Memorial Medical Center
A Component Unit of Calhoun County, Texas

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

Memorial Medical Center
A Component Unit of Calhoun County, Texas
December 31, 2021 and 2020

Contents

FORVIS

2700 Post Oak Boulevard, Suite 1500 / Houston, TX 77056
P 713.499.4600 / **F** 713.499.4699
forvis.com

Independent Auditor's Report

Board of Managers
Memorial Medical Center
Port Lavaca, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Memorial Medical Center, a component unit of Calhoun County, Texas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Memorial Medical Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Memorial Medical Center, as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Memorial Medical Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Memorial Medical Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

FORVIS, LLP

Houston, Texas
July 12, 2022

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Management's Discussion and Analysis
December 31, 2021 and 2020

Introduction

This management's discussion and analysis of the financial performance of Memorial Medical Center (the Medical Center) provides an overview of the Medical Center's financial activities for the years ended December 31, 2021 and 2020. It should be read in conjunction with the accompanying financial statements of the Medical Center. Unless otherwise indicated, amounts are rounded to the nearest thousand.

Financial Highlights

- Cash increased in 2021 by $758,000, or 14 percent, and decreased in 2020 by $4,694,000, or 562 percent.
- The Medical Center's net position increased in 2021 by $1,566,000 or 11 percent, and increased in 2020 by $2,313,000, or 19 percent.
- The Medical Center reported an operating loss in 2021 of $4,121,000 and an operating loss in 2020 of $5,942,000. The operating loss in 2021 decreased by $1,821,000, or 31 percent, from the operating loss reported in 2020. The operating loss in 2020 increased by $6,396,000, or 1,409 percent, from the operating loss reported in 2019.
- Net nonoperating revenues decreased by $2,568,000 in 2021 compared to 2020 and increased by $8,270,000 in 2020 compared to 2019.

Using This Annual Report

The Medical Center'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 Medical Center, including resources held by the Medical Center but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Medical Center 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 medical center's finances is "Is the medical center 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 Medical Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and 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 Medical Center's net position and changes in it. The Medical Center's total net position—the difference between assets and liabilities and deferred inflows and outflows of resources—is one measure of the Medical Center's financial health or financial position. Over time, increases or decreases in the Medical Center's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Medical Center'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 Medical Center.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash 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 during the reporting period.

The Medical Center's Net Position

The Medical Center's net position is the difference between its assets, liabilities and deferred inflows and outflows of resources reported in the balance sheets. The Medical Center's net position increased by $1,566,000, or 11 percent, in 2021 and increased by $2,313,000, or 19 percent, in 2020, as shown in Table 1.

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

	2021	2020	2019
Assets and Deferred Outflows of Resources			
Assets			
Patient accounts receivable, net	$ 2,743,944	$ 3,236,224	$ 3,328,811
Nursing home resident receivable, net	17,494,507	13,676,716	12,183,425
Other current assets	24,865,032	21,473,781	9,411,817
Capital assets, net	6,699,003	6,775,294	7,064,910
Total assets	51,802,486	45,162,015	31,988,963
Deferred Outflows of Resources	3,146,653	1,066,532	3,664,737
Total assets and deferred outflows of resources	$ 54,949,139	$ 46,228,547	$ 35,653,700

	2020	2019	2018
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current liabilities	$ 33,687,663	$ 28,630,387	$ 18,249,196
Long-term debt	268,569	597,564	489,981
Net pension liability	3,060,158	1,385,737	4,731,148
Total liabilities	37,016,390	30,613,688	23,470,325
Deferred Inflows of Resources	1,866,065	1,147,355	28,650
Net Position			
Net investment in capital assets	6,093,069	5,831,315	6,294,202
Unrestricted	9,973,615	8,636,189	5,860,523
Total net position	16,066,684	14,467,504	12,154,725
Total liabilities, deferred inflows of resources and net position	$ 54,949,139	$ 46,228,547	$ 35,653,700

The most significant changes in the Medical Center's financial position during 2021 was an increase in nursing home resident accounts receivable of approximately $3,818,000 due to an increase in resident days; an increase in estimated amounts due from third-party payers of approximately $2,485,000 due to an increase in payments from certain Medicaid supplemental payment programs; and increase in payroll tax refund receivable of approximately $3,637,000 due to the Medical Center qualifying for an employee retention payroll tax credit. Current liabilities increased by approximately $5,057,000, primarily associated with the amounts due to the Medical Center's nursing home operators. In addition, the Medical Center's net pension liability increased by approximately $1,674,000 in 2021.

The most significant changes in the Medical Center's financial position during 2020 was an increase in cash of approximately $4,694,000 and an increase in other current assets of approximately $7,368,000. Both of these increases were due to amounts received by the Medical Center from Provider Relief Fund distributions and from advances of Medicare claim payments, both of which were provided for under the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act). Current liabilities and other long-term liabilities increased by approximately $10,381,000, primarily associated with the amounts received under the CARES Act. See Note 13 for more information related to these funds received. In addition, the Medical Center's net pension liability decreased by approximately $3,345,000 in 2020.

Operating Results and Changes in the Medical Center's Net Position

In 2021, the Medical Center's net position increased by $1,566,000, or 10 percent, as shown in Table 2. The Medical Center's net position increased by $2,313,000, or 19 percent, in 2020 and increased by $458,000 in 2019, or 4 percent.

Table 2: Operating Results and Changes in Net Position

	2021	2020	2019
Operating Revenues			
Net patient service revenue	$ 27,667,084	$ 25,490,312	$ 27,806,914
Nursing home resident revenue	75,130,488	66,406,849	58,935,509
Other	2,373,154	2,116,763	2,874,158
Total operating revenues	105,170,726	94,013,924	89,616,581
Operating Expenses			
Salaries, wages and employee benefits	16,644,381	16,112,035	16,340,583
Purchased services and professional fees	10,135,880	8,346,984	8,756,726
Nursing home expenses	74,406,908	68,404,000	57,502,833
Depreciation and amortization	1,052,424	1,099,087	983,531
Other	7,019,030	5,993,976	5,578,880
Total operating expenses	109,258,623	99,956,082	89,162,553
Operating Income (Loss)	(4,087,897)	(5,942,158)	454,028
Nonoperating Revenues (Expenses)			
Investment income	24,660	39,880	14,914
Interest expense	(26,430)	(35,752)	(30,159)
Employee retention credit	3,636,687	-	-
Provider relief funds – hospital and nursing homes	2,052,160	8,250,809	-
Total nonoperating revenues (expenses)	5,687,077	8,254,937	(15,245)
Grants for Property and Equipment	0	0	20,000
Increase in Net Position	$ 1,599,180	$ 2,312,779	$ 458,783

<u>Operating Income or Losses</u>

The first component of the overall change in the Medical Center'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 Medical Center reported an operating loss in 2021 and 2020. The Medical Center was formed and is operated primarily to serve residents of Calhoun County (the County) and the surrounding area, accepting all patients regardless of their ability to pay.

The operating loss for 2021 decreased by approximately $1,821,000 or 31 percent, as compared to the operating loss in 2020. The primary component of the decrease in the operating loss is an increase in the net revenues recognized from the Quality Improvement Payment Program related to the nursing home operations of approximately $2,073,000.

The operating loss for 2020 increased by approximately $6,396,000 or 1,409 percent, as compared to the operating income in 2019. The primary component of the increase in the operating loss is a decrease in net patient service revenue of approximately $2,317,000, which was due to decreased volumes because of the COVID-19 pandemic and due to a decrease of revenues related to the Texas Medicaid supplemental funding program of approximately $1,051,000. In addition, nursing home expenses increased approximately $11,486,000, mainly due to the addition of two new nursing home operations added during 2020. The operating losses were partially offset by an increase in the net revenues recognized from the Quality Improvement Payment Program related to the nursing home operations of $1,224,000.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income, interest expense and, for 2021 and 2020, revenues related the Provider Relief Funds provided under the CARES Act. Revenue of approximately $3,637,000 from an employee retention credit was also a component of the 2021 nonoperating revenues. Investment income and interest expense were generally consistent between 2021 and 2020. During 2021 and 2020, the Medical Center recognized revenues of $0 and $4,448,000 related to Provider Relief Funds for the hospital operations and $2,052,000 and $3,802,000 related to Provider Relief Funds for the nursing homes' operations, respectively.

The Medical Center's Cash Flows

During 2021, cash provided by operating activities increased by $5,944,000 over 2020, primarily due to decreases in payments made to the nursing home operators for prepaid management fees and other advances. Cash used in noncapital financing activities decreased $9,641,000, primarily related to a decrease in the amounts received from the Provider Relief Funds in 2021 compared to 2020. Cash used in capital and related financing activities increased by $223,000 over 2020 due to an increase in cash spent for capital equipment. Cash provided by investing activities decreased slightly over 2020 due to a decrease in interest income.

During 2020, cash provided by operating activities decreased by $4,610,000 over 2019, primarily due to decreases in operating revenues and increases in the amounts paid to suppliers and contractors as well as to employees. Cash used in noncapital financing activities increased $11,067,000, primarily related to the amounts received from the Provider Relief Funds. Cash used in capital and related financing activities decreased by $656,000 over 2019 due to a decrease in cash spent for capital equipment. Cash provided by investing activities increased slightly over 2019 due to an increase in interest income.

Capital Asset and Debt Administration

Capital Assets

At the end of 2021 and 2020, the Medical Center had $6,699,000 and $6,775,000, respectively, invested in capital assets, net of accumulated depreciation, as detailed in *Note 5* to the financial statements.

Debt

At December 31, 2021, the Medical Center had $606,000 in capital lease obligations outstanding. During 2021, the Medical Center borrowed $500,000 on a note payable to the County.

At December 31, 2020, the Medical Center had $944,000 in capital lease obligations outstanding. During 2020, the Medical Center borrowed and repaid notes payable to the County in the amount of $500,000.

Contacting the Medical Center's Financial Management

This financial report is designed to provide our patients, suppliers and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Medical Center's management at Memorial Medical Center, 815 N. Virginia, Port Lavaca, Texas 77979.

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Balance Sheets
December 31, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 6,287,007	$ 5,529,092
Patient accounts receivable, net of allowance; 2021 – $6,376,000, 2020 – $5,586,000	2,743,944	3,236,224
Nursing home resident accounts receivable, net of allowance; 2021 – $3,051,000, 2020 – $3,150,000	17,494,507	13,676,716
Estimated amounts due from third-party payors	7,801,994	5,317,389
Supplies	1,281,139	928,805
Prepaid management fees – nursing homes	1,818,553	3,333,972
Advance to nursing homes – provider relief funds	273,424	2,325,584
Payroll tax refund receivable	3,636,687	-
Prepaid expenses and other	3,766,228	4,038,939
Total current assets	45,103,483	38,386,721
Capital Assets, Net	6,699,003	6,775,294
Total assets	51,802,486	45,162,015
Deferred Outflows of Resources Related to Pension	3,146,653	1,066,532
Total assets and deferred outflows of resources	$ 54,949,139	$ 46,228,547

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Balance Sheets (Continued)
December 31, 2021 and 2020

	2021	2020
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of capital lease obligations	$ 337,365	$ 346,415
Notes payable	-	500,000
Accounts payable	1,815,127	1,447,334
Accounts payable – nursing homes	20,062,055	14,717,481
Accrued expenses	3,715,725	2,172,485
Advanced claim payments from Medicare	4,680,643	7,090,526
Refundable advance - provider relief funds - hospital	1,935,229	-
Refundable advance – provider relief funds – nursing homes	273,424	2,325,584
Unearned capital grant proceeds	462,720	-
Estimated amounts due to third-party payors	405,375	30,562
Total current liabilities	33,687,663	28,630,387
Capital Lease Obligations	268,569	597,564
Net Pension Liability	3,060,158	1,385,737
Total liabilities	37,016,390	30,613,688
Deferred Inflows of Resources Related to Pension	1,866,065	1,147,355
Net Position		
Net investment in capital assets	6,093,069	5,831,315
Unrestricted	9,973,615	8,636,189
Total net position	16,066,684	14,467,504
Total liabilities, deferred inflows of resources and net position	$ 54,949,139	$ 46,228,547

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2021 – $4,496,000, 2020 – $2,502,000	$ 27,667,084	$ 25,490,312
Nursing home resident revenue, net of provision for uncollectible accounts; 2021 – $1,605,000, 2020 – $1,537,000	75,130,488	66,406,849
Other operating revenue	2,373,154	2,116,763
Total operating revenues	105,170,726	94,013,924
Operating Expenses		
Salaries and wages	11,623,282	11,466,092
Employee benefits	5,021,099	4,645,943
Purchased services and professional fees	10,135,880	8,346,984
Insurance	85,768	111,757
Supplies and other	6,933,262	5,882,219
Nursing home expenses	74,406,908	68,404,000
Depreciation and amortization	1,052,424	1,099,087
Total operating expenses	109,258,623	99,956,082
Operating Loss	(4,087,897)	(5,942,158)
Nonoperating Revenues (Expenses)		
Investment income	24,660	39,880
Interest expense	(26,430)	(35,752)
Employee retention credit	3,636,687	-
Provider Relief Funds – hospital	-	4,448,482
Provider Relief Funds – nursing homes	2,052,160	3,802,327
Total nonoperating revenues	5,687,077	8,254,937
Increase in Net Position	1,599,180	2,312,779
Net Position, Beginning of Year	14,467,504	12,154,725
Net Position, End of Year	$ 16,066,684	$ 14,467,504

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Receipts from patients	$ 96,613,936	$ 96,146,794
Payments to suppliers and contractors	(83,876,914)	(82,747,384)
Payments to employees	(14,934,262)	(15,624,849)
Advances to nursing homes – Provider Relief Funds	-	(2,325,584)
Prepaid management fees to nursing homes	-	(3,333,972)
Other receipts, net	2,373,154	2,116,763
Net cash provided by (used in) operating activities	175,914	(5,768,232)
Noncapital Financing Activities		
Provider Relief Funds – nursing homes	-	6,127,911
Provider Relief Funds – hospital	1,935,229	4,448,482
Proceeds from issuance of note payable	-	500,000
Principal paid on notes payable	(500,000)	-
Net cash provided by noncapital financing activities	1,435,229	11,076,393
Capital and Related Financing Activities		
Grants received for property and equipment	462,720	-
Principal paid on capital lease obligations	(338,045)	(292,931)
Interest paid on capital lease obligations	(26,430)	(35,752)
Purchase of capital assets	(976,133)	(325,684)
Net cash used in capital and related financing activities	(877,888)	(654,367)
Investing Activity		
Interest on bank deposits	24,660	39,880
Net cash provided by investing activity	24,660	39,880
Increase in Cash	757,915	4,693,674
Cash, Beginning of Year	5,529,092	835,418
Cash, End of Year	$ 6,287,007	$ 5,529,092

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (4,087,897)	$ (5,942,158)
Depreciation and amortization	1,052,424	1,099,087
Provision for uncollectible accounts	6,101,000	4,039,000
Changes in operating assets and liabilities:		
Patients accounts receivable, net	(9,426,511)	(5,439,704)
Estimated amounts due from and to third-party payors	(2,109,792)	(1,204,197)
Accounts payable and accrued expenses	7,255,607	1,171,615
Deferred outflows of resources – pensions	(2,080,121)	2,598,205
Deferred inflows of resources – pensions	718,710	1,118,705
Net pension liability	1,674,421	(3,345,411)
Advanced claim payments from Medicare	(2,409,883)	7,090,526
Prepaid management fees to nursing homes	1,515,419	(3,333,972)
Advances to nursing homes – Provider Relief Funds	2,052,160	(2,325,584)
Other assets and liabilities	(79,623)	(1,294,344)
Net cash provided by (used in) operating activities	$ 175,914	$ (5,768,232)
Noncash Capital and Financing Activities		
Payroll tax refund receivable	$ 3,636,687	$ -
Capital lease obligation incurred for capital assets	-	466,202

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

Nature of Operations and Reporting Entity

Memorial Medical Center (the Medical Center) is an acute care critical access hospital located in Port Lavaca, Texas. The Medical Center is a component unit of Calhoun County (the County) and the Board of County Commissioners appoints members to the Board of Managers (the Board) of the Medical Center. The Medical Center primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the County's area and providing care to nursing home residents.

Basis of Accounting and Presentation

The financial statements of the Medical Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions 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, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Medical Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred inflows and outflows of resources and liabilities 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.

Risk Management

The Medical Center 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Investment Income

Investment income consists of interest income earned on bank deposits.

Patient Accounts Receivable

The Medical Center and nursing homes report patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Medical Center 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 and leasehold improvements are depreciated over the shorter of the lease term, or their respective estimated useful lives. The following estimated useful lives are being used by the Medical Center:

Land improvements	25–40 years
Buildings and leasehold improvements	25–40 years
Equipment	3–20 years

Capital Asset Impairment

The Medical Center 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 long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2021 and 2020.

Deferred Outflows of Resources

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

Compensated Absences

The Medical Center policies permit most employees to accumulate vacation 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. 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. These amounts are included in accrued expenses on the balance sheets.

Defined Benefit Pension Plan

The Medical Center participates in an agent multiple-employer defined benefit pension plan (the Plan) operated by the Texas County and District Retirement System (TCDRS). 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.

Deferred Inflows of Resources

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

Net Position

Net position of the Medical Center is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors 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.

Grants and Contributions

From time to time, the Medical Center receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts used specifically for operations have been reported in other operating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Charity Care

The Medical Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the County, the Medical Center 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 Medical Center is subject to federal income tax on any unrelated business taxable income.

Note 2: Net Patient Service Revenue and Nursing Home Revenue

Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates.

These payment arrangements include the following:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for certain services at tentative rates, with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable services at tentative rates, with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid administrative contractor.

Approximately 63 percent and 70 percent of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 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.

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Supplemental Medicaid Funding Revenue

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" (Waiver). The Waiver expanded existing Medicaid managed care programs and established two funding pools that assist providers with uncompensated care costs (UC Pool) and promote health system transformation (DSRIP Pool). The revenue from the two funding pools is recognized as earned throughout the related demonstration year.

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 the funding pool available under the Uniform Hospital Rate

Increase Program (UHRIP). On April 22, CMS rescinded its April 16, 2021 letter, effectively approving the Waiver extension through September 30, 2032. The Medical Center has not yet determined the estimated benefit of CHIRP.

UC Pool payments are designed to help offset the costs of uncompensated care provided by the hospital or other providers. DSRIP Pool payments are incentive payments to hospitals and other providers that develop programs or strategies to enhance access to health care, increase the quality of care and improve the health of the patients and families served, and improve the cost effectiveness of the care provided.

Under the Waiver, eligibility to receive UC Pool or DSRIP Pool payments requires participation in a regional health care partnership. Within a partnership, participants include governmental entities providing public funds known as intergovernmental transfers (IGTs), Medicaid providers and other stakeholders. Participants develop a regional plan that identifies partners, community needs, the proposed projects to meet those needs and funding distribution. Each partnership must have one anchoring entity, which acts as a primary point of contact for HHSC in the region and is responsible for seeking regional stakeholder engagement and coordinating development of a regional plan.

Total funding received through the Texas Medicaid supplemental funding programs was approximately $2,853,000 and $2,782,000 for the years ended December 31, 2021 and 2020, respectively, and is included as net patient service revenue in the accompanying financial statements.

Nursing Home Revenue

The Medical Center has entered into a series of lease and management agreements with nursing facility operators that resulted in the Medical Center becoming the legal license holder and operator of a total of nine nursing homes. The lease agreements call for annual payments approximating $8,811,000 as of December 31, 2021 and 2020, the payment of which will be solely made from the operations of the nursing homes.

The leases expire in August 2022 and extend automatically either annually or every two years.

Under the terms of the management agreements, the third-party managers provide all services necessary to operate the facilities, including personnel and oversight of the actual operations. These managers also provide all accounting functions for the facilities, including the billing and collection services. All patient revenue from the facilities is paid to the Medical Center and recorded as such by the Medical Center. The Medical Center transfers cash from these patient revenues to the managers so the managers can pay all facility related costs on behalf of the Medical Center. In addition, the Medical Center utilizes the nursing home cash receipts to pay a management fee to the manager pursuant to the agreements.

The Medical Center participates in a program developed by HHSC that allows participating providers to receive additional reimbursement if they either reach a national benchmark level or they make quarterly improvements in up to four predetermined quality measures. HHSC received the CMS approval for this quality program (Quality Improvement Payment Program) that began on September 1, 2017.

At December 31, 2021 and 2020, the Medical Center recorded prepaid expenses under the program of approximately $3,127,000 and $3,374,000, respectively, which represents the prepaid intergovernmental transfers the Medical Center is required to contribute in advance of receiving any gross proceeds. As of December 31, 2021 and 2020, revenues recognized under this program were approximately $10,627,000 and $7,246,000, respectively, and are included in nursing home resident revenue and expenses were approximately $4,937,000 and $3,630,000, respectively, and are included in nursing home expenses.

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 Medical Center is included in the County's deposit policy for custodial credit risk which requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Texas; bonds of any city, county, school district or special road district of the State of Texas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2021 and 2020, the Medical Center's bank balances were insured or collateralized by assets held in other than the Medical Center's name.

Note 4: Patient and Nursing Home Resident Accounts Receivable

The Medical Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at December 31, 2021 and 2020, consisted of the following.

Memorial Medical Center

	2021	2020
Medicare	$ 1,913,766	$ 2,534,749
Medicaid	671,949	349,959
Other third-party payors	1,039,314	3,600,957
Patients	5,494,915	2,336,559
	9,119,944	8,822,224
Less allowance for uncollectible accounts	6,376,000	5,586,000
	$ 2,743,944	$ 3,236,224

Nursing home resident accounts receivable at December 31, 2021 and 2020, consisted of:

Nursing Homes

	2021	2020
Medicare	$ 10,051,601	$ 6,526,122
Medicaid	2,939,468	2,445,308
Other third-party payors	4,589,405	3,727,273
Patients	2,965,033	4,128,013
	20,545,507	16,826,716
Less allowance for uncollectible accounts	3,051,000	3,150,000
	$ 17,494,507	$ 13,676,716

Note 5: Capital Assets

Capital assets activity for the years ended December 31, 2021 and 2020, was as follows.

2021

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets:					
Land	$ 461,793	$ -	$ -	$ -	$ 461,793
Buildings and improvements	13,464,332	-	-	-	13,464,332
Equipment	9,331,152	956,360	-	-	10,287,512
Leased assets	4,253,050	-	-	-	4,253,050
Construction in progress	500	19,773	-	-	20,273
Total capital assets	27,510,827	976,133	0	0	28,486,960
Less accumulated depreciation:					
Buildings and improvements	(9,699,736)	(272,906)	-	-	(9,972,642)
Equipment	(7,671,400)	(211,829)	-	-	(7,883,229)
Leased assets	(3,364,397)	(567,689)	-	-	(3,932,086)
Total accumulated depreciation	(20,735,533)	(1,052,424)	0	0	(21,787,957)
Capital assets, net	$ 6,775,294	$ (76,291)	$ 0	$ 0	$ 6,699,003

2020

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets:					
Land	$ 461,793	$ -	$ -	$ -	$ 461,793
Buildings and improvements	13,464,332	-	-	-	13,464,332
Equipment	9,817,521	325,684	(812,053)	-	9,331,152
Leased assets	3,786,848	466,202	-	-	4,253,050
Construction in progress	500	-	-	-	500
Total capital assets	27,530,994	791,886	(812,053)	0	27,510,827
Less accumulated depreciation:					
Buildings and improvements	(9,409,213)	(290,523)	-	-	(9,699,736)
Equipment	(8,056,134)	(444,904)	829,638	-	(7,671,400)
Leased assets	(3,000,737)	(363,660)	-	-	(3,364,397)
Total accumulated depreciation	(20,466,084)	(1,099,087)	829,638	0	(20,735,533)
Capital assets, net	$ 7,064,910	$ (307,201)	$ 17,585	$ 0	$ 6,775,294

Note 6: Notes Payable

The following is a summary of notes payable transactions for the Medical Center for the years ended December 31, 2021 and 2020:

	Beginning Balance	Additions	Deductions	Ending Balance
Notes payable:				
Noninterest-bearing note - 2021	$ 500,000	$ 0	$ (500,000)	$ 0
Noninterest-bearing note - 2020	$ 0	$ 500,000	$ 0	$ 500,000

As of December 31, 2021 and 2020, the Medical Center has a noninterest-bearing line of credit payable on demand with the County in the amount of $4,000,000. As of December 31, 2021 and 2020, $0 and $500,000, respectively, had been drawn on the line of credit.

Note 7: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at December 31, 2021 and 2020, consisted of the following:

	2021	2020
Payable to suppliers and contractors	$ 1,646,273	$ 1,099,982
Payable to employees (including payroll taxes and benefits)	2,307,016	1,235,856
Accrued IGT payments	1,408,709	936,629
Payable to nursing home management company	20,062,055	14,717,481
Other	168,854	347,352
	$ 25,592,907	$ 18,337,300

Note 8: Medical Malpractice Claims

The Medical Center is a unit of government covered by the *Texas Tort Claims Act*, which, by statute, limits its liability to $100,000 per individual and $300,000 in the aggregate. These limits coincide with the malpractice insurance coverage, which is purchased by the Medical Center under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claims costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Medical Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 9: Long-term Obligations

The following is a summary of long-term obligation transactions for the Medical Center for the years ended December 31, 2021 and 2020:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Capital lease obligations – 2021	$ 943,979	$ 0	$ (338,045)	$ 605,934	$ 337,365
Capital lease obligations – 2020	$ 770,708	$ 466,202	$ (292,931)	$ 943,979	$ 346,415

Capital Lease Obligations

The Medical Center is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at both December 31, 2021 and 2020, totaled $4,253,050, net of accumulated depreciation of $3,932,086 and $3,364,397, respectively. The following is a schedule, by year, of future minimum lease payments under capital leases, including interest at rates ranging from 2.6 percent to 4.7 percent, together with the present value of the future minimum lease payments as of December 31, 2021:

Year Ending December 31,	Total to be Paid	Principal	Interest
2022	$ 353,135	$ 337,365	$ 15,770
2023	136,907	129,903	7,004
2024	105,487	102,912	2,575
2025	35,822	35,754	68
	$ 631,351	$ 605,934	$ 25,417

Note 10: Charity Care

The costs of charity care provided under the Medical Center's charity care policy were approximately $3,992,000 and $3,164,000 for 2021 and 2020, respectively. In addition, the costs related to the provision for doubtful accounts were approximately $1,955,000 and $923,000 for 2021 and 2020, respectively. The costs of charity care and the provision for doubtful accounts are estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 11: Pension Plan

Plan Description

The Medical Center provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan (the plan) in the state-wide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent, multiple-employer public employee retirement system consisting of over 600 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or at tcdrs.org.

Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the Medical Center within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the Medical Center's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

The employees covered by the plan at the December 31, 2020 and 2019, measurement date are as follows.

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	124	119
Inactive employees entitled to but not yet receiving benefits	427	387
Active employees	276	277
	827	783

Contributions

The Medical Center has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the Medical Center is actuarially determined annually. It was 7.0 percent of annual pay, or $1,000,390, and 7.0 percent of annual pay, or $1,054,999, for calendar years 2021 and 2020, respectively. The contribution rate payable by the employee members is 7.00 percent of annual pay, as adopted by the governing body of the Medical Center. The employee contribution rate and the employer contribution rate may be changed by the governing body of the Medical Center within the options available in the TCDRS Act.

Net Pension Liability

The Medical Center's net pension liability as of December 31, 2021 and 2020, was measured as of December 31, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2020 and 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Inflation	2.50%	2.75%
Salary increases	4.60%	4.90%
Ad hoc cost of living adjustments	N/A	N/A
Investment rate of return, net	7.50%	8.00%

The December 31, 2020 and 2019, actuarial valuation mortality rates for depositing members were based on 90 percent of the RP-2014 Active Employee Mortality Table for females and males projected with 110 percent of the MP-2014 Ultimate scale after 2014. Mortality rates for service retirees, beneficiaries and non-depositing members were based on 110 percent of the RP-2014 Healthy Annuitant Mortality Table for females and 130 percent of the RP-2014 Healthy Annuitant Mortality Table for males, both projected with 110 percent of the MP-2014 Ultimate scale after 2014. Mortality rates for disabled retirees were based on 115 percent of the RP-2014 Disabled Annuitant Mortality Table for females and 130 percent of the RP-2014 Disabled Annuitant Mortality Table for males, both projected with 110 percent of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions used in the December 31, 2020 and 2019, valuations were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016. The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

	2021	
Asset Class	**Target Allocation**	**Geometric Real Rate of Return (Expected Minus Inflation)**
Equities:		
U.S. Equities	11.5%	4.25%
International Equities – Developed	5.0%	4.25%
International Equities – Emerging	6.0%	4.75%
Global Equities	2.5%	4.55%
Hedge Funds	6.0%	1.85%
High-Yield Investments:		
Strategic Credit	9.0%	2.11%
Distressed Debt	4.0%	5.70%
Direct Lending	16.0%	6.70%
Private Equity	25.0%	7.25%
Real Assets:		
REITs	2.0%	3.45%
Private Real Estate Partnerships	6.0%	4.90%
Master Limited Partnerships	2.0%	5.10%
Cash Equivalents	2.0%	-0.70%
Investment-Grade Bonds	3.0%	-0.85%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension asset was 7.6 percent and 8.1 percent at December 31, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Medical Center contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the years ended December 31, 2021 and 2020, were as follows:

	2021		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2020	$ 46,871,319	$ 45,485,582	$ 1,385,737
Changes for the year:			
Service cost	1,414,873	-	1,414,873
Interest on total pension liability	3,824,454	-	3,824,454
Effect of economic/demographic gains or losses	(271,817)	-	(271,817)
Effect of assumptions changes or inputs	3,206,562	-	3,206,562
Refund of contributions	(120,209)	(120,209)	-
Benefit payments	(2,063,769)	(2,063,769)	-
Administrative expenses	-	(36,440)	36,440
Member contributions	-	800,723	(800,723)
Net investment income	-	4,698,269	(4,698,269)
Employer contributions	-	1,050,026	(1,050,026)
Other changes	-	(12,927)	12,927
Net changes	5,990,094	4,315,673	1,674,421
Balances at December 31, 2021	$ 52,861,413	$ 49,801,255	$ 3,060,158

	2020		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2019	$ 44,022,085	$ 39,290,937	$ 4,731,148
Changes for the year:			
Service cost	1,355,217	-	1,355,217
Interest on total pension liability	3,595,273	-	3,595,273
Effect of economic/demographic gains or losses	(79,470)	-	(79,470)
Refund of contributions	(237,275)	(237,275)	-
Benefit payments	(1,784,511)	(1,784,511)	-
Administrative expenses	-	(34,662)	34,662
Member contributions	-	794,101	(794,101)
Net investment loss	-	6,452,581	(6,452,581)
Employer contributions	-	1,005,687	(1,005,687)
Other changes	-	(1,276)	1,276
Net changes	2,849,234	6,194,645	(3,345,411)
Balances at December 31, 2020	$ 46,871,319	$ 45,485,582	$ 1,385,737

The net pension liability has been calculated using a discount rate of 7.6 percent. The following table presents the net pension (asset) liability of the Medical Center using a discount rate 1 percent higher and 1 percent lower than the current rate:

	1% Decrease 6.6%	Current Discount Rate 7.6%	1% Increase 8.6%
Medical Center's net pension (asset) liability	$ 10,761,155	$ 3,060,158	$ (3,269,727)

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

For the years ended December 31, 2021 and 2020, the Medical Center recognized pension expense of $1,426,498 and $1,760,384, respectively. At December 31, 2021 and 2020, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	2021			
	Deferred Inflows of Resources		Deferred Outflows of Resources	
Differences between expected and actual experience	$	220,945	$	8,555
Changes in assumptions		-		2,137,708
Net difference between projected and actual		1,645,120		-
Contributions subsequent to the measurement date		-		1,000,390
	$	1,866,065	$	3,146,653

	2020			
	Deferred Inflows of Resources		Deferred Outflows of Resources	
Differences between expected and actual experience	$	59,602	$	11,533
Net difference between projected and actual		1,087,753		-
Contributions subsequent to the measurement date		-		1,054,999
	$	1,147,355	$	1,066,532

At December 31, 2021 and 2020, the Medical Center reported $1,000,390 and $1,054,999, respectively, as deferred outflows of resources related to pensions resulting from Medical Center contributions subsequent to the measurement date that will be recognized as a decrease of the net pension liability at December 31, 2022 and 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources at December 31, 2021, related to pensions, will be recognized in pension expense as follows:

2022	$	447,068
2023		900,230
2024		(861,876)
2025		(205,224)
	$	280,198

Note 12: Contingencies

In the normal course of business, the Medical Center 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 Medical Center's commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Medical Center 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.

Note 13: COVID-19 Pandemic and 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.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments re-imposed certain restrictions due to increasing rates of COVID-19 cases prior to the widespread availability of a vaccine.

Beginning in mid-March of 2020, the Medical Center deferred all nonessential medical and surgical procedures and suspended elective procedures, which resumed at different dates during 2020.

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

The extent of the COVID-19 pandemic's adverse effect on the Medical Center's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Medical Center's control and ability to forecast. Because of these and other uncertainties, the Medical Center cannot estimate the length or severity of the effect of the pandemic on the Medical Center's business. 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 years ended December 31, 2021 and 2020, the Medical Center received approximately $1,935,000 and $10,576,000, respectively, of distributions from the CARES Act Provider Relief Fund. The distributions from the Provider Relief Fund are not subject to repayment, provided the Medical Center is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Medical Center is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Medical Center's operating revenues and expenses through December 31, 2021 and 2020, the Medical Center recognized the following amounts related to the Provider Relief Fund:

	2021	2020
Provider relief funds and other CARES Act funding received:		
Amount related to hospital operations	$ 1,935,229	$ 4,448,482
Amount related to nursing home operations	-	6,127,911
	$ 1,935,229	$ 10,576,393
Nonoperating revenue recognized:		
Provider relief funds and other CARES Act funding - hospitals	$ -	$ 4,448,482
Provider relief funds - nursing homes	2,052,160	3,802,327
Operating expenses:		
Component of nursing home expenses	2,052,160	3,802,327
Current assets:		
Advance to nursing homes	273,424	2,325,584
Current liabilities:		
Refundable advance - hospital	1,935,229	-
Refundable advance to nursing homes	273,424	2,325,584

The Medical Center will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Medical Center's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Medical Center is unable to attest to or comply with current or future terms and conditions, the Medical Center's ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Medical Center'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 December 31, 2020, the Medical Center 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 months at a rate of 4 percent.

During the year ended December 31, 2020, the Medical Center received approximately $3,757,000 from these accelerated Medicare payment requests. In addition, during the year ended December 31, 2020, the Medical Center's nursing homes received approximately $3,334,000 directly from these accelerated Medicare payment requests, which are recorded as prepaid management fees – nursing homes in the accompanying balance sheets at December 31, 2020.

During the years ended December 31, 2021 and 2020, Medicare has applied approximately $2,410,000 and $0 respectively, from these accelerated Medicare payment requests against filed claims. As of December 31, 2021 and 2020 approximately $4,681,000 and $7,091,000, respectively, of accelerated Medicare payment requests are recorded as current liabilities under the caption advanced claim payments from Medicare. As of December 31, 2021 and 2020, approximately $1,819,000 and $3,334,000, are recorded as prepaid management fees – nursing homes in the accompanying balance sheets.

Required Supplementary Information

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Schedule of Changes in the Medical Center's Net Pension Liability and Related Ratios
December 31,

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	$ 1,414,873	$ 1,355,217	$ 1,201,855	$ 1,309,712	$ 1,364,536	$ 1,172,884	$ 1,060,724
Interest on total pension liability	3,824,454	3,595,273	3,370,152	3,133,594	2,890,913	2,690,911	2,483,007
Effect of plan changes	-	-	-	-	-	(276,726)	-
Effect of assumption changes or inputs	3,206,562	-	-	434,538	-	512,424	-
Effect of economic and demographic (gains) losses	(271,817)	(79,470)	31,811	(85,948)	(362,120)	(205,707)	94,066
Benefit payments, including refunds of employee contributions	(2,183,978)	(2,021,786)	(1,935,693)	(1,598,016)	(1,480,285)	(1,328,724)	(1,157,854)
Net Change in Total Pension Liability	5,990,094	2,849,234	2,668,125	3,193,880	2,413,044	2,565,062	2,479,943
Total Pension Liability – Beginning	46,871,319	44,022,085	41,353,960	38,160,080	35,747,036	33,181,974	30,702,031
Total Pension Liability – Ending (a)	$ 52,861,413	$ 46,871,319	$ 44,022,085	$ 41,353,960	$ 38,160,080	$ 35,747,036	$ 33,181,974
Plan Fiduciary Net Position							
Contributions – employer	$ 1,050,026	$ 1,005,687	$ 853,588	$ 793,282	$ 803,931	$ 783,080	$ 708,827
Contributions – employee	800,723	794,101	712,748	690,434	715,252	683,488	620,401
Net investment income (loss)	4,698,269	6,452,581	(757,827)	5,169,706	2,433,062	(138,800)	2,098,712
Benefit payments, including refunds of employee contributions	(2,183,978)	(2,021,786)	(1,935,693)	(1,598,016)	(1,480,285)	(1,328,724)	(1,157,854)
Administrative expense	(36,440)	(34,662)	(31,559)	(26,905)	(26,488)	(23,738)	(24,573)
Other	(12,927)	(1,276)	(7,042)	(1,784)	40,524	(77,927)	46,496
Net Change in Plan Fiduciary Net Position	4,315,673	6,194,645	(1,165,785)	5,026,717	2,485,996	(102,621)	2,292,009
Plan Fiduciary Net Position – Beginning	45,485,582	39,290,937	40,456,722	35,430,005	32,944,009	33,046,630	30,754,621
Plan Fiduciary Net Position – Ending (b)	$ 49,801,255	$ 45,485,582	$ 39,290,937	$ 40,456,722	$ 35,430,005	$ 32,944,009	$ 33,046,630
Medical Center's Net Pension Liability – Ending (a)-(b)	$ 3,060,158	$ 1,385,737	$ 4,731,148	$ 897,238	$ 2,730,075	$ 2,803,027	$ 135,344
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.21%	97.04%	89.25%	97.83%	92.85%	92.16%	99.59%
Covered-Employee Payroll	$ 11,438,895	$ 11,344,298	$ 10,182,115	$ 9,863,336	$ 10,217,883	$ 9,764,116	$ 8,623,215
Medical Center's Net Pension Liability as a Percentage of Covered-Employee Payroll	26.75%	12.22%	46.47%	9.10%	26.72%	28.71%	1.57%

Note to Schedule:

Changes of assumptions: In the 2015 actuarial valuation, for mortality rates used for depositing members, service retirees, beneficiaries, non-depositing members and disabled retirees, the RP-2000 tables were projected to 2014 and later with 110% of the MP-2014 Ultimate Scale.

Changes in assumptions: In the 2017 actuarial valuation, for mortality rates used for depositing members, service retirees, beneficiaries, non-depositing members and disabled retirees, varying percentages of the RP-2014 tables were after 2014 projected with 110% of the MP-2014 Ultimate Scale.

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

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Schedule of Changes in the Medical Center's Contributions
December 31,

	2021	2020	2019	2018
Actuarially determined contribution	$ 1,000,390	$ 1,054,999	$ 1,001,315	$ 853,588
Contributions in relation to the actuarially determined contribution	1,000,390	1,054,999	1,001,315	853,588
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0
Covered-employee payroll *(1)*	$ 11,103,108	$ 11,431,376	$ 11,344,298	$ 10,182,115
Contributions as a percentage of covered-employee payroll	9.0%	9.2%	8.8%	8.4%

Notes to Schedule:

(1) Payroll is calculated based on contributions as reported to TCDRS

Valuation date:
Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:	2021	2020	2019	2018
Actuarial cost method	Entry age normal cost for all years.			
Amortization method	Level percentage of payroll, closed for all years.			
Remaining amortization period	20.0 years	13.3 years	14.4 years	14.4 years
Asset valuation method	5-year smoothed	5-year smoothed	5-year smoothed	5-year smoothed
Inflation	2.50%	2.75%	2.75%	2.75%
Salary increases	4.60%	4.90%	4.90%	4.90%
Investment rate of return, net	7.50%	8.00%	8.00%	8.00%
Retirement age	Employees who are eligible for retirement are assumed to commence receiving benefit payments based on age for all years.			
Mortality	For depositing members, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. For service retirees, beneficiaries and non-depositing members, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled retirees, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.	For depositing members, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. For service retirees, beneficiaries and non-depositing members, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled retirees, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.	For depositing members, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. For service retirees, beneficiaries and non-depositing members, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled retirees, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.	For depositing members, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. For service retirees, beneficiaries and non-depositing members, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled retirees, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Memorial Medical Center
A Component Unit of Calhoun County, Texas
Schedule of Changes in the Medical Center's Contributions (Continued)
December 31,

2017	2016	2015	2014	2013	2012
$ 793,282	$ 803,931	$ 783,080	$ 708,827	$ 633,060	$ 590,398
793,282	803,931	783,080	708,827	633,060	590,398
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 9,863,336	$ 10,217,883	$ 9,764,116	$ 8,623,215	$ 8,147,521	$ 7,914,094
8.0%	7.9%	8.0%	8.2%	7.8%	7.5%

2017	2016	2015	2014	2013	2012
14.5 years	14.9 years	15.6 years	14.5 years	20.0 years	20.0 years
5-year smoothed	5-year smoothed	5-year smoothed	5-year smoothed	5-year smoothed	10-year smoothed
2.75%	3.00%	3.00%	3.00%	3.00%	3.50%
4.85%	4.90%	4.90%	4.90%	4.90%	5.40%
8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
For depositing members, 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. For service retirees, beneficiaries and non-depositing members, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled retirees, 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.	For depositing members, the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter. For service retirees, beneficiaries and non-depositing members, the RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter, with a one-year set-forward for males and no age adjustment for females. For disabled retirees, the RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter, with no age adjustment for males and a two-year set-forward for females.	For depositing members, the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter. For service retirees, beneficiaries and non-depositing members, the RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter, with a one-year set-forward for males and no age adjustment for females. For disabled retirees, the RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale thereafter, with no age adjustment for males and a two-year set-forward for females.	For depositing members, the RP-2000 Active Employee Mortality Table for males with a three-year set-forward and the RP-2000 Active Employee Mortality Table for females with a two-year setback, both with the projection scale AA. For service retirees, beneficiaries and non-depositing members, the RP-2000 Combined Mortality Table with the projection scale AA, a one-year set-forward for males and no age adjustment for females. For disabled retirees, the RP-2000 Disabled Mortality Tables for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.	For depositing members, the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA. For service retirees, beneficiaries and non-depositing, members the RP-2000 Combined Mortality Table with the projection scale AA, a one-year set-forward for males and no age adjustment for females. For disabled retirees, the RP-2000 Disabled Mortality Tables for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.	For depositing members, the RP-2000 Active Employee Mortality Table for males with a three-year set-forward and the RP-2000 Active Employee Mortality Table for females with a two-year setback, both with the projection scale AA. For service retirees, beneficiaries and non-depositing members, the RP-2000 Combined Mortality Table with the projection scale AA, a one-year set-forward for males and no age adjustment for females. For disabled retirees, the RP-2000 Disabled Mortality Tables for males and females, both with a two-year set-forward and the projection scale AA.