

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas**

Independent Auditor's Report and Financial Statements

September 30, 2019 and 2018



Parkland

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas
Years Ended September 30, 2019 and 2018**

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Independent Auditor's Report

The Board of Managers
Dallas County Hospital District
d/b/a Parkland Health & Hospital System
Dallas, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units and the aggregate remaining fiduciary fund information of Dallas County Hospital District d/b/a Parkland Health & Hospital System (District), collectively a component unit of Dallas County, Texas, as of and for the years ended September 30, 2019 and 2018, 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 did not audit the financial statements of Parkland Foundation (Foundation), a discretely presented component unit of the District, which represents 2.1 percent and 2.1 percent of the total assets, 4.7 percent and 5.0 percent of the net position and 0.9 percent and 2.0 percent of the revenues, respectively, of the District as of and for the years ended September 30, 2019 and 2018, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Parkland Community Health Plan, Inc. (Health Plan) and Foundation, discretely presented component units of the District, and Dallas County Hospital District Retirement Income Plan (Pension Plan), a fiduciary fund of the District, were not audited in accordance with *Government Auditing Standards*.

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, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units and the aggregate remaining fiduciary fund information of the District as of September 30, 2019 and 2018, 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.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated December 19, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
December 19, 2019

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas
Management's Discussion and Analysis
Years Ended September 30, 2019 and 2018
(In Thousands)**

Introduction

Our discussion and analysis of Parkland Health & Hospital System's ("Parkland") financial performance (excluding affiliates) provides an overview of the financial activities for the fiscal years that ended on September 30, 2019 ("FY19") and 2018 ("FY18"). Please use in conjunction with Parkland's basic financial statements.

2019 Highlights

There were many significant accomplishments in 2019 that positively impacted patient care:

Quality, Safety and Outcomes

- Parkland celebrated 125 years of providing health and wellbeing for Dallas County in May of 2019. A five-day celebration full of activities such as live music, a retro fashion show, meals for the employees, storytelling from Parkland retirees, a photo booth and much more. During the year, Parkland also won five Axis awards for its ability to develop its workforce from the Association for Talent Development, an organization that promotes workplace learning and performance. Parkland won four first place awards in talent assessment/succession planning, strategic planning, talent mobility and leadership development and placed second in diversity and inclusion.
- Parkland hosted surveyors from Baby Friendly USA in June, and received their Baby-Friendly designation for their Women & Infants Specialty Health (WISH) division. This designation is a global program sponsored by the World Health Organization (WHO) and the United Nations Children's Fund (UNICEF) which recognizes hospitals and birthing centers that offer an optimal level of care for breastfeeding mothers and their babies. Baby-Friendly hospitals and birth centers also uphold the International Code of Marketing of Breast Milk Substitutes by offering parents support, education and educational materials that promote the use of human milk rather than other infant food or drinks, and by refusing to accept or distribute free or subsidized supplies of breast milk substitutes, nipples and other feeding devices.

- Parkland teamed up with the American Hospital Association to tackle health inequities in Dallas County after a study revealed that ZIP code — even more than genetic code — is a strong predictor of health, well-being and life expectancy. In short, where an individual lives may influence how long and how well you live. In response, the American Hospital Association (AHA) and its affiliate the Institute for Diversity and Health Equity, with generous support from the Aetna Foundation, launched the Hospital Community Cooperative (HC²), a national program dedicated to closing gaps in health equity. Parkland is one of 10 health systems in the country to participate in the HC² program and learning lab. Through this initiative, Parkland will: institute a standardized mechanism to achieve health equity by integrating public health with the traditional healthcare model; focus on reducing latent breast cancer diagnoses in two geographic areas with high African American and Hispanic populations in Dallas County (the 75216 and 75217 ZIP codes, respectively); identify key social determinants of health contributing to latent diagnoses of breast cancer; and deploy a “collective impact collaborative” model with internal and external stakeholders to address these determinants. Outcomes will include improved breast cancer education and screening as well as earlier detection of Stage I/II breast cancers. The effort is part of a national call to action to eliminate health and healthcare disparities and tackle population health issues.
- In August, Parkland hosted 40 Dallas ISD students from the City of Dallas Police Department summer jobs program. Students were immersed in clinical and non-clinical areas across the system. They also had the opportunity to meet with Parkland leaders to discuss their roles and career paths.

Efficiencies

- Parkland’s quality improvement program was recognized by The Joint Commission. The Joint Commission invited Parkland to submit five best practices that are now available in their Leading Practice Library, a free tool available to organizations that are currently accredited and/or certified by The Joint Commission. The library offers these institutions access to “real-life” solutions successfully submitted by their peers. A few of the best practices identified at Parkland include: VCare – a value-based care delivery model, ED split flow – an improved triage and treatment through the Emergency Department, eConsults – telehealth platform used to ease access for specialty care through electronic consultations, Global Diabetes Program – improvement in patient self-care related to diabetes management and Fluoroquinolone usage reduction in the outpatient setting – an antimicrobial stewardship program that promotes the appropriate use of antimicrobials (including antibiotics), improves patient outcomes, reduces microbial resistance, and decreases the spread of infections caused by multidrug resistant organisms.
- Diabetes makes the feet vulnerable to foot problems that can develop into infections leading to amputation and disability. More than 35,000 Parkland patients have diabetes that puts them at risk for a diabetic foot wound. As a result, Parkland launched a “Healthy Feet” Initiative to enhance its diabetic foot care and prevent severe foot problems. Proper preventive care can dramatically reduce the incidence of infection and amputation, and can provide better management for patients at risk, research shows. The “Healthy Feet” initiative was designed to identify patients at high risk for diabetic foot problems and connect them with risk-stratified preventive foot services. The program placed three specialty foot care teams overseeing the new preventive care strategy at Parkland Community Oriented Primary Care (COPC) health centers throughout Dallas County. Each team is comprised of a non-surgical podiatrist, a registered nurse with specialty foot care training and a senior medical assistant.

- Parkland’s Language Services team expanded its medical interpretation services for patients with a dynamic, 80-person call center. The center helps Parkland best serve patients’ linguistic needs, offering face-to-face video interaction with interpreters for the first time. Video-based interpretation assistance for all Spanish interactions will now be available on enabled devices. The new call center is expected to save Dallas County taxpayers \$1 million while creating 80 jobs from the Dallas County community.

Financial Highlights

- Net position increased \$205.3 million between FY18 and FY19. Net position decreased \$4.3 million between FY17 and FY18.
- Total assets and deferred outflows of resources increased \$312.8 million (13.7%) between FY18 and FY19 due to overall increases in reimbursement for patient services and property tax revenues resulting in excess cash to be placed into investments. Total assets and deferred outflows of resources decreased \$2.5 million (0.1%) between FY17 and FY18 due to reduced investment in capital assets in 2018.

Financial Analysis

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position:

These statements report information about Parkland’s resources and its activities that describe the financial results of the fiscal years presented, and Parkland’s financial position at the end of each year.

Net position is the difference between assets, deferred inflows and outflows, and liabilities. Over time, increases or decreases in Parkland’s net position are one indicator of whether Parkland’s financial health is improving or deteriorating. Other non-financial factors, such as changes in Parkland’s patient base; measures of the quality of services provided; and local, state, and federal economic factors are also considered.

Table 1: Summary Statement of Net Position

	2019	2018	Dollar Change	Percentage Change
Assets				
Current assets	\$ 785,346	\$ 540,050	\$ 245,296	45.4%
Capital assets, net	1,529,388	1,548,553	(19,165)	-1.2%
Noncurrent assets and deferred outflows of resources	285,836	199,199	86,637	43.5%
Total assets and deferred outflows of resources	<u>2,600,570</u>	<u>2,287,802</u>	<u>312,768</u>	13.7%
Liabilities				
Long-term debt outstanding	672,034	688,717	(16,683)	-2.4%
Capital leases	12,737	13,175	(438)	-3.3%
Other liabilities and deferred inflows of resources	847,243	722,679	124,564	17.2%
Total liabilities and deferred inflows of resources	<u>1,532,014</u>	<u>1,424,571</u>	<u>107,443</u>	7.5%
Net Position				
Net investment in capital assets	818,899	845,514	(26,615)	-3.1%
Restricted - expendable	3,629	3,489	140	4.0%
Unrestricted	246,028	14,228	231,800	1629.2%
Total net position	<u>1,068,556</u>	<u>863,231</u>	<u>205,325</u>	23.8%
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,600,570</u>	<u>\$ 2,287,802</u>	<u>\$ 312,768</u>	13.7%
Assets				
Current assets	\$ 540,050	\$ 545,112	\$ (5,062)	-0.9%
Capital assets, net	1,548,553	1,626,044	(77,491)	-4.8%
Noncurrent assets and deferred outflows of resources	199,199	119,186	80,013	67.1%
Total assets and deferred outflows of resources	<u>2,287,802</u>	<u>2,290,342</u>	<u>(2,540)</u>	-0.1%
Liabilities				
Long-term debt outstanding	688,717	704,937	(16,220)	-2.3%
Capital leases	13,175	13,572	(397)	-2.9%
Other liabilities and deferred inflows of resources	722,679	704,286	18,393	2.6%
Total liabilities and deferred inflows of resources	<u>1,424,571</u>	<u>1,422,795</u>	<u>1,776</u>	0.1%
Net Position				
Net investment in capital assets	845,514	902,560	(57,046)	-6.3%
Restricted - expendable	3,489	2,717	772	28.4%
Unrestricted	14,228	(37,730)	51,958	-137.7%
Total net position	<u>863,231</u>	<u>867,547</u>	<u>(4,316)</u>	-0.5%
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,287,802</u>	<u>\$ 2,290,342</u>	<u>\$ (2,540)</u>	-0.1%

Overall, total assets and deferred outflows of resources increased 13.7% from 2018 to 2019 and decreased 0.1% from 2017 to 2018.

- Current assets increased \$245,296 or 45.4% from 2018 to 2019 due to an overall increase in cash, restricted cash and patient accounts receivable. Cash increased \$96,718 or 42.2% from 2018 to 2019 due to cash received from patient service revenues and property tax revenues that was placed into cash equivalents. Restricted cash increased \$56,540 or 239.5% from 2018 to 2019 due to excess cash received from the local participation provider fund that had yet to be intergovernmental transferred as of September 30, 2019. Patient accounts receivable increased \$33,369 or 25.1% from 2018 to 2019 due to increased reimbursement associated with the Medicaid UHRIP programs and Medicare DSH rate increases in effect during 2019. Current assets decreased 0.9% from 2017 to 2018 due to a decrease in amounts due from affiliates associated with additional allowances on those balances recognized by Parkland.
- Capital assets, net, decreased 1.2% from 2018 to 2019 and 4.8% from 2017 to 2018 primarily due to depreciation of the new hospital.
- Noncurrent assets and deferred outflows of resources increased 43.5% from 2018 to 2019 due to an increase in deferred outflows of resources related to the difference between projected and actual investment return on pension assets during the calendar year ended December 31, 2018. Noncurrent assets and deferred outflows of resources increased 67.1% from 2017 to 2018 due to an increase in long term investments as the result of additional cash on hand that was not internally restricted.
- Liabilities and deferred inflows of resources increased 7.5% from 2018 to 2019 due primarily to an increase of \$56,540 in the intergovernmental transfer obligation. Liabilities and deferred inflows of resources increased 0.1% from 2017 to 2018.

Table 2: Summary of Revenues, Expenses and Changes in Net Position

	2019	2018	2017
Operating revenues:			
Net patient services	\$ 1,108,716	\$ 1,017,559	\$ 866,868
Government programs	307,785	247,772	173,293
Other	162,608	150,045	138,879
Total operating revenues	<u>1,579,109</u>	<u>1,415,376</u>	<u>1,179,040</u>
Operating expenses:			
Salaries, wages, and benefits	1,141,080	1,109,700	1,038,970
Purchased medical services	236,030	241,532	110,131
Supplies and other	401,067	419,800	344,736
Pharmaceuticals	202,390	179,695	167,175
Depreciation and amortization	96,834	102,911	105,401
Total operating expenses	<u>2,077,401</u>	<u>2,053,638</u>	<u>1,766,413</u>
Operating loss	(498,292)	(638,262)	(587,373)
Nonoperating revenues and expenses, net	701,011	630,799	581,878
Capital contributions	2,606	3,147	16,899
Change in net position	205,325	(4,316)	11,404
Net position – beginning of year	863,231	867,547	856,143
Net position – end of year	<u>\$ 1,068,556</u>	<u>\$ 863,231</u>	<u>\$ 867,547</u>

Overall, operating revenues increased 11.6% from 2018 to 2019 and 20.0% from 2017 to 2018.

- Net patient services revenue increased 9.0% in 2019 and 17.4% in 2018, primarily due to the acquisition of seven nursing homes in September 2019 and seventeen nursing homes in April 2017, as well as rate increases associated with the Medicaid Uniform Hospital Rate Increase Program (UHRIP) effective March 1, 2018 and Medicare DSH rate increases effective October 1, 2018.
- Government programs revenue increased 24.2% in 2019 over 2018 due to the release of certain reserves on the Medicaid 1115 Waiver prior year revenues as a result of completed audits of those programs and regulatory hearings in addition to Parkland's participation in the Medicaid GME program in 2019. Government programs revenue increased 43% in 2018 over 2017 due to increased uncompensated care funding from governmental programs associated with the Medicaid 1115 Waiver.
- Other operating revenues increased 8.4% in 2019 over 2018 and 8.0% in 2018 over 2017 due to increases in replacement drugs.

Operating expenses increased 1.2% from 2018 to 2019 and 16.3% from 2017 to 2018.

- Salaries, wages, and benefits increased by 2.8% from 2018 to 2019 primarily due to the annual employee merit salary increases in 2019. Salaries, wages, and benefits increased by 6.8% from 2017 to 2018 primarily due to the annual employee merit salary increases and the first full year of operations for 17 of the 29 nursing homes.
- Other operating expenses decreased 0.8% between 2018 and 2019. Other operating expenses increased 29.8% between 2017 and 2018 primarily due to an increase in expenses associated with the seventeen nursing homes purchased on April 1, 2017 operating for a full 12 months in 2018. In addition, in 2018, certain burden alleviation programs ended which resulted in Parkland onboarding significant purchased medical service contracts in 2018.

Overall, Parkland's operating loss decreased 21.9% from 2018 to 2019 and increased 8.7% from 2017 to 2018 due to the items mentioned above. As the only public hospital in Dallas, Parkland receives ad valorem tax revenues to subsidize the cost of services provided to uninsured patients who qualify for tax-supported care. Although the expenses incurred to provide these services are recognized as operating expenses, accounting principles generally accepted in the United States of America ("GAAP") require that ad valorem tax revenues be reported as nonoperating revenues.

Nonoperating revenues and expenses increased 11.1% from 2018 to 2019. Parkland's tax rate was 27.9 cents per \$100 assessed valuation for 2019 and 2018. Taxes are levied by Parkland and collected on behalf of Parkland by Dallas County. Nonoperating revenues and expenses increased 8.4% from 2017 to 2018, primarily due to an increase in ad valorem tax revenues and grants.

Patient Volumes

Patient volumes at Parkland are measured on an inpatient and outpatient basis. Inpatient discharges decreased 4.5% in 2019 to 38,147 compared to 2018 discharges of 39,944. Inpatient discharges decreased 4.3% in 2018 to 39,944 compared to 2017 discharges of 41,728. Emergency department visits increased 7.5% to 260,860 in 2019 from 242,640 in 2018. Emergency department visits decreased 0.6% to 242,640 in 2018 from 244,197 in 2017. Combined outpatient visits, including on-campus outpatient visits, Community Oriented Primary Care and Acute Response Clinic visits, increased 1% to 1,049,976 in 2019 from 1,037,320 in 2018. The combined outpatient visits decreased 0.9% for 2018 over 2017 volume of 1,046,806.

Table 3: Capital Assets

At the end of fiscal years 2019 and 2018, Parkland had \$1.53 billion and \$1.55 billion, respectively in capital assets, net of accumulated depreciation, as detailed in the notes to the financial statements. The components of Parkland’s capital assets are as follows:

	2019	2018	Dollar Change	Percentage Change
Capital Assets				
Buildings	\$ 1,652,612	\$ 1,649,788	\$ 2,824	0.2%
Construction in progress	72,531	21,609	50,922	235.7%
Capital leases	14,603	14,569	34	0.2%
Land and improvements	144,625	144,625	-	0.0%
Equipment (including IT projects in progress)	775,277	763,710	11,567	1.5%
	<u>2,659,648</u>	<u>2,594,301</u>	<u>65,347</u>	<u>2.5%</u>
Accumulated depreciation and amortization	<u>(1,130,260)</u>	<u>(1,045,748)</u>	<u>(84,512)</u>	<u>8.1%</u>
Capital assets, net	<u>\$ 1,529,388</u>	<u>\$ 1,548,553</u>	<u>\$ (19,165)</u>	<u>-1.2%</u>
	2018	2017	Dollar Change	Percentage Change
Capital Assets				
Buildings	\$ 1,649,788	\$ 1,652,188	\$ (2,400)	-0.1%
Construction in progress	21,609	20,573	1,036	5.0%
Capital leases	14,569	14,546	23	0.2%
Land and improvements	144,625	144,493	132	0.1%
Equipment (including IT projects in progress)	763,710	743,633	20,077	2.7%
	<u>2,594,301</u>	<u>2,575,433</u>	<u>18,868</u>	<u>0.7%</u>
Accumulated depreciation and amortization	<u>(1,045,748)</u>	<u>(949,389)</u>	<u>(96,359)</u>	<u>10.1%</u>
Capital assets, net	<u>\$ 1,548,553</u>	<u>\$ 1,626,044</u>	<u>\$ (77,491)</u>	<u>-4.8%</u>

Overall, capital assets, net, decreased 1.2% from 2018 to 2019. Capital assets, net, decreased 4.8% from 2017 to 2018.

Table 4: Debt Financing

Bond - financed debt decreased \$16.6 million due to principal payments made in 2019 and the amortization of premium. No new debt was issued in 2019 or 2018.

	2019	2018	2017
Taxable Series 2009B Bonds	\$ 222,490	\$ 222,490	\$ 222,490
Taxable Series 2009C Bonds	412,395	427,925	443,030
Tax Exempt 2013 Bonds, including premium	37,149	38,302	39,417
	<u>\$ 672,034</u>	<u>\$ 688,717</u>	<u>\$ 704,937</u>

Economic Factors

Parkland's Board of Managers and management continue to monitor and consider many factors that have direct or indirect impact on future operations. These include:

- Dallas County's population growth, including growth in the number of uninsured that fall under Parkland's mission;
- Federal and state government funding programs, including the 1115 Transformation Waiver, Medicare, Medicaid, disproportionate share, and new programs, such as the Network Access Improvement Program ("NAIP"), Quality Incentive Payment Program ("QIPP") and the Uniform Hospital Rate Increase Program ("UHRIP"); and
- Clinical workforce shortages, particularly in nursing.

Significant Financial Practices

Parkland has adopted financial practices designed to maintain its creditworthiness and to position Parkland to carry out its constitutionally defined mission of providing health care to the residents of Dallas County, as well as its fiduciary responsibility to the taxpayers of Dallas County. Those practices are as follows:

- **Assets Limited To Use**

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

- **Monthly Financial Reporting**

The Board of Managers meets monthly and reviews the financial statements from the prior month. This information is presented to show actual monthly and year-to-date revenues and expenses compared to budget and the prior year. Management provides explanations for significant variances.

- **Pay-As-You-Go Capital Funding**

Historically, Parkland has maintained the practice of funding capital items under a pay-as-you-go process. In November 2008, Dallas County voters approved the necessary tax increase to issue bonds to partially fund the new Parkland Hospital. In September 2009, Parkland issued \$705 million in voter-approved bonds for use in the construction of a new Parkland Hospital. In December 2013, Parkland issued an additional \$38.3 million in bonds for continued construction costs for the new Parkland Hospital. Except for the construction of the new hospital campus, Parkland has continued its practice of pay-as-you-go capital funding for routine capital expenditures.

- **Budget Process**

The operating and capital budgets are proposed by Parkland management and endorsed by the Board of Managers. Final approval is obtained from the Dallas County Commissioners Court. The budgets remain in effect for the entire fiscal year.

Contacting Parkland's Financial Management

This financial report is designed to provide our taxpayers, creditors, patients, and suppliers with a general overview of Parkland's finances and to show Parkland's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact:

By Mail:

Parkland Health & Hospital System

5200 Harry Hines

Dallas, Texas 75235

Attention: Richard Humphrey, Executive Vice President and Chief Financial Officer

By E-Mail: Richard.Humphrey@phhs.org

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas**

**Statements of Net Position
September 30, 2019 and 2018
(In Thousands)**

Assets	2019				2018			
	Discretely Presented Component Units				Discretely Presented Component Units			
	Parkland Health & Hospital System	Parkland Community Health Plan, Inc. 12/31/2018	Parkland Center for Clinical Innovation	Parkland Foundation	Parkland Health & Hospital System	Parkland Community Health Plan, Inc. 12/31/2017	Parkland Center for Clinical Innovation	Parkland Foundation
Current Assets								
Cash and cash equivalents	\$ 326,068	\$ 33,959	\$ -	\$ 27,132	\$ 229,350	\$ 45,670	\$ -	\$ 15,586
Restricted cash	80,150	-	-	-	23,610	-	-	-
Short-term investments	29,173	-	-	21,618	529	-	-	6,815
Assets limited to use	87,473	-	-	-	55,071	-	-	-
Ad valorem taxes receivable, less allowance for uncollectible taxes of \$15,755 in 2019 and \$16,863 in 2018	5,749	-	-	-	4,191	-	-	-
Patient accounts receivable, less allowance for uncollectible accounts \$625,260 in 2019 and \$467,578 in 2018	166,285	11,692	-	-	132,916	7,844	-	-
Due from affiliates	432	-	-	-	422	-	-	-
Government programs receivable	44,425	-	121	-	46,566	-	429	-
Other receivables	20,076	-	672	5,841	24,139	-	898	4,317
Inventories and other assets	25,515	-	67	40	23,256	-	57	-
Total current assets	785,346	45,651	860	54,631	540,050	53,514	1,384	26,718
Capital assets, net	1,529,388	-	12,717	-	1,548,553	-	14,069	-
Long-term investments	111,666	103,491	658	906	108,067	90,544	658	8,668
Assets limited to use	64,890	-	-	-	60,236	-	-	-
Other noncurrent assets	993	-	456	2,760	277	-	420	16,497
Total Assets	\$ 2,492,283	\$ 149,142	\$ 14,691	\$ 58,297	\$ 2,257,183	\$ 144,058	\$ 16,531	\$ 51,883
Deferred Outflows of Resources	108,287	-	-	-	30,619	-	-	-
Total Assets & Deferred Outflows of Resources	\$ 2,600,570	\$ 149,142	\$ 14,691	\$ 58,297	\$ 2,287,802	\$ 144,058	\$ 16,531	\$ 51,883

Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas
Statements of Net Position (Continued)
September 30, 2019 and 2018
(In Thousands)

Liabilities and Net Position	2019				2018			
	Discretely Presented Component Units				Discretely Presented Component Units			
	Parkland Health & Hospital System	Parkland Community Health Plan, Inc. 12/31/2018	Parkland Center for Clinical Innovation	Parkland Foundation	Parkland Health & Hospital System	Parkland Community Health Plan, Inc. 12/31/2017	Parkland Center for Clinical Innovation	Parkland Foundation
Current Liabilities								
Accounts payable and accrued expenses	\$ 211,195	\$ 59,562	\$ 714	\$ 177	\$ 204,092	\$ 44,712	\$ 1,779	\$ 557
Due to affiliates	678	420	18,469	1,128	688	365	23,622	1,175
Due to third-party reimbursement programs	10,513	-	-	-	9,839	-	-	-
Government programs liability	30,236	-	-	-	53,347	-	-	-
Intergovernmental transfer obligation	80,150	-	-	-	23,610	-	-	-
Current portion long term debt	17,000	-	-	-	16,485	-	-	-
Current portion capital lease payable	270	-	-	-	453	-	-	-
Interest payable	4,847	-	-	-	4,847	-	-	-
Other current liabilities	10,081	90	370	264	12,067	25	68	218
Total current liabilities	364,970	60,072	19,553	1,569	325,428	45,102	25,469	1,950
Net pension liability	487,086	-	-	-	368,133	-	-	-
Other noncurrent liabilities	11,673	-	-	-	13,617	-	-	-
Due to affiliates, noncurrent	-	-	7,874	-	-	-	-	-
Long term debt	655,034	-	-	-	672,232	-	-	-
Capital leases	12,467	-	-	-	12,722	-	-	-
Total Liabilities	\$ 1,531,230	\$ 60,072	\$ 27,427	\$ 1,569	\$ 1,392,132	\$ 45,102	\$ 25,469	\$ 1,950
Deferred Inflows of Resources	784	-	-	-	32,439	-	-	-
Total Liabilities & Deferred Inflows of Resources	\$ 1,532,014	\$ 60,072	\$ 27,427	\$ 1,569	\$ 1,424,571	\$ 45,102	\$ 25,469	\$ 1,950
Net Position								
Net investment in capital assets	818,899	-	5,299	-	845,514	-	-	-
Restricted	3,629	-	-	54,161	3,489	-	-	48,240
Unrestricted	246,028	89,070	(18,035)	2,567	14,228	98,956	(8,938)	1,693
Total Net Position	1,068,556	89,070	(12,736)	56,728	863,231	98,956	(8,938)	49,933
Total Liabilities and Net Position	\$ 2,600,570	\$ 149,142	\$ 14,691	\$ 58,297	\$ 2,287,802	\$ 144,058	\$ 16,531	\$ 51,883

Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2019 and 2018
(In Thousands)

	2019				2018			
	Discretely Presented Component Units				Discretely Presented Component Units			
	Parkland Health & Hospital System	Parkland Community Health Plan, Inc. 12/31/2018	Parkland Center for Clinical Innovation	Parkland Foundation	Parkland Health & Hospital System	Parkland Community Health Plan, Inc. 12/31/2017	Parkland Center for Clinical Innovation	Parkland Foundation
Operating Revenues								
Net patient services	\$ 1,108,716	\$ -	\$ -	\$ -	\$ 1,017,559	\$ -	\$ -	\$ -
Government programs	307,785	-	-	-	247,772	-	-	-
Premiums	-	572,409	-	-	-	555,270	-	-
Other	162,608	-	3,079	18,682	150,045	-	1,760	39,399
Total operating revenues	1,579,109	572,409	3,079	18,682	1,415,376	555,270	1,760	39,399
Operating Expenses								
Salaries, wages, and benefits	1,141,080	-	6,330	-	1,109,700	-	7,088	-
Purchased medical services	236,030	-	-	-	241,532	-	-	-
Supplies and other	401,067	60,429	1,517	12,975	419,800	59,218	1,938	16,627
Pharmaceuticals	202,390	-	-	-	179,695	-	-	-
Depreciation and amortization	96,834	-	2,912	-	102,911	-	2,483	-
Claims	-	524,182	-	-	-	480,023	-	-
Total operating expenses	2,077,401	584,611	10,759	12,975	2,053,638	539,241	11,509	16,627
Operating income (loss)	(498,292)	(12,202)	(7,680)	5,707	(638,262)	16,029	(9,749)	22,772
Nonoperating Revenues (Expenses)								
Ad valorem tax support	679,133	-	-	-	620,998	-	-	-
Gain on sale/transfer of asset	10	-	-	-	888	-	-	-
Grants and contributions	29,695	-	4,295	-	28,894	-	8,920	-
Build America Bonds Subsidy and investment income (loss)	31,706	2,316	-	1,088	20,145	1,070	(355)	413
Interest expense	(39,533)	-	(413)	-	(40,126)	-	(391)	-
Total nonoperating revenues and expenses	701,011	2,316	3,882	1,088	630,799	1,070	8,174	413
Net income (loss) before capital contributions	202,719	(9,886)	(3,798)	6,795	(7,463)	17,099	(1,575)	23,185
Capital contributions	2,606	-	-	-	3,147	-	-	-
Change in net position	205,325	(9,886)	(3,798)	6,795	(4,316)	17,099	(1,575)	23,185
Net position – beginning of year	863,231	98,956	(8,938)	49,933	867,547	81,857	(7,363)	26,748
Net position – end of year	\$ 1,068,556	\$ 89,070	\$ (12,736)	\$ 56,728	\$ 863,231	\$ 98,956	\$ (8,938)	\$ 49,933

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas**

Statements of Cash Flows

Years Ended September 30, 2019 and 2018

(In Thousands)

	2019	2018
Operating Activities		
Receipts from third-party payors and patients	\$ 1,075,713	\$ 1,007,356
Payments to suppliers	(833,613)	(818,239)
Payments to employees	(1,161,359)	(1,088,875)
Other receipts	168,150	148,009
Receipts from Local Provider Participation Fund, net	56,540	23,610
Receipts from government programs	285,494	246,928
	(409,075)	(481,211)
Noncapital Financing Activities		
Ad valorem taxes	637,710	581,570
Grants and contributions	29,695	28,894
	667,405	610,464
Capital and Related Financing Activities		
Receipt of property taxes for debt service	39,865	40,005
Capital contributions	2,606	3,147
Purchases of capital assets	(57,960)	(33,089)
Proceeds from settlement of capital asset damage	5,280	-
Sales of capital assets	12	4,728
Interest paid	(39,731)	(40,439)
Payment of debt and capital lease principal	(16,923)	(16,392)
Build America Bond subsidy	12,058	12,222
	(54,793)	(29,818)
Investing Activities		
Interest received	19,020	7,923
Investments:		
Purchases	(118,515)	(155,747)
Maturities	53,399	26,360
Change in designated assets	(4,043)	1,163
	(50,139)	(120,301)
Increase (Decrease) in Cash and Cash Equivalents	153,398	(20,866)
Cash and Cash Equivalents, Beginning of Year	256,449	277,315
Cash and Cash Equivalents, End of Year	\$ 409,847	\$ 256,449

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas**

**Statements of Cash Flows (Continued)
Years Ended September 30, 2019 and 2018**

(In Thousands)

	2019	2018
Reconciliation of Net Operating Revenues (Expenses) to		
Net Cash Used in Operating Activities		
Operating loss	\$ (498,292)	\$ (638,262)
Depreciation and amortization	96,834	102,911
Provision for amounts due from affiliate	2,111	21,042
Net gain on capital related settlement	(470)	-
Change in operating assets and liabilities:		
Patient accounts receivable	(33,369)	(12,527)
Other receivables, inventories and other assets	1,716	(6,962)
Due from affiliates	(2,131)	(2,409)
Accounts payable and accrued expenses	(17,418)	25,342
Third-party reimbursement and other government obligations	36,244	22,008
Other current liabilities	(1,986)	(2,219)
Deferred outflows	(77,668)	29,126
Net pension liability	118,953	(55,056)
Deferred inflows	(31,655)	32,015
Other long-term liabilities	(1,944)	3,780
	<u>\$ (409,075)</u>	<u>\$ (481,211)</u>
 Supplemental Cash Flows Information		
Unpaid purchases of capital assets in accounts payable and accrued expenses	<u>\$ 25,719</u>	<u>\$ 1,147</u>
 Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents listed on the statements of net position	\$ 326,068	\$ 229,350
Restricted cash listed on the statements of net position	80,150	23,610
Cash and cash equivalents included in assets limited as to use	<u>3,629</u>	<u>3,489</u>
	<u>\$ 409,847</u>	<u>\$ 256,449</u>

Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas
Dallas County Hospital District Retirement Income Plan
Statements of Fiduciary Net Position
Years Ended December 31,
(In Thousands)

	2018	2017
Assets		
Investments:		
Cash and cash equivalents	\$ 22,613	\$ 22,818
Domestic equities	292,925	312,304
Non-U.S. equities	203,309	199,274
Emerging market equities	40,550	43,633
Domestic fixed income	269,065	219,421
Non-U.S. fixed income	18,104	45,631
Hedge funds	-	42,677
Real estate	97,701	89,169
Other investments	12,142	6,062
Total investments	956,409	980,989
Receivables:		
Accrued interest and dividends	1,920	1,380
Investments sold but not settled	2,240	774
Other receivables	5,630	4,293
Total receivables	9,790	6,447
Total assets	\$ 966,199	\$ 987,436
Liabilities		
Accrued administrative expenses	\$ 355	\$ 323
Investments purchased but not settled	13,162	10,917
Other liabilities	5,003	4,345
Total liabilities	\$ 18,520	\$ 15,585
Net Position Restricted for Pensions	\$ 947,679	\$ 971,851

Refer to the audited financial statements for the **Dallas County Hospital District Retirement Income Plan** as of and for the years ended December 31, 2018 and 2017 at www.parklandhospital.com

Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas
Dallas County Hospital District Retirement Income Plan
Statements of Changes in Fiduciary Net Position
Years Ended December 31,
(In Thousands)

	2018	2017
Additions		
Contributions:		
Employer contributions	\$ 40,000	\$ 27,915
Employee contributions	44,223	37,530
	84,223	65,445
Total contributions		
Investment earnings (losses):		
Net appreciation (depreciation) in fair value of investments	(66,550)	118,382
Interest	7,797	6,245
Dividends	6,227	4,833
Other	800	624
Investment management expense	(2,444)	(2,531)
	(54,170)	127,553
Net investment earnings		
Total additions	30,053	192,998
Deductions		
Benefit payments to participants	43,362	41,240
Refunds to former participants	10,622	8,404
Administrative expenses and other	241	258
	54,225	49,902
Total deductions		
Net Increase (Decrease) in Plan Net Position	(24,172)	143,096
Net Position Restricted for Net Pensions:		
Beginning of year	971,851	828,755
End of year	\$ 947,679	\$ 971,851

Refer to the audited financial statements for the **Dallas County Hospital District Retirement Income Plan** for the years ended December 31, 2018 and 2017.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas**

Notes to Financial Statements

September 30, 2019 and 2018

(In Thousands)

Note 1: Organization and Significant Accounting Policies

Organization

The Dallas County Hospital District, dba Parkland Health & Hospital System (“Parkland”), is a political subdivision of the state of Texas (“State”), and is a discretely presented component unit of Dallas County, Texas. Components of the Dallas County Hospital District are Parkland Health & Hospital System (“Parkland”); the Parkland Community Health Plan, Inc. (“Health Plan”); the Parkland Foundation (“Foundation”); and Parkland Center for Clinical Innovation (“PCCI”). As an essential government function of Dallas County, Parkland is generally exempt from federal income taxes under Section 115 of the Internal Revenue Code. However, Parkland is subject to federal income tax on any unrelated business taxable income. Parkland also holds dual status as a 501(c)(3) organization. During 2019 and 2018, all income was related to essential government functions. Parkland, PCCI, and the Foundation have fiscal years ending September 30. The Health Plan’s fiscal year ends December 31.

In August 2015, Parkland opened the new Parkland Hospital. Parkland operates 774 inpatient beds, 96 neonatal beds, numerous outpatient clinics, and an emergency department. Parkland also operates the Community Oriented Primary Care clinics and Acute Response Clinics in the community. Additionally, Parkland serves as the major teaching hospital for the UT Southwestern Medical Center at Dallas (“UT Southwestern”) in accordance with an affiliation agreement effective September 1, 2006. Parkland also manages the Dallas County jail health system. The Dallas County jail is the eighth largest jail in the nation with approximately 5,500 adult and juvenile inmates.

Parkland acquired the licenses and operations of twelve nursing homes in February 2015 and seventeen nursing homes in April 2017. In 2019, seven additional nursing homes were acquired effective September 1, 2019 while one home exited the Parkland program. The arrangement improves the continuity of care for Parkland’s patients by allowing Parkland to track their nursing home care. The arrangement also gives uninsured patients easier access to nursing home beds, rather than extended stays at Parkland. Each nursing home is eligible to receive supplemental Medicaid funding with Parkland holding the operating licenses. The Texas Legislature approved the collaboration between nursing homes and public hospitals in 2013 as the state shifted its Medicaid nursing home program into managed care.

The members of Parkland’s Board of Managers are appointed by the Dallas County Commissioners Court. Dallas County taxpayers provide ad valorem tax revenues to Parkland, but Dallas County does not hold title to any of Parkland’s assets and does not have any rights to Parkland’s surpluses. The Dallas County Commissioners Court approves Parkland’s tax rate and annual budget.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas**

Notes to Financial Statements

September 30, 2019 and 2018

(In Thousands)

The Foundation is a nonprofit corporation organized in Texas in 1985, to support and benefit Parkland exclusively. It is an organization as described in Section 501(c)(3) of the Code. The Foundation's mission is to secure substantial financial resources that advance the clinical, educational, and research endeavors of Parkland. Because these resources can only be used by, or for the benefit of Parkland, the Foundation is considered a component unit of Parkland. In addition, because Parkland is entitled to these economic resources and they are significant to Parkland, the Foundation is discretely presented in Parkland's financial statements. Financial statements for the Foundation can be obtained from the Parkland Foundation, 1341 W. Mockingbird, Suite 1100E, Dallas, Texas 75247, ATTN: President and Chief Executive Officer.

The Health Plan is a nonprofit corporation organized in Texas in 1995 and is reported as a component unit of Parkland because its Board of Directors is appointed by Parkland's Board of Managers and Parkland can impose its will on the Health Plan. It is discretely presented because its board is not substantively the same as Parkland's board, it does not provide services entirely, or almost entirely, for the benefit of Parkland, nor does it have any outstanding debt that is expected to be repaid by Parkland. It is an organization as described in Section 501(c)(4) of the Code. The Health Plan participates in the Texas Medicaid Managed Care Program and the Children's Health Insurance Program. All income of the Health Plan was related business income. Financial statements for the Health Plan can be obtained from Parkland Community Health Plan, 1341 W. Mockingbird, Suite 1150E, Dallas, Texas 75247, ATTN: Executive Director.

PCCI is a nonprofit research and development corporation organized in Texas in 2012. It is an organization as described in Section 501(c)(3) of the Code. PCCI is included in Parkland's financial statements because its Board of Directors is appointed by Parkland's Board of Managers and Parkland can impose its will on PCCI. It does not provide services entirely, or almost entirely, for the benefit of Parkland, nor does it have any outstanding debt that is expected to be repaid by Parkland. Financial statements for PCCI can be obtained from Parkland Center for Clinical Innovation, 8435 N. Stemmons Freeway, Suite 1150, Dallas, Texas 75247, ATTN: Director of Finance.

Parkland maintains the Dallas County Hospital District Retirement Income Plan (the Plan) a single-employer defined benefit pension plan. The Plan is administered by Parkland and is fiscally dependent on Parkland. The Plan is reported as a fiduciary fund in the statements. For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources 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 these purposes, 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 or amortized cost. Separate financial statements of the Plan are available at www.ParklandHospital.com.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas**

Notes to Financial Statements

September 30, 2019 and 2018

(In Thousands)

Principles of Reporting

The financial statements include the accounts of Parkland, the Health Plan, the Foundation and PCCI, as described above.

The following are transactions between Parkland and its component units:

Parkland provides certain administrative services to the Health Plan including employment of all individuals who perform the daily business functions of the Health Plan. The Health Plan pays Parkland a management fee, which is recorded as an expense for the Health Plan. The management fee revenue of \$4.9 million and \$4.8 million for 2019 and 2018, respectively, are based on Parkland's fiscal year end.

Parkland supports the Foundation by employment of all individuals performing the daily business functions of the Foundation and payments for goods and services. These costs are recognized as in-kind contributions and expenses in the Foundation's financial statements. In addition, in fiscal year 2019 and 2018, the Foundation made contributions to Parkland of \$2.6 million and \$3.1 million, respectively, in support of construction of the new health clinic adjacent to the new hospital in 2019 and 2018. These amounts were recorded in capital contributions in the statements of revenues, expenses and changes in net position.

Parkland supports PCCI by funding payments for operating expenses. In addition, in 2013, Parkland sold intellectual property associated with PCCI's software system to PCCI for \$4.5 million plus accrued interest. The amounts due to Parkland by PCCI for both the intellectual property and operations, net of allowance, was \$0 as of September 30, 2019 and 2018 as all amounts due from PCCI have been allowed for.

In accordance with GASB Statement No. 84, the assets and net position of the Plan are presented separately from those of Parkland. The Plan is used to account for assets held in trust for the benefit of the employees of the System for the defined benefit pension plan. The financial statements of the Plan are prepared using the accrual basis of accounting. Employer contributions to the Plan are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Unless otherwise noted, the following footnotes do not include the Foundation, the Health Plan, PCCI or the Plan.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas**

Notes to Financial Statements

September 30, 2019 and 2018

(In Thousands)

Significant Accounting Policies

Net position is classified into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets — This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Unspent related debt proceeds are excluded from the calculation of net investment in capital assets.

Restricted — This component of net position consists of those assets whose use is restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted — This component of net position consists of those assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Parkland uses the accrual method of accounting, whereby revenues are recognized in the accounting period when services are rendered and expenses are recognized when incurred.

Parkland is considered a governmental organization and is subject to the pronouncements of the Governmental Accounting Standards Board (“GASB”).

Statements of Revenues, Expenses and Changes in Net Position

For purposes of financial statement presentation, operating revenues include those generated from direct patient care and related support services. Nonoperating revenues consist of those revenues that are related to financing and investing types of activities and result from nonexchange transactions or investment income. When an expenditure is incurred for the purposes for which there are both restricted and unrestricted net position available, it is Parkland’s policy to apply those expenditures to restricted net position, to the extent that such are available, and then to unrestricted net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) 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.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas**

Notes to Financial Statements

September 30, 2019 and 2018

(In Thousands)

Parkland Foundation Net Position

Upon receipt, contributions, grants, and other revenue restricted by donors for specific purposes are recorded to the appropriate restricted net asset class. Restricted net assets are generally recognized as additions to unrestricted net position only to the extent that qualifying expenditures are incurred. Pledges received with substantial contingencies are not reflected in the statements of net position until the contingencies have been fulfilled.

Cash, Cash Equivalents and Investments

Parkland considers all highly liquid investments with original maturities of less than 90 days at date of purchase to be cash equivalents. Cash and cash equivalents include demand deposits and investments in the Texas Local Government Investment Pool (“TexPool”), which is a local government investment pool sponsored by the Texas Comptroller of Public Accounts and managed by Federated Investors. Additional cash and cash equivalents are kept in AAA-rated Securities and Exchange Commission-registered money market mutual funds. All Parkland demand deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”) or collateralized with securities pledged to Parkland and held in safekeeping at a third-party bank on behalf of Parkland’s depository institution.

Statutes give Parkland the authority to invest in obligations of the United States, as well as direct obligations of the State and other obligations guaranteed or insured by the State or the United States. The following investments are also acceptable: obligations of states, agencies, counties, or cities of any state that have been rated not less than “A” or its equivalent by a nationally recognized ratings firm, and certificates of deposit guaranteed, insured, or secured by approved investments. Other authorized investments include prime commercial paper; Securities and Exchange Commission-registered, no-load money market mutual funds whose assets consist exclusively of approved investments; and approved local government investment pools.

Investments (including those in assets limited to use) at September 30, 2019 and 2018 are reported at fair value based on quoted market prices with realized and unrealized gains and losses included in Build America Bonds Subsidy and investment income (loss) in the statements of revenues, expenses, and changes in net position. TexPool investments are amortized using the cost method. Obligations of the United States government with maturity dates in excess of one year that are not expected to be traded within one year are reported as long-term investments in the accompanying statements of net position.

Receivables and Payables

The carrying amount of receivables and payables is reported in the statements of net position at approximate fair value due to the short maturity of these instruments.

Inventories

Inventories are stated at the lower of cost (determined on an average-cost basis) or market.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas**

Notes to Financial Statements

September 30, 2019 and 2018

(In Thousands)

Capital Assets

Capital assets are recorded at cost or, if donated, acquisition value at the date of receipt. Costs of major renewals and betterments that extend useful lives are capitalized, while maintenance and repairs are charged to current operations. Assets with a purchase price of \$5,000 or more are capitalized and assets with a purchase price of less than \$5,000 are expensed. Disposals are removed at carrying cost, less accumulated depreciation, with any resulting gain or loss included in other nonoperating revenue or expense. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. Estimated useful lives for buildings and land improvements are 10 to 40 years and for equipment 3 to 20 years.

Parkland evaluates long-lived assets regularly for impairment under the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (GASB 42). If circumstances suggest that assets may be impaired, an assessment of recoverability is performed prior to any write-down of assets. If an asset's estimated fair value is below its carrying value an impairment is recorded.

An impairment loss of \$4.8 million was recognized in 2019 related to damage of a building owned by the District. The loss was determined based on the restoration cost approach in accordance with GASB 42. Additionally, the District received a settlement of \$5.3 million resulting in a gain of \$470 thousand. The net gain is included in the accompanying statements of revenues, expenses and changes in net position as a component of other operating revenue. There was no impairment recognized in 2018.

Assets Limited to Use

Resources are also set aside for board-designated purposes or self-insurance arrangements. It has been the general practice of Parkland, due to the timing of cash flows, to temporarily use board designated funds to fund operating activities.

Uncompensated Care

Parkland provides services to uninsured patients who qualify for tax-supported care. The program is called Parkland Financial Assistance and is designed for Dallas County indigent patients with family incomes up to 250% of the federal poverty level and no third-party coverage, such as Medicaid, Medicare or commercial insurance. Parkland recognized ad valorem tax revenues of approximately \$679.1 million and \$621.0 million in 2019 and 2018, respectively, to fund services for qualified patients and debt service obligations.

Parkland also provides services to patients who are Dallas County residents and have incomes that exceed the limit for tax-supported health care or whose income cannot be determined. Although these patients are uninsured, they do not qualify for tax-supported health care and are classified as self-pay. Certain of these patients are medically indigent. Additionally, certain of these patients have limited financial resources and are unable to pay for the services received, while others may be able to pay for some or all services received, but are unwilling to do so.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas**

Notes to Financial Statements

September 30, 2019 and 2018

(In Thousands)

Management estimates the cost of uncompensated health care by applying a ratio of overall costs to gross charges, applied to the gross uncompensated charges, which includes services provided to Medicaid beneficiaries, the uninsured and patients enrolled in other indigent programs. During the year ended September 30, 2019, the estimated cost of uncompensated care is approximately \$947.1 million, of which approximately \$398 million is charity care. For the year ended September 30, 2018, the estimated cost of uncompensated care is approximately \$1,021 million, of which approximately \$392.3 million was charity care.

Ad Valorem Taxes

Parkland received approximately 29% and 30% of its total revenues from ad valorem taxes in 2019 and 2018, respectively. Parkland's ad valorem taxes receivable is net of an allowance for uncollectible taxes of \$15.8 million and \$16.9 million as of September 30, 2019 and 2018, respectively.

Current taxes are collected beginning in October of each year and become delinquent after January 31. Ad valorem tax revenue is recognized in the year for which taxes are levied. A schedule of ad valorem taxes follows:

Fiscal Year	Tax Base	Tax (per \$100) Valuation	Net Tax Revenue (1)	Cost of Uncompensated Care	Cost of Uncompensated Care Over Tax
2018	\$ 224,543,899	0.279	\$ 620,998	\$ 1,020,698	\$ 399,700
2019	245,669,119	0.279	679,133	947,119	267,986

(1) Net tax revenue includes adjustments for actual collection performance.

Disproportionate Share

The disproportionate share program is a supplemental reimbursement program for hospitals that provide a significant portion of Medicaid and indigent care services. Under program guidelines, Parkland may use the funds to benefit the indigent in either current or future periods. Parkland recognizes all funds received under the program as operating revenue in the applicable year, and any amounts relating to that year that are not yet received are included in other receivables in the accompanying statements of net position. There is no guarantee that this program will continue into future years. Total revenue recognized related to the disproportionate share program was \$69.0 million and \$65.7 million in 2019 and 2018, respectively.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas**

Notes to Financial Statements

September 30, 2019 and 2018

(In Thousands)

1115 Transformation Waiver Funds

The 1115 Transformation Waiver began October 1, 2011. Under this waiver, the former Upper Payment Limit (“UPL”) programs were discontinued in favor of a reimbursement methodology that balances payment for uncompensated care costs (“UC”) with the need to improve quality of care for Texas recipients using Delivery System Reform Incentive Payments (“DSRIP”) funds. Over the initial five-year waiver period, UC reimbursement generally moved downward while available DSRIP monies increased, so there was an even split between UC and DSRIP by the last year of the initial waiver. The program divides the state into 20 Regional Health Partnerships (“RHPs”), creating an environment where regional collaboration is essential to earn available monies. Parkland serves as an “anchor” hospital (administrative lead) for one of these regions. On December 21, 2017 the Texas Health and Human Services Commission (“HHSC”) received an approved extension from CMS for the period of January 1, 2018 through September 30, 2022. Among other changes, the approved plan requires a change in the methodology used to allocate UC funds and a phase out of the DSRIP program over the five-year period. Revenue recognized related to the 1115 Waiver was \$211.1 million and \$169.7 million in 2019 and 2018, respectively. Parkland recognizes all funds received under the program as operating revenue in the statement of revenues, expenses and changes in net position, and any amounts relating to that year that are not yet received are included in other receivables, net of amounts to be distributed to other participating hospitals in the region, in the accompanying statements of net position. These amounts involve a considerable amount of judgment and are subject to audit and final reconciliation by the HHSC. The District estimates amounts expected to be repaid based upon historical experience and existing facts and circumstances related to the supplemental funding programs. Any differences between final settlements and amounts accrued at the end of the prior reporting period are included in the statements of revenues, expenses, and changes in net position in the year those differences become known. Government programs revenues were increased by \$55.6 million and \$34.7 million in 2019 and 2018, respectively, as a result of recognition of those differences.

Local Provider Participation Fund and Uniform Hospital Rate Increase Program

During 2017, Parkland began participation in a Local Provider Participation Fund (LPPF) in Dallas County. Parkland acts as the administrator of the LPPF by assessment and collection of mandatory payments from hospitals in Dallas County. These payments are to be used to fund intergovernmental transfers representing the state’s share of supplemental Medicaid funding programs. More specifically, the payments collected by Parkland will be used to fund the state’s share of the Uniform Hospital Rate Increase Program (UHRIP) and UC. Under UHRIP, HHSC directs managed care organizations in a service delivery area to provide a uniform percentage rate increase to all hospitals within a particular class of hospitals. The rate increases were effective March 1, 2018 and are adjusted every six months.

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During 2019, Parkland collected \$259.8 million from the LPPF in mandatory payments and made intergovernmental transfers of \$204.4 million. During 2018, Parkland collected \$191.7 million from the LPPF in mandatory payments and made intergovernmental transfers of \$169.0 million. At September 30, 2019, Parkland held \$80.1 million in mandatory payments that will be transferred in 2020. The rate increase for Parkland associated with UHRIP for the period from March 1, 2018 through September 30, 2018 ranged from 58% to 62%. The rate increases for the year ending September 30, 2019 ranged from 55% to 63%.

Net Patient Services Revenue

Parkland has agreements with third-party payors that provide for reimbursement to Parkland at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between Parkland's established rates for services and the amounts reimbursed by third-party payors. Parkland's more significant third-party payors are the Medicare and Medicaid programs, which accounted for gross charges of approximately 17.5% and 29.8%, respectively, in 2019 and 16.5% and 29.9%, respectively, in 2018. Allowances for uncollectible amounts are estimated using historical experience, current trends and policy information, aged account balances, and a collectability analysis. Net patient services revenue in the accompanying statements of revenues, expenses and changes in net position is net of contractual adjustments and bad debt provisions totaling approximately \$6.6 billion and \$6.0 billion for the years ended September 30, 2019 and 2018, respectively.

In accordance with provisions of the Medicare and Medicaid programs, inpatient services to Medicare and Medicaid beneficiaries are paid at prospectively determined rates per discharge based on a patient classification system utilizing clinical, diagnostic, and other factors. Medicare outpatient services are reimbursed on a prospective basis through ambulatory payment classifications, which are based on clinical resources used in performing the procedure. Medicaid outpatient services are paid based on the lower of reasonable costs or customary charges, a fee schedule, or blended rates. For certain costs, as defined by the Medicare program, including kidney acquisition and medical education, additional reimbursement is provided based on cost pass-through payments and the cost report.

Cost-reimbursable items are reimbursed to Parkland at a tentative rate, with final settlement determined after submission of annual cost reports by Parkland, which are subject to audit by the administrative contractors prior to final settlement. Any differences between final audited settlements and amounts accrued at the end of the prior reporting period are included currently in the statements of revenues, expenses, and changes in net position as an adjustment to the appropriate allowance account. Such adjustments increased net patient services revenue by \$10.7 million and \$0.4 million in 2019 and 2018, respectively. Parkland's cost reports have generally been audited and settled by the administrative contractors through 2015 for Medicare and 2014 for Medicaid. Cost reports for both programs are subject to certain re-openings and appeals as per federal and state regulations.

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Premium Revenues

The Health Plan's premium revenues are recognized in the period in which the members of the Health Plan are entitled to receive health care services. Premiums collected in advance are deferred. Revenues for delivery supplemental payments received for Medicaid-eligible births under the Health Plan are recognized based on claims information from Texas hospitals and information from the State and include estimates for incurred, but unreported births at year-end.

Grant Revenue

Grant revenues are recognized in the period in which expenditures related to the grant are incurred or the period in which grant funds become available.

Build America Bond Interest Subsidy

Parkland issued taxable Build America Bonds (BAB) in 2009. Under the BAB program, the U.S. Treasury pays 35% of the interest payments as a subsidy to the issuer. Parkland records the interest subsidy received or receivable from the U.S. Treasury as nonoperating revenue when Parkland has met all of the eligibility criteria to receive the subsidy. Parkland recorded approximately \$12.1 million of nonoperating revenue in 2019 and \$12.2 million in 2018, for the BAB interest subsidy. The BAB subsidy was reduced by 6.2% and 6.6% in 2019 and 2018, respectively, as part of the federal sequestration spending reductions.

Compensated Absences

Parkland accrues an estimated liability for compensated absences as they are earned by employees based on Parkland's policy. Parkland's liability related to compensated absences was \$41.4 million for 2019 and \$43.6 million 2018 and is recorded in the financial statements in accounts payable and accrued expenses.

Pharmaceutical Costs

Parkland participates in replacement pharmaceutical programs on behalf of patients who enroll and meet eligibility requirements of these programs.

Risk Management

Parkland is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice, employee health claims and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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Parkland is self-insured for a portion of its exposure to risk of loss from medical malpractice, workers compensation and employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice, workers' compensation and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Note 2: Deposits and Investments

As of September 30, 2019 and 2018, Parkland had deposits and investments as follows (in thousands):

Description	2019		2018	
	Fair Value	Weighted-Average Days to Maturity	Fair Value	Weighted-Average Days to Maturity
Bank deposits	\$ 1,893	N/A	\$ 2,720	N/A
Texpool deposits	392,437	1	237,685	1
Money market	15,517	1	4,100	1
FNMA	110,888	617	83,375	767
FHLB	102,952	396	81,351	583
FHLMC	75,129	412	66,056	606
US treasury	604	783	1,576	405
	<u>\$ 699,420</u>		<u>\$ 476,863</u>	

Description on Statements of Net Position

	2019	2018
Cash, restricted cash and cash equivalents	\$ 406,218	\$ 252,960
Assets limited to use		
Current portion	87,473	55,071
Noncurrent portion	64,890	60,236
Investments		
Short-term	29,173	529
Long-term	111,666	108,067
	<u>\$ 699,420</u>	<u>\$ 476,863</u>

Investment Maturities

	2019	2018
One year or less	\$ 128,034	\$ 69,632
After one through five years	173,323	162,354
After five through ten years	-	-
After ten years	3,733	4,472
	<u>\$ 305,090</u>	<u>\$ 236,458</u>

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Estimated fair values have been determined by Parkland using appropriate valuation methodologies by third parties, quoted market prices and information available to management as of September 30, 2019 and 2018. The investments are recorded at fair value with the exception of TexPool deposits which are recorded at amortized cost. Parkland adjusts the carrying value of financial instruments classified as assets to reflect their estimated fair value. Cash and cash equivalents included in assets limited to use were \$3.6 million and \$3.5 million as of September 30, 2019 and 2018.

Parkland categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 are quoted prices in an active market for identical assets; Level 2 are significant other observable inputs; and Level 3 are significant unobservable inputs (Parkland does not value any of its investments using Level 3 inputs).

The following is a summary of the hierarchy of the fair value of investments of Parkland as of September 30, 2019 and September 30, 2018:

	2019 Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
U.S. Government securities	\$ 604	\$ -	\$ 604
U. S. Government agency obligations	255,337	33,632	288,969
Money market funds	15,517	-	\$ 15,517
Total investments and cash equivalents by fair value level	\$ 271,458	\$ 33,632	\$ 305,090

	2018 Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
U.S. Government securities	\$ 1,576	\$ -	\$ 1,576
U. S. Government agency obligations	209,483	21,299	230,782
Money market funds	-	4,100	\$ 4,100
Total investments and cash equivalents by fair value level	\$ 211,059	\$ 25,399	\$ 236,458

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These amounts exclude investments in local government investment pools which are recorded at amortized cost. These investments total \$392.4 million and \$237.6 million as of September 30, 2019 and 2018, respectively.

Interest Rate Risk — Parkland invests in fixed-rate debt securities that primarily have average maturities of approximately one to five years. Interest rate risk is limited by the short-term nature of these investments.

Credit Risk — Parkland has a comprehensive investment policy that is designed to comply with State law and the Texas Public Funds Investment Act. The debt securities issued by Federal National Mortgage Association (“FNMA”), the Federal Home Loan Bank (“FHLB”) and the Federal Home Loan Mortgage Corporation (“FHLMC”) are rated AA+ by Standard & Poor’s rating agency. TexPool’s portfolio consists exclusively of U.S. government securities; repurchase agreements collateralized by U.S. government securities; and AAA-rated, no-load money market mutual funds. All bank deposits are collateralized by FDIC insurance and with securities pledged to Parkland held in safekeeping at a third-party bank on behalf of Parkland’s depository institutions with the exception of \$581 thousand of cash held at the individual nursing homes.

Concentration of Credit Risk — Per Parkland’s investment policy, no more than 40% of the investment portfolio can be invested in any one issuer of U.S. government agencies and government-sponsored enterprises, including, but not limited to, the FNMA, the FHLB and the FHLMC. The largest percentage in any one issuer is invested with FNMA at 15.9% as of September 30, 2019, and the FNMA at 17.5% as of September 30, 2018.

Custodial Credit Risk — Per Parkland’s investment policy, all investments are held in Parkland’s name in safekeeping at Parkland’s trust or custodial institutions

Investment Income

Investment income for the years ended September 30, 2019 and 2018, consisted of the following (in thousands):

	<u>2019</u>	<u>2018</u>
Interest income, including		
Realized gains/losses	\$ 27,693	\$ 21,727
Unrealized gain (loss) on investments	<u>4,013</u>	<u>(1,582)</u>
Total investment income	<u>\$ 31,706</u>	<u>\$ 20,145</u>

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Note 3: Assets Limited to Use

Assets limited to use at September 30, 2019 and 2018, consist of the following funds which are all investments in TexPool and U.S. government-sponsored enterprises:

	<u>2019</u>	<u>2018</u>
Debt service	\$ 3,629	\$ 3,489
Designated for capital uses	138,631	103,561
Other designated	10,103	8,257
Total	<u>152,363</u>	<u>115,307</u>
Less current	<u>(87,473)</u>	<u>(55,071)</u>
Noncurrent	<u>\$ 64,890</u>	<u>\$ 60,236</u>

Debt service — Assets limited to use for debt service represent those assets related to the bond issues whose use is legally restricted.

Designated for capital acquisitions — Assets limited to use designated for capital acquisitions represent funds designated at the discretion of the Board of Managers for annual capital additions, as well as funding for a combination of renovations and new facilities.

Other designated — Other assets limited to use includes funds designated by the Board of Managers to fund Parkland’s hospital professional liability program.

Note 4: Capital Assets

Capital assets at September 30, 2019, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions / Transfers In</u>	<u>Retirements/ Transfers Out</u>	<u>Ending Balance</u>
Capital Assets				
Land and improvements	\$ 144,625	\$ -	\$ -	\$ 144,625
Buildings	1,649,788	7,634	(4,810)	1,652,612
Capital leases	14,569	34	-	14,603
Equipment	763,710	23,891	(12,324)	775,277
Total capital assets	<u>2,572,692</u>	<u>31,559</u>	<u>(17,134)</u>	<u>2,587,117</u>
Less Accumulated Depreciation				
Land and improvements	(8,104)	(1,106)	-	(9,210)
Buildings	(449,673)	(38,111)	-	(487,784)
Capital leases	(2,662)	(774)	-	(3,436)
Equipment	(585,309)	(56,843)	12,322	(629,830)
Total accumulated depreciation	<u>(1,045,748)</u>	<u>(96,834)</u>	<u>12,322</u>	<u>(1,130,260)</u>
Net	1,526,944	(65,275)	(4,812)	1,456,857
Construction in progress	21,609	50,922	-	72,531
Capital Assets, Net	<u>\$ 1,548,553</u>	<u>\$ (14,353)</u>	<u>\$ (4,812)</u>	<u>\$ 1,529,388</u>

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Capital assets at September 30, 2018, are summarized as follows:

	Beginning Balance	Additions / Transfers In	Retirements/ Transfers Out	Ending Balance
Capital Assets				
Land and improvements	\$ 144,493	\$ 726	\$ (594)	\$ 144,625
Buildings	1,652,188	6,441	(8,841)	1,649,788
Capital leases	14,546	23	-	14,569
Equipment	743,633	21,033	(956)	763,710
Total capital assets	<u>2,554,860</u>	<u>28,223</u>	<u>(10,391)</u>	<u>2,572,692</u>
Less Accumulated Depreciation				
Land and improvements	(6,998)	(1,106)	-	(8,104)
Buildings	(417,571)	(38,654)	6,552	(449,673)
Capital leases	(1,897)	(765)	-	(2,662)
Equipment	(522,923)	(62,386)	-	(585,309)
Total accumulated depreciation	<u>(949,389)</u>	<u>(102,911)</u>	<u>6,552</u>	<u>(1,045,748)</u>
Net	1,605,471	(74,688)	(3,839)	1,526,944
Construction in progress	20,573	29,259	(28,223)	21,609
Capital Assets, Net	<u>\$ 1,626,044</u>	<u>\$ (45,429)</u>	<u>\$ (32,062)</u>	<u>\$ 1,548,553</u>

Note 5: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at September 30, 2019 and 2018, consist of the following:

	2019	2018
Accounts payable	\$ 29,996	\$ 24,720
Accrued expenses	95,757	64,021
Accrued payroll	66,395	97,331
Employee health care benefit liability	14,166	13,653
Other employee benefits	4,881	4,367
Total accounts payable and accrued expenses	<u>\$ 211,195</u>	<u>\$ 204,092</u>

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The liabilities, described in the table below as of September 30, 2019 and 2018, are based on requirements that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These liabilities include estimates for both reported claims and incurred, but not reported claims. As a result of settled claims, the frequency of new claims, and other economic and social factors, claims liabilities are reevaluated periodically.

	Balance at Beginning of Year	Current-Year Claims & Changes in Estimates	Claim Payments	Balance at End of Year
Hospital professional and general liability:				
2018	\$ 8,799	4,493	(2,732)	\$ 10,560
2019	\$ 10,560	(458)	(921)	\$ 9,181
Employee health care benefit liability:				
2018	\$ 13,645	133,335	(133,327)	\$ 13,653
2019	\$ 13,653	116,008	(115,495)	\$ 14,166
Workers' compensation liability:				
2018	\$ 3,901	134	(859)	\$ 3,176
2019	\$ 3,176	1,853	(1,414)	\$ 3,615

Hospital Professional and General Liability — Parkland is involved in certain legal actions and claims arising in the ordinary course of operations. Parkland records estimated self-insurance costs for medical malpractice and general liabilities as other current and other long-term liabilities. The amounts provided for funding and the estimated liabilities are based on settlement of claims limited to \$100,000 per claim and \$300,000 per occurrence in accordance with the limited liability provisions of the Texas Tort Claim Act. The estimated liability is reported in other long-term liabilities in the statements of net position.

Employee Health Care Benefit Liability — Parkland manages a self-insurance plan that provides for the payment of employee health claims. Parkland records estimated self-insurance costs for health claims as current liabilities. The amount of the estimated liability is derived from a claims modeling system. To obtain coverage, employees authorize payroll withholdings to pay the employee portion of contributions for individual and dependent coverage. Claims are paid by a third-party administrator acting on behalf of Parkland. The administrative contract between Parkland and the third-party administrator is renewable annually, and administrative fees are included in the contractual provisions. The employee health care benefit liability is reported in accounts payable and accrued expenses in the statements of net position.

Workers' Compensation Liability — Parkland maintains a self-insurance program for workers' compensation benefits, managed by a third-party administrator. Parkland records estimated self-insurance costs for workers' compensation as current liabilities. The amount provided for the estimated liability is based on settlement of claims. The estimated liability is reported in accounts payable and accrued expenses in the statements of net position.

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Note 6: Operating Leases

Parkland leases facilities under operating leases that expire over periods of up to seventeen years. Renewal and purchase options are available on certain of these leases. At September 30, 2019, future minimum rental payments for operating leases, including escalations, were as follows:

2020	\$ 37,874
2021	6,770
2022	6,620
2023	6,320
2024	5,177
2025-2029	11,145
2030-2034	5,575
2035-2037	<u>1,201</u>
 Total	 <u><u>\$ 80,682</u></u>

Rental expense for all operating leases is included in supplies and other expenses on the statements of revenues, expenses, and changes in net position. Rental expense was approximately \$34.8 million in 2019 and 2018.

Parkland is also a lessor of land, office space and parking space under operating leases. Renewal options are available on certain of these leases. Rentals received under these arrangements are recorded in other operating revenue, net in the accompanying statements of revenues, expenses, and changes in net position.

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Minimum future rentals to be received under operating leases at September 30, 2019, are as follows:

2020	\$	992
2021		910
2022		324
2023		150
2024		153
2025-2029		774
2030-2034		806
2035-2039		840
2040-2044		481
2045-2049		507
2050-2054		551
2055-2059		570
2060-2064		516
2065-2069		558
2070-2074		604
2075-2089		654
2080-2084		708
2085-2088		523
		<hr/>
Total	\$	<u>10,621</u>

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Note 7: Capital Leases

Parkland is also a lessee of real estate and equipment under capital leases. At September 30, 2019, future minimum rental payments applicable to the capital leases were as follows:

Years Ending	Amount
2020	\$ 1,474
2021	1,319
2022	1,309
2023	1,309
2024	1,309
2025-2085	<u>23,857</u>
Total minimum future lease payments	30,577
Less: Amount representing interest	<u>(17,840)</u>
Present value of net minimum lease payments	<u>\$ 12,737</u>

The capital leases have a current liability of \$270 thousand and long-term liability of \$12.5 million as of September 30, 2019. In 2018, the capital lease current liability was \$453 thousand, and the long-term liability was \$12.7 million.

Class of Property	Asset Balance at September 30,	
	2019	2018
Real estate	\$ 11,169	\$ 11,686
Equipment	<u>771</u>	<u>985</u>
	11,940	12,671
Less: accumulated depreciation	<u>(774)</u>	<u>(766)</u>
Net capital assets	<u>\$ 11,166</u>	<u>\$ 11,905</u>

Amortization of assets held under capital leases is included as a component of depreciation expense and is amortized over the shorter of the lease or useful life of the asset.

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Note 8: Retirement Plans

Defined Benefit Plan — Parkland maintains the Dallas County Hospital District Retirement Income Plan, a single-employer, defined benefit pension plan (“Plan”). The Plan participation as of January 1, 2019 includes 11,378 active participants, 3,918 inactive employees entitled to but not yet receiving benefits, and 2,839 retirees and beneficiaries. The Plan is administered by the Board of Managers of Parkland (“Board”). The annual payroll for employees covered by the Plan for the years ended December 31, 2018 and 2017, which is included in the actuarial valuation as of January 1, 2019 and 2018, respectively, was approximately \$659.9 million and \$632.7 million.

Effective January 1, 2018, employees were required to contribute 6.2% of their annual salaries to the Plan. Prior to this date, employees were required to contribute 5.5% of their annual salaries to the Plan. Parkland is required by the Plan to contribute the remaining amounts necessary to fund the Plan using actuarial methods.

Parkland’s funding policy is to make periodic actuarially determined employer contributions in amounts designed to accumulate sufficient assets to pay benefits when due. The projected entry age normal method is used to determine both the funding and the pension benefit obligation.

The Plan’s assets include investments reported at fair value. Investments in mutual funds, corporate equities, and fixed income securities are reported at fair value based on published market prices. Short-term money market funds are reported at cost, which approximates fair value. Investments in common collective trusts and hedge funds are reported at net asset value as a practical expedient for fair value.

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Calculation of Money Weighted Rate of Return — The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

The 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 discount rate for calculating the total pension liability is equal to the long term expected rate of return.

Actuarial Methods and Assumptions

	2019	2018
Valuation date	January 1, 2019	January 1, 2018
Measurement date	December 31, 2018	December 31, 2017
Investment rate of return	7.00%	7.00%
Inflation	2.50%	2.50%
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	30 year, closed	30 year, closed
Amortization growth rate	4.00%	4.00%
Salary increases including inflation	Graded table	Graded table
Mortality	Separate rates using Pub-2010 Public General Mortality Tables by gender and MP-2018 (generational with convergence to long term rate of 0.75% in 2034)	Non-annuitants: RP-2000 "Employees" table projected to 2033 using scale AA; Annuitant: RP-2000: "Healthy Annuitants" table projected to 2025 using scale AA

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate range of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Index	Current Allocation	Long-Term Expected Geometric Real Rate of Return
Cash	BAML 3-Mon Tbill	0.63%	0.06%
Core Fixed Income	Barclays Aggregate	12.17%	1.70%
Short Bonds	Barclays 1-3 Year	1.42%	1.17%
Government Bonds	Barclays Government	5.23%	1.12%
Long Government Bonds	Barclays Long Government	2.05%	1.07%
Mortgages	Barclays Mortgage	8.00%	1.94%
Municipal Bonds	Barclays Muni	0.36%	1.35%
High Yield Bonds	BAML High Yield	1.31%	3.23%
Emerging Markets Bonds	JPM EMBI Plus	1.89%	2.70%
Large Caps	S&P 500	23.39%	3.36%
Small and Mid Caps	Russell 2500	7.35%	3.56%
Non-US Equity	MSCI ACWI xUS NR	8.67%	4.27%
Foreign Developed Equity	MSCI EAFE NR	8.86%	4.03%
Emerging Markets Equity	MSCI EM NR	4.23%	4.74%
Non-US Small Cap	MSCI EAFE Small Cap NR	3.68%	4.38%
REITs	FTSE NAREIT Equity REIT	10.53%	3.26%
Hedge FOF Strategic	HFRI FOF Strategic	0.23%	2.31%
Assumed Inflation - Mean			2.43%
Portfolio Nominal Mean Return			6.03%
Portfolio Standard Deviation			10.57%
Long-Term Expected Rate of Return			7.00%

GASB 68 requires a blended discount rate be used to measure the total pension liability (the actuarial accrued liability calculated using the individual entry age normal cost method). The long-term expected return on Plan investments may be used to discount liabilities to the extent that the Plan's fiduciary net position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. GASB 68 does allow for alternative evaluations of projected solvency.

**Dallas County Hospital District
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(In Thousands)

The following circumstances justify an alternative evaluation of sufficiency for the Plan:

- Parkland has at least a five-year history of paying at least 100% of the actuarially determined contribution (previously termed the annual required contribution).
- The actuarially determined contribution is based on a closed amortization period, which means that payment of the actuarially determined contribution each year will bring the Plan to a 100% funded position by the end of the amortization period.
- The projections regarding future solvency assume that Plan assets earn the assumed rate of return and there are no future changes in the Plan provisions or actuarial methods and assumptions. Therefore, the projections will not reflect any adverse future experience which might impact the Plan's funded position.

Based on these circumstances, the detailed depletion date projections will show that the fiduciary net position is projected to be sufficient to cover benefit payments and administrative expenses.

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

(in thousands)	2018		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at December 31, 2017	\$ 1,340,177	\$ 972,044	\$ 368,133
Changes for the year			
Service cost	47,055	-	47,055
Interest on total pension liability	95,249	-	95,249
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	7,645	-	7,645
Effect of assumptions changes or inputs	(1,022)	-	(1,022)
Contributions - employee	-	44,223	(44,223)
Contributions - employer	-	40,000	(40,000)
Net investment income	-	(51,594)	51,594
Benefit payments, including refunds of employee contributions	(53,984)	(53,984)	-
Administrative expenses	-	(2,655)	2,655
Net changes	94,943	(24,010)	118,953
Balances at December 31, 2018	\$ 1,435,120	\$ 948,034	\$ 487,086

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September 30, 2019 and 2018

(In Thousands)

(in thousands)	2017		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at December 31, 2016	\$ 1,251,943	\$ 828,754	\$ 423,189
Changes for the year			
Service cost	44,516	-	44,516
Interest on total pension liability	89,044	-	89,044
Effect of plan changes	(4,577)	-	(4,577)
Effect of economic/demographic gains or losses	8,896	-	8,896
Effect of assumptions changes or inputs	-	-	
Contributions - employee	-	38,686	(38,686)
Contributions - employer	-	27,915	(27,915)
Net investment income	-	130,137	(130,137)
Benefit payments, including refunds of employee contributions	(49,645)	(49,645)	-
Administrative expenses	-	(3,803)	3,803
Net changes	88,234	143,290	(55,056)
Balances at December 31, 2017	\$ 1,340,177	\$ 972,044	\$ 368,133

Sensitivity Analysis — The following presents the net pension liability of Parkland, using the discount rate of 7.0%, as well as a calculation of the net pension liability if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

September 30, 2019	Decrease to 6.0%	Current Rate 7.0%	Increase to 8.0%
Total pension liability	\$ 1,633,707	\$ 1,435,120	\$ 1,270,364
Fiduciary net position	948,034	948,034	948,034
Net pension liability	685,673	487,086	322,330

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September 30, 2019 and 2018

(In Thousands)

During the years ended December 31, 2018 and 2017, \$44.2 million and \$38.7 million, respectively, of employee contributions were made in accordance with the contribution requirements described above. During the fiscal years ended September 30, 2019 and 2018, \$45.7 million and \$42.4 million, respectively, of employee contributions were made in accordance with the contribution requirements described above. Parkland contributed approximately \$40.0 million to the Plan during the year ended December 31, 2018, in accordance with contribution requirements determined by the January 1, 2018 actuarial valuation, including \$11.2 million of surplus funding approved by the Board of Managers. Parkland contributed approximately \$27.9 million to the Plan during the year ended December 31, 2017, in accordance with contribution requirements determined by the January 1, 2017 actuarial valuation. An additional \$35.0 million was contributed between January 1, 2019 and September 30, 2019 and \$24.4 million between January 1, 2018 and September 30, 2018. These amounts were recorded as a deferred outflow of resources at September 30, 2019 and 2018, respectively.

For the years ended September 30, 2019 and 2018, Parkland recognized pension expense of \$60.2 million and \$37.5 million, respectively. As of September 30, 2019 and 2018, the deferred inflows and outflows of resources are as follows:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,161	\$ -
Changes of assumptions	-	784
Employer contributions subsequent to the measurement date	35,025	-
Net difference between projected and actual earnings on plan investments	65,101	-
	\$ 108,287	\$ 784

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,174	\$ -
Employer contributions subsequent to the measurement date	24,445	-
Net difference between projected and actual earnings on plan investments	-	32,439
	\$ 30,619	\$ 32,439

**Dallas County Hospital District
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September 30, 2019 and 2018

(In Thousands)

At September 30, 2019 and 2018, Parkland reported approximately \$35.0 million and \$24.4 million, respectively, as deferred outflows of resources related to pensions resulting from Parkland contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability at September 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2019, related to pensions will be recognized in pension expense as follows:

Years Ending September 30,

2019	\$	25,608
2020		10,973
2021		11,317
2022		24,580
	\$	72,478

The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report is available on the Parkland website at ParklandHospital.com.

Defined Contribution Plan — Parkland also maintains voluntary defined contribution plans covering all employees with at least one year of service. The defined contribution plans include a 401(a), 403(b) and 457(b) plan, collectively the Supplemental Plans, and are administered by the Parkland Board of Managers (“Board”). The Supplemental Plans provisions and contribution requirements are established and may be amended by the Board. Eligible employees can choose to contribute from 2% to 20% of their base salaries. Parkland will match employees’ contributions 100%, up to 6% of their base salaries. Employees are fully vested at all times in their voluntary contributions, plus earnings thereon. Vesting in Parkland’s matching contributions is based on years of service. After one year of service, employees vest at the rate of 20% per year for five years. Should an employee terminate prior to vesting completely in Parkland’s contributions, the unvested portion can be used to reduce Parkland’s matching contributions in the aggregate.

Contributions for the year ended September 30, 2019, were approximately \$26.5 million from Parkland and \$57.1 million from employees. Contributions for the year ended September 30, 2018, were approximately \$25.2 million from Parkland and \$51.3 million from employees.

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Notes to Financial Statements

September 30, 2019 and 2018

(In Thousands)

Note 9: Concentrations of Patient Accounts Receivable Credit Risk

Parkland grants credit without collateral to its patients, most of whom are Dallas County residents. The mix of receivables from patients and third-party payors, net of allowances for contractual adjustments and bad debts, as of September 30, 2019 and 2018, is as follows:

	<u>2019</u>		<u>2018</u>	
Commercial insurance	\$ 52,646	32%	\$ 53,166	40%
Medicaid	58,715	35%	46,521	35%
Medicare	54,508	32%	31,900	24%
Patients	<u>416</u>	<u>1%</u>	<u>1,329</u>	<u>1%</u>
Total	<u>\$ 166,285</u>	<u>100%</u>	<u>\$ 132,916</u>	<u>100%</u>

Note 10: Commitments and Contingencies

As a local governmental unit, Parkland is subject to the provisions of the Texas statute known as the Texas Tort Claims Act. Currently, Parkland's liability is limited under the Act to monetary damages in a maximum amount of \$100,000 for each person, \$300,000 for each single occurrence for bodily injury or death, and \$100,000 for each single occurrence for injury to or destruction of property. These liability limitations apply to claims and lawsuits covered by the Texas Tort Claims Act and do not apply to other types of claims and lawsuits, including, among others, civil rights and employment related litigation.

As to litigation or other proceedings pending, or to its knowledge, threatened in any court, agency or other administrative body (either state or federal) that are not specifically disclosed in these footnotes, Parkland intends to vigorously defend these matters and pursue its counterclaims, if any. Furthermore, as to such matters Parkland is either currently unable to estimate the ultimate aggregate amount of monetary gain, loss or financial impact of these matters, or does not currently believe these proceedings will have a material adverse impact; provided, however, adverse resolution of these actions and counterclaims could have a material adverse effect on our business, financial condition or results of operations.

As of September 30, 2018, Parkland had construction commitments outstanding of \$145,749 million related to the construction of the new outpatient clinic and other construction projects.

**Dallas County Hospital District
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September 30, 2019 and 2018

(In Thousands)

Note 11: Long-term Debt

Limited Tax Bonds — In 2009, Parkland issued three series of Dallas County Hospital District Limited Tax Bonds (“Bonds”), with a total principal amount of \$705.0 million. Payment of principal and interest on the Bonds is supported by ad valorem tax revenue and federal subsidies under the Build America Bond program. In 2013, Parkland issued \$38.3 million of Limited Tax and Revenue Bonds. The Bonds are rated “AA-” by Standard & Poor’s and “A+” by Fitch.

Tax-Exempt Series 2009A Bonds were issued with stated fixed interest rates ranging from 3.0% to 5.0%. These bonds matured from August 15, 2014 to August 15, 2016.

Taxable Series 2009B Bonds were issued with a total principal amount of \$222.5 million, in accordance with provisions of the Build America Bond program. These bonds bore interest at fixed interest rates ranging from 4.9% to 6.2% and were to mature from August 15, 2020 through August 15, 2034. The Taxable Series 2009B Bonds were subject to redemption prior to maturity on August 15, 2019 or on any date thereafter, in whole or in part, at the option of Parkland, at the par amount plus any accrued interest. The 2009B Bonds were refinanced subsequent to year end as disclosed in *Note 12*.

Taxable Series 2009C Bonds were issued with a total principal amount of \$457.7 million, in accordance with provisions of the Build America Bond program and bear interest at fixed interest rates ranging from 4.1% to 5.6%. These bonds mature from August 15, 2017 through August 15, 2044. The Taxable Series 2009C Bonds are subject to make-whole redemption prior to maturity at any time, in whole or in part, at the option of Parkland, at the greater of (i) the issue price of the principal amount redeemed, or (ii) the sum of the present value of the remaining scheduled payments of principal and interest at the Treasury Rate plus 25 basis points plus accrued interest.

The Tax-Exempt Series 2013 Bonds bear interest at stated fixed interest rates between 4.0% and 5.0%, and mature from August 15, 2018 to 2038. The Series 2013 Bonds, with stated maturities on and after August 15, 2024, are subject to redemption prior to maturity on August 15, 2023 or on any date thereafter, in whole or in part, at the option of Parkland at the par amount plus any accrued interest. Payment of principal and interest on the Series 2013 Bonds is supported by parking revenues up to \$3.0 million annually and by a tax levy for required debt service payments above \$3.0 million.

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Notes to Financial Statements

September 30, 2019 and 2018

(In Thousands)

The following is a summary of long-term debt for the years ended September 30, 2019 and 2018:

	2019				2019
	Beginning				Ending
	Balance	Additions	Amortization	Reductions	Balance
Taxable Series 2009B Bonds	\$ 222,490	\$ -	\$ -	\$ -	\$ 222,490
Taxable Series 2009C Bonds	427,925	-	-	(15,530)	412,395
Tax-exempt 2013 Bonds	37,360	-	-	(955)	36,405
Tax-exempt 2013 Bonds premium	942	-	(198)	-	744
Total debt	<u>\$ 688,717</u>	<u>\$ -</u>	<u>\$ (198)</u>	<u>\$ (16,485)</u>	<u>\$ 672,034</u>
Short-term debt					\$ 17,000
Long-term debt					<u>655,034</u>
Total debt					<u>\$ 672,034</u>
	2018				2018
	Beginning				Ending
	Balance	Additions	Amortization	Reductions	Balance
Taxable Series 2009B Bonds	\$ 222,490	\$ -	\$ -	\$ -	\$ 222,490
Taxable Series 2009C Bonds	443,030	-	-	(15,105)	427,925
Tax-exempt 2013 Bonds	38,250	-	-	(890)	37,360
Tax-exempt 2013 Bonds premium	1,167	-	(225)	-	942
Total debt	<u>\$ 704,937</u>	<u>\$ -</u>	<u>\$ (225)</u>	<u>\$ (15,995)</u>	<u>\$ 688,717</u>
Short-term debt					\$ 16,485
Long-term debt					<u>672,232</u>
Total debt					<u>\$ 688,717</u>

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September 30, 2019 and 2018

(In Thousands)

Long-term debt maturities (including mandatory redemptions), interest payments, net of estimated subsidy, and total debt service at September 30, 2019 are as follows:

Years Ending September 30,	Principal Payments and Mandatory Redemptions	Interest Payments	BAB Interest Subsidy	Total Debt Service
2020	\$ 17,000	\$ 37,747	\$ (11,832)	\$ 42,915
2021	17,585	36,905	(11,575)	42,916
2022	18,200	36,024	(11,303)	42,921
2023	18,875	35,056	(11,007)	42,924
2024	19,580	34,040	(10,694)	42,925
2025-2029	109,515	153,517	(48,345)	214,688
2030-2034	133,695	118,654	(37,551)	214,799
2035-2039	159,590	76,769	(24,750)	211,609
2040-2044	<u>177,250</u>	<u>30,605</u>	<u>(10,048)</u>	<u>197,807</u>
Subtotal	671,290	559,317	(177,105)	1,053,504
Bond premium	4,489	-	-	4,489
Accumulated amortization	<u>(3,745)</u>	<u>-</u>	<u>-</u>	<u>(3,745)</u>
Total	<u>\$ 672,034</u>	<u>\$ 559,317</u>	<u>\$ (177,105)</u>	<u>\$ 1,054,248</u>

Total interest costs were \$39.5 million for fiscal year 2019 and \$40.1 million for fiscal year 2018.

Note 12: Subsequent Events

Subsequent to year end, the District issued the Limited Tax Refunding Bonds, Series 2019 in the amount of \$191.4 million dated October 1, 2019. The Series 2019 bonds were used to refund \$222.5 million of the Series 2009B bonds, resulting in a net present value savings of \$27.6 million. The Series 2019 Bonds mature in various amounts annually starting February 15, 2020 through August 15, 2034, with stated coupon rates ranging from 4.0% to 5.0%. The 2019 Bonds are collateralized by a levy of ad valorem tax revenue. As a result of the refunding, the District decreased its total debt service requirements by \$33.54 million and incurred no accounting gain or loss.

Required Supplementary Information

Dallas County Hospital District
d/b/a Parkland Health & Hospital System
A Component Unit of Dallas County, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Year Ending December 31,
(In Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 47,055	\$ 44,516	\$ 41,024	\$ 39,886	\$ 37,881
Interest on total pension liability	95,249	89,044	83,216	78,296	72,677
Effect of plan changes	-	(4,577)	-	-	-
Effect of economic/demographic gains or (losses)	7,645	8,896	2,439	(2,122)	8,589
Effect of assumption changes or inputs	(1,022)	-	-	-	-
Benefit payments	(53,984)	(49,645)	(44,312)	(49,392)	(32,637)
Net change in total pension liability	\$ 94,943	\$ 88,234	\$ 82,367	\$ 66,668	\$ 86,510
Total pension liability, beginning	1,340,177	1,251,943	1,169,576	1,102,908	1,016,398
Total pension liability, ending (a)	\$ 1,435,120	\$ 1,340,177	\$ 1,251,943	\$ 1,169,576	\$ 1,102,908
Fiduciary net position					
Employer contributions	\$ 40,000	\$ 27,915	\$ 28,083	\$ 24,500	\$ 22,812
Member contributions	44,223	38,686	30,270	29,471	27,378
Investment income net of investment expenses	(51,595)	130,137	55,203	(7,945)	43,705
Benefit payments	(53,984)	(49,645)	(44,312)	(49,392)	(32,637)
Administrative expenses	(2,654)	(3,803)	(1,881)	(2,047)	(2,020)
Net change in plan fiduciary net position	\$ (24,010)	\$ 143,290	\$ 67,363	\$ (5,413)	\$ 59,238
Fiduciary net position, beginning	972,044	828,754	761,391	766,804	707,566
Fiduciary net position, ending (b)	\$ 948,034	\$ 972,044	\$ 828,754	\$ 761,391	\$ 766,804
Net pension liability = (a) - (b)	\$ 487,086	\$ 368,133	\$ 423,189	\$ 408,185	\$ 336,104
Fiduciary net position as of % of total pension liability	66.06%	72.53%	66.20%	65.10%	69.53%
Covered employee payroll	\$ 659,891	\$ 632,669	\$ 613,367	\$ 574,215	\$ 554,120
Net position liability as a % of covered payroll	73.81%	58.19%	68.99%	71.09%	60.66%

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

**Dallas County Hospital District
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A Component Unit of Dallas County, Texas
Schedule of Employer Contributions
Year Ending December 31,
(In Thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contributions in relation to the actuarially determined contributions	\$ 40,000	\$ 27,915	\$ 28,123	\$ 24,500	\$ 22,812
Actuarially determined contributions	<u>28,827</u>	<u>27,915</u>	<u>28,083</u>	<u>24,540</u>	<u>22,812</u>
Contribution surplus/deficit	\$ 11,173	\$ -	\$ 40	\$ (40)	\$ -
Covered-employee payroll	\$ 659,891	\$ 632,669	\$ 613,367	\$ 574,215	\$ 554,120
Contributions as a percentage of covered-employee payroll	6.1%	4.4%	4.6%	4.3%	4.1%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of January 1st one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contributions rates:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial cost method	Entry age normal cost	Entry age normal cost	Entry age normal cost	Entry age normal cost	Entry age normal cost
Amortization method	30 year, closed	30 year, closed	30 year, closed	30 year, closed	30 year, closed
Asset valuation method	5-year rolling phase-in	5-year rolling phase-in	5-year rolling phase-in	5-year rolling phase-in	5-year rolling phase-in
Inflation	2.5%	2.5%	2.5%	2.5%	3.0%
Investment rate of return	7%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.50%, net of pension plan investment expense, including inflation	7.75%, net of pension plan investment expense, including inflation	8%, net of pension plan investment expense, including inflation
Retirement age	65	65	65	65	65
Mortality	Pub-2010 Public General and MP-2018	RP-2000, projected	RP-2000, projected	RP-2000, projected	RP-2000, projected

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

**Dallas County Hospital District
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Single Audit Reports
September 30, 2019



Parkland

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
(A Component Unit of Dallas County, Texas)
September 30, 2019**

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**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
(A Component Unit of Dallas County, Texas)
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct and Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
HIV-Related Training and Technical Assistance Pass-Through The Rutgers University	93.145	U1OHA29290	\$ 1,621,522	\$ 2,530,968
HIV-Related Training and Technical Assistance Total CFDA 93.145	93.145	None	-	35,680
			<u>1,621,522</u>	<u>2,566,648</u>
Centers for Research and Demonstration for Health Promotion and Disease Prevention Total CFDA 93.153	93.153	H12HA24817	-	398,382
			-	<u>398,382</u>
Health Center Program Cluster Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) Affordable Care Act	93.224	H80CS00039	-	940,220
Grants for New and Expanded Services under the Health Center Program Total Health Center Program Cluster	93.527	H80CS00039	-	2,312,557
			-	<u>3,252,777</u>
Poison Center Support and Enhancement Grant Total CFDA 93.253	93.253	H4BHS15556	-	460,861
			-	<u>460,861</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00119	-	768,189
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease Total CFDA 93.918	93.918	P06HA0019	-	35,928
			-	<u>804,117</u>
Healthy Start Initiative Total CFDA 93.926	93.926	H49MC00157-18	-	843,311
			-	<u>843,311</u>
Special Projects of National Significance Total CFDA 93.928	93.928	H79HA31805-01	-	170,705
			-	<u>170,705</u>
Research and Development Cluster				
Pass-Through University of Texas Southwestern Medical Center				
Cancer Cause and Prevention Research Total CFDA 93.393	93.393	GMO-170927	-	72,109
			-	<u>72,109</u>
Cancer Biology Research	93.396	GMO-180509	-	15,219
Cancer Biology Research	93.396	GMO-190201	-	27,422
Total CFDA 93.396			-	<u>42,641</u>
Accountable Health Communities Total CFDA 93.650	93.650	None	-	1,507,826
			-	<u>1,507,826</u>
Diabetes, Digestive, and Kidney Diseases Extramural Research Total CFDA 93.847	93.847	GMO-151001	-	476,873
			-	<u>476,873</u>
Total Research and Development Cluster			-	<u>2,099,449</u>

The accompanying notes are an integral part of this Schedule.

Dallas County Hospital District
d/b/a Parkland Health & Hospital Systems
(A Component Unit of Dallas County, Texas)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct and Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Pass-Through Texas Health and Human Services Commission				
Temporary Assistance for Needy Families	93.558	529-16-003-0013	\$ -	\$ 863,859
Total CFDA 93.558			-	863,859
Social Services Block Grant	93.667	529-17-0023-00033	-	95,996
Total CFDA 93.667			-	95,996
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	529-17-0023-00033	-	217,264
Total CFDA 93.898			-	217,264
Total Pass- Through Texas Department of State Health Services			-	1,177,119
Pass-Through Texas Department of State Health Services				
HIV Prevention Activities Health Department Based	93.940	2016-003732C	-	85,597
HIV Prevention Activities Health Department Based	93.940	2016-003732	-	263,906
Total CFDA 93.994			-	349,503
Maternal and Child Health Services Block Grant to the States	93.994	2016-003919	-	84,443
Total CFDA 93.944			-	84,443
Total Pass- Through Women's Health and Family Planning of Texas			-	433,946
Family Planning Services	93.217	None	-	2,391,506
Total CFDA 93.217			-	2,391,506
Pass-Through Dallas County Health and Human Services				
HIV Emergency Relief Project Grants	93.914	None	-	3,713,591
HIV Emergency Relief Project Grants	93.914	None	-	2,198,313
HIV Emergency Relief Project Grants	93.914	None	-	169,740
Total CFDA 93.914			-	6,081,644
HIV Care Formula Grants	93.917	None	-	1,212,706
HIV Care Formula Grants	93.917	None	-	97,063
Total CFDA 93.917			-	1,309,769
Total Pass- Through Dallas County Health and Human Services			-	7,391,413
Pass-Through University of Rochester				
Translation and Implementation Science Research for Heart, Lung, Blood Diseases and Sleep Disorders	93.840	None	-	63,664
Total CFDA 93.840			-	63,664
Total Pass- Through University of Rochester			-	63,664
Total U.S. Department of Health and Human Services			1,621,522	22,053,898
U.S. Department of Transportation				
Highway Safety Cluster				
Pass-Through Texas Department of Transportation				
State and Community Highway Safety	20.600	2018-IPCOGD-G-1YG-0192	-	674
State and Community Highway Safety	20.600	2019-IPCOGD-G-1YG-0143	-	63,691
State and Community Highway Safety	20.600	2018-IPCOGD-G-1YG-0196	-	6,509
State and Community Highway Safety	20.600	2019-IPCOGD-G-1YG-0140	-	33,958
State and Community Highway Safety	20.600	2018-IPCOGD-G-1YG-0194	-	5,133
State and Community Highway Safety	20.600	2018-IPCOGD-G-1YG-0194	-	44,783
Total CFDA 20.600			-	154,748
Total U.S. Department of Transportation			-	154,748

The accompanying notes are an integral part of this Schedule.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital Systems
(A Component Unit of Dallas County, Texas)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct and Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Justice				
Pass-Through State of Texas Office of the Governor-Criminal Justice				
Division				
Crime Victim Assistance	16.575	3354302	\$ -	\$ 272,376
Crime Victim Assistance	16.575	1751012	-	210,272
Crime Victim Assistance	16.575	3422201	-	11,089
Crime Victim Assistance	16.575	3433302	-	70,829
Total CFDA 16.575			<u>-</u>	<u>564,566</u>
Violence Against Women Formula Grants	16.588	3119102	-	2,941
Violence Against Women Formula Grants	16.588	3119103	-	69,635
Total CFDA 16.588			<u>-</u>	<u>72,576</u>
Total U.S. Department of Justice			<u>-</u>	<u>637,142</u>
U.S. Department of Agriculture				
Pass-Through Natural Resources Conservation Service Texas				
Soil and Water Conservation	10.902	NR187442XXXXC014	-	13,326
Total CFDA 10.902			<u>-</u>	<u>13,326</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>13,326</u>
Total Federal Funding			<u>\$ 1,621,522</u>	<u>\$ 22,859,114</u>

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
(A Component Unit of Dallas County, Texas)
Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019**

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Dallas County Hospital District d/b/a Parkland Health & Hospital System and Parkland Center for Clinical Innovation (collectively, Parkland) under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Parkland, it is not intended to and does not present the financial position, changes in net position or cash flows of Parkland.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Parkland has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Parkland did not have any federal loan programs during the year ended September 30, 2019.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
(A Component Unit of Dallas County, Texas)
Schedule of Expenditures of State Awards
Year Ended September 30, 2019**

State Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity or Other Identifying Number	Total State Expenditures
Texas Department of State Health Services		
Pass-Through Dallas County Health and Human Services		
Texas HIV Health and Social Services	None	\$ 223,622
Total HIV - Community Health Services		<u>223,622</u>
Texas Health and Human Services Commission		
Breast & Cervical Cancer Program	529-17-0023-00033	127,983
Total Breast & Cervical Cancer		<u>127,983</u>
Epilepsy - Community Health Services	529-17-0069-00003	217,747
Total Epilepsy - Community Health Services		<u>217,747</u>
Family Planning	529-16-0102-00037A	502,103
Family Planning	529-16-0102-00037A	5,931,367
Total Family Planning		<u>6,433,470</u>
Healthy Texas Mothers and Babies	537-18-0361-00001	58,678
Total Healthy Texas Mothers and Babies		<u>58,678</u>
HIV Prevention Activities Health Department Based	2016-003732C	13,383
Total HIV Prevention Activities Health Department Based		<u>13,383</u>
Primary Health Care	2016-048665	329,529
Total Primary Health Care		<u>329,529</u>
Senior Outreach Services Project- Community Health Services	529-18-0066-0001	149,254
Total Senior Outreach Services- Community Health Services		<u>149,254</u>
Texas Center for Nursing Workforce Studies	HHS0000163000013	174,525
Total Texas Center for Nursing Workforce Studies		<u>174,525</u>
Texas Department of Family and Protective Services		
Pass-Through from the United Way of Metropolitan Dallas		
Project Healthy Outcomes through Prevention and Early Supports		
HOPEs NFP	None	79,678
HOPEs NFP	530-15-0009	191,517
Total Project Health Outcomes through Prevention and Early Supports		<u>271,195</u>
Commission on State Emergency Communications		
Commission on State Emergency Communications		
Poison Services	477.8.00001	1,709,792
Total Commission on State Emergency Communications Poison Services		<u>1,709,792</u>
Office of the Attorney General of Texas		
Other Victims Assistance Grant		
Total Victims Assistance Grant	1986769	<u>38,291</u>
Office of the Governor		
Rifle-Resistant Body Armor		
Total Rifle-Resistant Body Armor	2018-BG-ST-0025	<u>33,426</u>

The accompanying notes are an integral part of this Schedule.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital Systems
(A Component Unit of Dallas County, Texas)
Schedule of Expenditures of State Awards (Continued)
Year Ended September 30, 2019**

State Grantor/Pass-Through Grantor/Program or Cluster Title	Entity or Other Identifying Number	Total State Expenditures
Cancer Prevention and Research Institute of Texas		
Pass-Through University of Texas Southwestern Medical Center		
PP160075 Implementation of an Evidence-Based Colorectal Cancer Screening	GMO-180307	7,452
RP160030 IIRA Lung Cancer Screening	GMO-160409	24,096
Total Cancer Prevention and Research Institute of Texas		<u>31,548</u>
Texas Higher Education		
Passed through University of Texas Southwestern Medical Center		
Emergency and Trauma Care Education Partnership Program No16353	GMO-190208	91,764
Total Texas Higher Education		<u>91,764</u>
		<u>\$ 9,904,207</u>

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
(A Component Unit of Dallas County, Texas)
Notes to the Schedule of Expenditures of State Awards
Year Ended September 30, 2019**

Notes to Schedule

1. The accompanying schedule of expenditures of state awards (the State Schedule) includes the state awards activity of Dallas County Hospital District d/b/a Parkland Health & Hospital System and Parkland Center for Clinical Innovation (collectively, Parkland) under programs of the state of Texas for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of the State of Texas *Uniform Grant Management Standards* (UGMS). Because the Schedule presents only a selected portion of the operations of Parkland, it is not intended to and does not present the financial position, changes in net position or cash flows of Parkland.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in UGMS wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the State Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identity identifying numbers are presented where available.
3. Parkland did not provide any state awards to subrecipients during the year ended September 30, 2019.

**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of Managers
Dallas County Hospital District
d/b/a Parkland Health & Hospital System
Dallas, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component units and the aggregate remaining fiduciary fund information of Dallas County Hospital District d/b/a Parkland Health & Hospital System (Parkland), a component unit of Dallas County, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Parkland's basic financial statements, and have issued our report thereon dated December 19, 2019. The financial statements of Parkland Community Health Plan, Inc., Parkland Foundation and Dallas County Hospital District Retirement Income Plan, component units and fiduciary fund included in Parkland's financial statements, were not audited in accordance with *Government Auditing Standards*. Our report includes a reference to other auditors who audited the financial statements of Parkland Foundation, as described in our report on Parkland's financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Parkland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Parkland's internal control. Accordingly, we do not express an opinion on the effectiveness of Parkland's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parkland's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Parkland's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Parkland's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
December 19, 2019

**Report on Compliance for Each Major Federal and State Program;
Report on Internal Control Over Compliance; and Report on
Schedules of Expenditures of Federal and State Awards
Required by the Uniform Guidance and the State of Texas
*Uniform Grant Management Standards***

Independent Auditor's Report

Board of Managers
Dallas County Hospital District
d/b/a Parkland Health & Hospital System
Dallas, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Dallas County Hospital District d/b/a Parkland Health & Hospital System's (Parkland) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of Parkland's major federal and state programs for the year ended September 30, 2019. Parkland's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Parkland's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and UGMS. Those standards, the Uniform Guidance, and UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Parkland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Parkland's compliance.

Opinion on Each Major Federal and State Program

In our opinion, Parkland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of Parkland is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Parkland's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Parkland's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and UGMS. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas Uniform Grant Management Standards

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units and the aggregate remaining fiduciary fund information of Parkland as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Parkland's basic financial statements. We issued our report thereon dated December 19, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Uniform Guidance and UGMS and are 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 information has been subjected to the auditing procedures applied in the audit of the 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 schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Dallas, Texas
December 19, 2019

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
(A Component Unit of Dallas County, Texas)
Schedule of Findings and Questioned Costs
Year Ended September 30, 2019**

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal and State Awards

4. The independent auditor's report on internal control over compliance for major federal and state awards programs disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal and state awards was:
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

7. The audit disclosed findings required to be reported by UGMS? Yes No

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
(A Component Unit of Dallas County, Texas)
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019**

8. Parkland's major federal and state programs were:

Cluster/Program	CFDA Number
HIV-Related Training & Technical Assistance [Federal]	93.145
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease [Federal]	93.918
Family Planning Services [Federal]	93.217
Texas Family Planning [State]	State
Commission on State Emergency Communications [State]	State

9. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

10. The threshold used to distinguish between Type A and Type B programs as those terms are defined in UGMS was \$300,000.

11. Parkland qualified as a low-risk auditee for federal and state purposes? Yes No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
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No matters are reportable.

Findings Required to be Reported by UGMS

Reference Number	Finding
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No matters are reportable.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
(A Component Unit of Dallas County, Texas)
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019**

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

**Dallas County Hospital District
d/b/a Parkland Health & Hospital System
(A Component Unit of Dallas County, Texas)
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2019**

Reference Number	Summary of Finding	Status
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No matters are reportable.