	-	-	-	-	-	-	-	767,768	10,976,879
Change in net position	11,879,827	(8,380,162)	381,124	(530,248)	303,565	(46,728)	(135,330)	(135,194)	1,501,607	1,140,274	-	-	13,930,793	(7,952,058)
Net position - beginning of year	151,435,168	159,815,330	1,367,210	1,897,458	(638,403)	(591,675)	(1,247,728)	(1,112,534)	(1,788,864)	(2,929,138)	-	-	149,127,383	157,079,441
Net position - end of year	\$ 163,314,995	\$ 151,435,168	\$ 1,748,334	\$ 1,367,210	\$ (334,838)	\$ (638,403)	\$ (1,383,058)	\$ (1,247,728)	\$ (287,257)	\$ (1,788,864)	\$ -	\$ -	\$ 163,058,176	\$ 149,127,383