West Tennessee Healthcare and Related Affiliates

Financial Statements and Supplementary Information

June 30, 2021 and 2020

Table of Contents

Independent Auditors' Report

Board of Trustees
West Tennessee Healthcare and Related Affiliates
Jackson, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of West Tennessee Healthcare and Related Affiliates (the "Company"), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Company'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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Company'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 Company'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the Company as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended June 30, 2021, the Company adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification of fiduciary activities. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 11, the Schedule of Changes in Net Pension and OPEB Liability (asset) and Related Ratios on page 53, and the Schedule of Contributions on page 56 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 ("GASB"), which 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 audits 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 Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Roster of Governance and Management Officials on page 4, the Deductions from Gross Patient Service Revenues information on page 59 and the Schedule of Changes in Long-term Debt by Individual Issue on page 60 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Deductions from Gross Patient Service Revenues and the Schedule of Changes in Long-term Debt by Individual Issue information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Roster of Governance and Management Officials has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 25, 2021, on our consideration of the Company'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 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 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 Company's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Memphis, Tennessee
October 25, 2021

Governance Officials —– Board of Trustees

Name	Title	Principal Occupation
Curtis Mansfield	Chairman	President, First Bank
Phil Bryant	Vice-Chairman	Financial Services
Greg Milam	Secretary	Insurance Services
Vicki Burch		President, West Tennessee Business College
Danny Wheeler		Retired, Jackson Energy Authority

Management Officials

James Ross	President & Chief Executive Officer
Tina Prescott	Executive Vice-President/Chief Operating Officer
Jeff Blankenship	Executive Vice-President/Chief Financial Officer
Dr. Jackie Taylor	Executive Vice-President/Chief Physician Executive
Charleyn Reviere	Vice-President/Chief General Counsel
Deann Thelen	Vice-President/Chief Executive Officer, JMCGH
Amy Garner	Vice-President/Chief Compliance Officer/Communications Officer
Scott Krodel	Vice-President/Chief Information Officer
Tim Adams	Vice-President of Support Services
Darrell King	Vice-President, Physician & Ambulatory Services
Teresa Freeman	Vice-President/Chief Nursing Officer, JMCGH
Vanessa Patrick	Vice-President of Business Development
Dr. Claude Pirtle	Chief Medical Information Officer

This section of the financial statements of West Tennessee Healthcare and Related Affiliates (the "Company") presents management's analysis of the Company's financial performance during the fiscal years ended June 30, 2021 and 2020.

Financial highlights

2021

The 2021 fiscal year was another year of transition for the organization. Patient census for COVID-19 reached its peak during the fiscal year and circumstances surrounding the pandemic had an effect on nearly every aspect of operation. In addition to the impact of caring for patients with the disease, the pandemic resulted in staffing shortages, inflation of pricing for supplies and services. Consequently, although revenue was up significantly from the prior year with volume recovery, it was insufficient to cover the escalated cost of operation and the system posted significant operating losses, before consideration for relief funding. The Company experienced an operating loss for the year, net of interest expense, of $24.3 million representing an operating margin of -2.5%, as a result of the impact of the COVID-19 pandemic. This operating loss excludes revenue associated with CARES Act relief funding, which provided necessary stability during a period of great uncertainty. The Company reported $25.2 million of non-operating revenue related to the CARES Act for the year.

In total, the Company has received $78.4 million in CARES Act relief funding. Based on management's best estimates using interpretations of relevant guidance, the Company reported $53.2 million of this funding as non-operating revenue for fiscal year 2020 and the remainder, $25.2 million, for fiscal year 2021. It is uncertain how future guidance will impact the final determination of relief funds earned by the Company and could result in significant changes to those estimates.

In fiscal year 2020, the Company also received $109.6 million in advance payments from CMS which was included with "Cash and cash equivalents" in the assets section of the Statements of Net Position and in the "CMS advance payments due within one year" category of the liabilities section of the Statements of Net Position. CMS began to recoup the advance payments during fiscal year 2021 and as of June 30, 2021, $97.4 million of the advance payments remain in the "Cash and cash equivalents" section of the Statements of Net Position and in the "CMS advance payments due within one year" category of the liabilities section of the Statements of Net Position.

Total operating revenues were up 16% as compared to the prior year, an increase of $134.3 million, with a rise in patient volume and a decline in COVID-19 cases during the fiscal year.

Operating expenses increased by $96 million or 11%, with the rise in volume and revenue.

The Company's net non-operating revenue increased by $47.9 million in 2021 as compared to $39.3 million in 2020, with the increase being driven by $78.7 million of investment income offset by a decrease of $28 million in CARES Act relief funding.

As of December 31, 2017, the Company discontinued the practice of offering post-employment medical benefits beyond what is required by regulation. With the change, the Company's OPEB plan was overfunded by $3.6 million. In February 2018, the Company distributed $2.5 million of the excess to Plan participants. The Plan remained $2.7 million overfunded at the beginning of the current fiscal year. In February 2021, the company distributed another $2.3 million of the excess to Plan participants. The remainder of the balance will continue to be drawn down as expenses are incurred by the Plan's existing beneficiaries.

2020

The Company experienced an operating loss for the year, net of interest expense, of $62.9 million representing an operating margin of -7.5%, largely as a result of the impact of the COVID-19 pandemic.

The Company received $73.7 million in non-recurring relief funding provided by the CARES Act during the fiscal year. Based upon the understanding of attestation guidelines at the time, the Company reported $53.2 million of this funding as non-operating revenue on the Statements of Revenue and Expense and Changes in Net Position. The remainder of the funding ($20.5 million) is recorded as a liability at June 30, 2020. The $53.2 million of relief funding recognized as revenue in fiscal 2020 was based on management's best estimates and interpretations of relevant guidance available. The Company also received $109.6 million in advance payments from CMS which is included with "Cash and cash equivalents" in the assets section of the Statements of Net Position and in the "CMS advance payments due within one year" category of the liabilities section of the Statements of Net Position.

Total operating revenues were 5% below the prior year, a decrease of $41.3 million with declines in volume directly and indirectly related to COVID-19.

Operating expenses decreased by $23.3 million or 3%, also due to the decrease in volume driven by COVID-19. The decrease in operating expenses did not correlate with the decrease in operating revenue due to the additional expense incurred related to preparing for and taking care of COVID-19 patients.

The Company's net non-operating revenue (expense) increased to $37.7 million in revenue in 2020 as compared to $1.6 million in expense in 2019, with the increase being driven by the CARES Act relief funding.

Prior to the impact of COVID-19, through February 2020, the financial results reflected an operating margin of 2.2% with $13.9 million in net income.

Overview of the financial statements

The financial statements consist of two parts: management's discussion and analysis and the basic financial statements. The basic financial statements also include notes and required supplementary information that explain in more detail some of the information in the financial statements.

Required basic financial statements

The Company reports financial information about the Company using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statements of net position include all the Company's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Company creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. These statements also provide the basis for computing rate of return, evaluating the capital structure of the Company and assessing the liquidity and financial flexibility of the Company.

All of the Company's revenues and expenses are accounted for in the statements of revenues and expenses and changes in net position. These statements measure the performance of the Company's operations over the past year and can be used to determine whether the Company has successfully recovered all its costs through the services provided, as well as its profitability and creditworthiness.

The third required statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Company's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, non-capital financing and financing activities, and provides information as to where cash came from, what cash was used for, and what the change in the cash balance was during the reporting period.

The Company includes Fiduciary Funds to account for other postemployment benefit and pension trust funds. The pension plan issues a publicly available financial report that can be obtained from the Company's Internal Audit Department, 620 Skyline Drive, Jackson, Tennessee 38301.

Financial analysis

Our analysis of the financial statements of the Company begins below. One of the most important questions asked about the Company's finances is, "Is the Company as a whole better off or worse off as a result of the year's activities?" The statements of net position and the statements of revenues and expenses and changes in net position report information about the Company's activities in a way that will help answer this question. These statements report the net position of the Company and changes in them. You can think of the Company's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure financial health or financial position. Over time, increases or decreases in the Company's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in interest rates, economic conditions, regulations and new or changed government legislation.

Table A-1

Condensed Statements of Net Position (in millions of dollars)

	June 30 2021	June 30 2020	June 30 2019	Dollar Increase (Decrease) 2020-2021	Percentage Increase (Decrease) 2020-2021	Dollar Increase (Decrease) 2019-2020	Percentage Increase (Decrease) 2019-2020
Current assets	$ **328.1**	$ 356.0	$ 197.4	$ **(27.9)**	**-8%**	$ 158.6	80%
Capital assets, net	**412.4**	408.0	432.4	**4.4**	**1%**	(24.4)	-6%
Other non-current assets	**472.8**	394.7	394.5	**78.1**	**20%**	0.2	0%
Total assets	**1,213.3**	1,158.7	1,024.3	**54.6**	**5%**	134.4	13%
Deferred outflows of resources	**57.2**	55.2	57.4	**2.0**	**4%**	(2.2)	-4%
Total assets and deferred outflows	**$ 1,270.5**	$ 1,213.9	$ 1,081.7	$ **56.6**	**5%**	$ 132.2	12%
Current liabilities	**$ 214.2**	$ 233.8	$ 84.0	$ **(19.6)**	**-9%**	$ 149.8	178%
Non-current liabilities	**457.7**	465.5	475.4	**(7.8)**	**-2%**	(9.9)	-2%
Total liabilities	**671.9**	699.3	559.4	**(27.4)**	**-4%**	139.9	25%
Deferred inflows of resources	**5.6**	-	-	**5.6**	**100%**	-	-
Net position:							
Unrestricted	**451.1**	389.3	381.7	**61.8**	**16%**	7.6	2%
Invested in capital assets	**135.6**	119.0	134.4	**16.6**	**14%**	(15.4)	-11%
Restricted	**6.3**	6.3	6.2	**-**	**0%**	0.1	2%
Total net position	**593.0**	514.6	522.3	**78.4**	**15%**	(7.7)	-1%
Total liabilities, deferred inflows of resources, and net position	**$ 1,270.5**	$ 1,213.9	$ 1,081.7	$ **56.6**	**5%**	$ 132.2	12%

As indicated in Table A-1, net position increased from fiscal 2020 by $78.4 million or 15% with the Company's financial performance in fiscal year 2021.

1. Total assets increased by $54.6 million or 5% when compared to 2020. This increase was driven primarily by the increase in the value of the Company's investments, offset by a decrease in cash as CMS began recouping advance payments made in 2020.

2. Deferred outflows of resources increased by $2 million or 4% as compared to the prior year due to an increase in the difference between actual and projected earnings on pension plan investments offset by decreases in deferred charges on refundings and pension contributions subsequent to the measurement date.

3. Total liabilities decreased by $27.4 million as compared to the prior year due primarily to the recognition of $20.7 million in CARES relief funding deferred from the prior fiscal year and a $12.2 million reduction in the liability for CMS advance payments associated with amounts recouped during the fiscal year.

As indicated in Table A-1, net position decreased from fiscal 2019 by $7.7 million or 1% with the Company's financial performance in fiscal year 2020.

1. Total assets increased by $134.4 million or 13% when compared to 2019. This increase was driven primarily by $109.6 million in CMS advance payments in addition to $73.7 million of relief funding. Net capital assets decreased by $24.4 million or 6% primarily due to capital asset additions of $30.2 million offset by depreciation expense of $52.1 million.

2. Deferred outflows decreased by $2.2 million or 4% due to decreases in deferred charges on refundings and decreases in the difference between expected and actual pension experience, offset by an increase in pension contributions subsequent to the measurement date of the Company's pension plan investments.

3. Total liabilities increased by $139.9 million or 25% when compared to 2019. This increase was driven by $109.6 million in CMS advance payments that is expected to be recouped by CMS, as well as $20.5 million of deferred income related to CARES Act relief funding. The Company received $73.7 million in non-recurring relief funding provided by the CARES Act during the fiscal year. Based upon the understanding of attestation guidelines at the time, the Company reported $53.2 million of this funding as non-operating revenue on the Statements of Revenue and Expense and Changes in Net Position, leaving $20.5 million as deferred income at fiscal year-end.

4. Non-current liabilities decreased by $9.9 million or 2% as compared to 2019, due to routine payments on long term debt, offset by a $2 million increase in net pension liability.

Table A-2

Condensed Statements of Revenues and Expenses and Changes in Net Position (in millions of dollars)

	Year Ended June 30 2021	2020	2019	Dollar Increase (Decrease) 2021-2020	Percentage Increase (Decrease) 2021-2020	Dollar Increase (Decrease) 2019-2020	Percentage Increase (Decrease) 2019-2020
Net patient service revenues	**$ 911.5**	$ 790.2	**$** 830.9	**$ 121.3**	**15%**	$ (40.7)	-5%
Other operating revenues	**61.7**	48.7	49.3	**13.0**	**27%**	(0.6)	-1%
Total operating revenues	**973.2**	838.9	880.2	**134.3**	**16%**	(41.3)	-5%
Salaries and benefits	**544.1**	478.7	485.3	**65.4**	**14%**	(6.6)	-1%
Supplies and other expenses	**384.8**	353.0	369.8	**31.8**	**9%**	(16.8)	-5%
Depreciation and amortization	**51.5**	52.6	52.6	**(1.1)**	**-2%**	-	0%
Total operating expenses	**980.4**	884.3	907.7	**96.1**	**11%**	(23.4)	-3%
Income from operations	**(7.2)**	(45.4)	(27.5)	**38.2**	**-84%**	(17.9)	65%
Net non-operating revenues (expenses)	**85.6**	37.7	(1.6)	**47.9**	**127%**	39.3	2,456%
Change in net position	**78.4**	(7.7)	(29.1)	**86.1**	**-1118%**	36.9	-127%
Beginning net position	**514.6**	522.3	551.4	**(7.7)**	**-1%**	(29.1)	-5%
Ending net position	**$ 593.0**	$ 514.6	$ 522.3	**78.4**	**15%**	7.8	1%

While the statements of net position show the change in financial position or net position, the statements of revenues and expenses and changes in net position, as indicated above, provide answers as to the nature and source of these changes (i.e., the financial result of current year operations).

Operating revenues increased by $134.3 million or 16% from 2020 to 2021.

1. The increase in net patient service revenue was related to significant increases and volume and revenue during the fiscal year, with heavy COVID-19 related volume earlier in the year and increased non-COVID volume later in the year, as COVID-19 cases decreased toward the end of the fiscal year and other services experienced a recovery in volume and revenue compared to the prior year where services were disrupted or closed for a period of time with social distancing and mandated closures.

2. Other operating revenue increased by $13 million or 27% in 2021 as compared to 2020. $8.7 million of the increase is associated directly with COVID-19 related grants and non-CARES relief funding. $2.4 million of the increase is attributed to improved joint venture performance.

Operating revenues decreased by $41.3 million or 5% from 2019 to 2020.

1. The decrease in net patient service revenue was due to a decrease in volume and all elective procedures for three months of the fiscal year due to COVID-19. The first case in the region was identified on March 5, 2020. Actual inpatient COVID volumes for the Company's hospitals remained relatively low through June, with average cases per month of just over 50, compared with over 680 per month in the first quarter of fiscal 2021. However, with public response to the pandemic, mandated closure of non-essential services, and mandated cancellation of elective procedures, the health system experienced a significant decline in volume and revenue in the last quarter of the fiscal year.

2. Other operating revenue remained flat in fiscal year 2020 as compared to 2019.

Operating expense increased by $96.1 million or 11% when comparing 2021 to 2020.

1. The increase in operating expenses was primarily due to volumes and elective procedures returning to a normal range during the fiscal year as COVID-19 cases decreased.

2. Total salaries and benefits expense increased by $65.4 million or 14% during the fiscal year with the increase in staffing correlating with increased volume and revenue, as well as employee rate adjustments. During the fiscal year, the Company made routine rate adjustments, increased its minimum wage to $13 an hour, increased wages for nursing and respiratory staff, and awarded stipends to individuals working on COVID-19 dedicated units.

3. Supplies and other costs increased by $31.8 million or 9% during the fiscal year, driven by cost increases directly attributable to COVID-19 (personal protective equipment, pharmaceuticals, air handling equipment, etc.), as well as volume increases toward the end of the fiscal year and program expansions for hospital based physician services (hospitalist, intensivist, and acute surgicalists) at the flagship hospital.

Net non-operating revenue increased to $85.6 million in revenue in 2021 as compared to $37.7 million in revenue in 2020, with the increase being driven by $78.7 million of investment income in 2021 compared to $3.5 million in investment income in 2020, offset by $25.2 million in CARES Act relief funding in 2021 compared to $53.2 million in 2020.

Operating expense decreased by $23.4 million or 3% when comparing 2020 to 2019.

1. The decrease in operating expenses was also due to the decrease in volume driven by COVID-19. With reduced volumes, a decline in staffing and supplies for related services was experienced. However, the decrease in operating expenses did not correlate with the decrease in operating revenue due to additional expense incurred related to preparing for and taking care of COVID-19 patients.

2. Total salaries and benefits expense decreased by $6.6 million or 1% during the fiscal year with decreases in staffing due to COVID-19. In response to the decline in volume and revenue, the Company temporarily furloughed approximately 700 employees in directly impacted areas as well as support areas, and reduced staffed hours in other areas. The related reduction in cost was offset by increased staffing cost with additional staffing needs to care for COVID patients and establish readiness for anticipated future needs. In addition, the system implemented various screening, cleaning and visitation protocols that increased staffing needs across the health system.

3. Supplies and other costs decreased by $16.8 million or 5% during the fiscal year due to decreases in volume due to COVID-19. Again, the decrease in supply cost with volume and revenue declines was offset by an increase in cost related to increased purchasing of personal protective equipment and preparing for anticipated future needs.

Net non-operating revenue (expense) increased to $37. million in revenue in 2020 as compared to $1.6 million in expense in 2020, with the increase being driven by the CARES Act relief funding.

Capital assets

As of June 30, 2021, the Company had $412.4 million invested in a variety of capital assets, as reflected in Table A-3, which represents a net increase (additions, disposals and depreciation) of $4.4 million or 1% from the end of last year.

Table A-3

Capital Assets (in millions of dollars)

	June 30	
	2021	**2020**
Land and land improvements	**$ 54.3**	$ 55.0
Buildings	**373.7**	374.4
Equipment	**620.7**	607.7
Construction in progress	**49.5**	15.2
Total capital assets	**1,098.2**	1,052.3
Accumulated depreciation	**(685.8)**	(644.3)
Capital assets, net	**$ 412.4**	$ 408.0

Long-term debt

In November 2018, the Company issued the Series 2018A Hospital Revenue Refunding Bonds in the amount of $62.87 million and Series 2018B Taxable Hospital Revenue Bonds in the amount of $91.025 million. The proceeds of the Series 2018A Bonds, together with other funds, were used by the Company to refund all outstanding Bonds from the Series 2008 Bond issue. The proceeds of the Series 2018B Bonds were used to reimburse the Company for the $90 million financed as part of the Tennova West acquisition.

In April 2015, the Company issued the Series 2015 Hospital Revenue Refunding Bonds in the amount of $205,965 million. The proceeds of the Series 2015 Bonds, together with other funds, were used by the Company to advance refund $210,895 million of the outstanding Series 2008 Bond issue.

As of June 30, 2021, the Company had $326.4 million in outstanding long-term debt and as of June 30, 2020, the Company had $339.3 million in outstanding long-term debt. This represents a net decrease of $13.1 million over the prior fiscal year.

For more detailed information regarding the Company's capital assets and long-term debt, please refer to the notes to the financial statements.

Future outlook

Like the previous fiscal year, fiscal year 2021 was a year of transition. Fiscal year 2021 financial performance was impacted significantly by the COVID-19 pandemic. Although operations stabilized at the end of the fiscal year, significant uncertainty remains and the short-term outlook for the future is unclear, with a second surge in pandemic volume in the community occurring early in the 2022 fiscal year. The Company is working to address pandemic care in the short term while adjusting its operations with the longer-term view in mind. The Company has not adjusted its longer-term goals and continues to work to achieve them in the midst of uncertain times.

Requests for information

This financial report is designed to provide a general overview of the Company's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Company.

West Tennessee Healthcare and Related Affiliates
Statements of Net Position
June 30, 2021 and 2020
(in thousands)

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ **164,916**	$ 223,162
Accounts receivable:		
Patient accounts receivable, less allowances for doubtful accounts of approximately $44,086 in 2021 and $48,731 in 2020	**121,006**	101,402
Other	**11,850**	4,209
Total accounts receivable	**132,856**	105,611
Inventories	**9,890**	8,984
Prepaid expenses	**14,181**	11,983
Assets limited as to use - debt service reserve fund	**6,269**	6,268
Total current assets	**328,112**	356,008
Assets limited as to use:		
Board designated contingency fund	**9,270**	9,270
Other internally designated	**432,693**	354,204
Total assets limited as to use	**441,963**	363,474
Other assets:		
Intangibles	**1,451**	1,578
Investment in joint venture	**26,246**	26,356
Other	**3,144**	3,328
Total other assets	**30,841**	31,262
Capital assets:		
Land and land improvements	**54,314**	55,036
Buildings	**373,655**	374,418
Fixed equipment	**227,753**	225,412
Moveable equipment	**392,990**	382,305
Construction in progress	**49,515**	15,173
	1,098,227	1,052,344
Accumulated depreciation	**(685,838)**	(644,334)
Total capital assets	**412,389**	408,010
Total assets	**1,213,305**	1,158,754
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refundings	**21,842**	24,072
Pension contributions subsequent to measurement date	**12,851**	16,354
Difference between expected and actual pension experience	**-**	2,651
Difference between actual and projected earnings on pension plan investments	**15,112**	4,389
Excess consideration provided for acquisitions	**7,401**	7,680
Total deferred outflows of resources	**57,206**	55,146
Total assets and deferred outflows of resources	$ **1,270,511**	$ 1,213,900

See accompanying notes.

West Tennessee Healthcare and Related Affiliates
Statements of Net Position
June 30, 2021 and 2020 **(Continued)**
(in thousands)

	2021	2020
LIABILITIES		
Current liabilities:		
Accounts payable	**$ 35,876**	$ 36,334
Accrued compensation and related expenses	**46,015**	29,822
Accrued interest expense	**3,885**	3,996
Other accrued expenses	**10,217**	11,242
Estimated third-party settlements	**11,246**	11,653
CMS advance payments due within one year	**97,413**	109,651
Deferred CARES Act provider relief funds (see Note 2)	**-**	20,520
Long-term debt due within one year	**9,548**	10,571
Total current liabilities	**214,200**	233,789
Other liabilities:		
Long-term debt, less amounts due within one year	**332,658**	346,105
Net pension liability	**125,049**	119,441
Total other liabilities	**457,707**	465,546
Total liabilities	**671,907**	699,335
DEFERRED INFLOWS OF RESOURCES		
Difference between expected and actual pension experience	**5,606**	-
NET POSITION		
Unrestricted	**451,094**	389,282
Net investment in capital assets	**135,635**	119,015
Restricted for debt service	**6,269**	6,268
Total net position	**592,998**	514,565
Total liabilities, deferred inflows of resources and net position	**$ 1,270,511**	$ 1,213,900

See accompanying notes.

West Tennessee Healthcare and Related Affiliates
Statements of Revenues and Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020
(in thousands)

	2021	2020
Operating revenues:		
Net patient service revenues, net of provision for bad debts of $66,008 in 2021, and $76,757 in 2020	**$ 911,437**	$ 790,218
Other revenues	**61,725**	48,714
Total operating revenues	**973,162**	838,932
Operating expenses:		
Salaries and benefits	**544,060**	478,798
Supplies and other	**384,835**	353,030
Depreciation and amortization	**51,516**	52,590
Total operating expenses	**980,411**	884,418
Operating loss	**(7,249)**	(45,486)
Nonoperating (expenses) revenues:		
Investment income	**78,708**	3,548
Interest expense	**(17,008)**	(17,441)
Non-recurring relief funding	**25,223**	53,200
Contributions to affiliated entities	**(1,241)**	(1,566)
Nonoperating (expenses) revenues, net	**85,682**	37,741
Change in net position	**78,433**	(7,745)
Net position, beginning of year	**514,565**	522,310
Net position, end of year	**$ 592,998**	$ 514,565

See accompanying notes.

West Tennessee Healthcare and Related Affiliates
Statements of Cash Flows
Years Ended June 30, 2021 and 2020
(in thousands)

	2021	2020
Operating activities:		
Receipts from third-party payors and patients	$ 871,954	$ 940,253
Receipts from other operations	61,725	48,714
Payments to suppliers	(388,080)	(331,129)
Payments to employees	(521,222)	(476,087)
Net cash provided by operating activities	24,377	181,751
Noncapital financing activities:		
Non-reccuring relief funding	4,703	73,720
Capital contributions to City of Jackson and Madison County	(1,241)	(1,566)
Net cash provided by noncapital financing activities	3,462	72,154
Investing activities:		
Interest and dividends income	2,631	713
Purchases of investments	(220,314)	(30,705)
Proceeds from sales of investments	217,901	30,412
Net cash provided by investing activities	218	420
Capital and related financing activities:		
Purchases of capital assets	(63,288)	(30,193)
Proceeds from sale of capital assets	3,938	1,826
Repayment of long-term debt	(10,562)	(10,266)
Interest paid on long-term debt	(16,391)	(16,796)
Net cash used in capital and related financing activities	(86,303)	(55,429)
Increase (decrease) in cash and cash equivalents	(58,246)	198,896
Cash and cash equivalents, beginning of year	223,162	24,266
Cash and cash equivalents, end of year	$ 164,916	$ 223,162

(in thousands)

	2021	2020
Reconciliation of operating loss to net cash provided by operating activities:		
Loss from operations	**$ (7,249)**	$ (45,486)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Pension expense	**19,496**	17,938
Depreciation	**51,110**	52,136
Provision for bad debts	**66,008**	76,757
Loss on disposals of capital assets	**1,260**	1,119
Amortization	**406**	454
Changes in operating assets and liabilities:		
Accounts receivable	**(93,253)**	(36,373)
Inventory and prepaid expenses	**(3,104)**	(57)
Other assets	**489**	2,711
Accounts payable and accrued expenses	**14,710**	12,315
CMS advance payments due within one year	**(12,238)**	109,651
Estimated third-party settlements	**(407)**	6,940
Deferred outflows - contributions to pension plan	**(12,775)**	(16,278)
Deferred outflows - contributions to 415(m) plan	**(76)**	(76)
Net cash provided by operating activities	**$ 24,377**	$ 181,751
Supplementary schedule of noncash investing activities:		
Change in fair value of investments	**$ 76,077**	$ 2,835
Supplementary schedule of noncash capital and related financing activities		
Proceeds receivable from sale of assets under capital lease, net of capital lease termination payable (see note 8).	**$ 195**	$ -
Capital asset acquired with capital leases	**$ 3,068**	$ 466

West Tennessee Healthcare and Related Affiliates
Statements of Fiduciary Net Position
June 30, 2021 and 2020

	2021 Other Post-Employment and Pension Trust Funds	(As restated) 2020 Other Post-Employment and Pension Trust Funds
ASSETS		
Investments:		
Money market mutual funds	**$ 1,282**	$ 1,225
Private equity hedge funds	**29,506**	26,392
Equity mutual funds	**46,507**	9,192
Fixed income mutual funds	**6,064**	-
Common collective trust funds	**182,565**	205,671
Real estate mortgage fund	**20,105**	23,370
Total investments	**286,029**	265,850
Investment income receivable	**79**	74
Total assets	**286,108**	265,924
LIABILITIES		
Administrative expenses payable	**25**	44
NET POSITION	**$ 286,083**	$ 265,880

West Tennessee Healthcare and Related Affiliates
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2021 and 2020

	2021 Other Post-Employment and Pension Trust Funds	(As restated) 2020 Other Post-Employment and Pension Trust Funds
Additions (reductions):		
Employer contributions	**$ 14,227**	$ 15,289
Investment income:		
Net appreciation in fair value of investments	**26,765**	39,173
Interest and dividends	**1,358**	2,229
Less investment expense	**(498)**	(473)
Net investment income	**27,625**	40,929
Total additions	**41,852**	56,218
Deductions:		
Benefits paid to participants	**21,649**	18,716
Total deductions	**21,649**	18,716
Change in net position	**20,203**	37,502
Net position		
Beginning of year	**265,880**	228,378
End of year	**$ 286,083**	$ 265,880

See accompanying notes.

1. Significant Accounting Policies

Organization and basis of presentation

The accompanying financial statements include West Tennessee Healthcare and its related affiliates (hereinafter collectively referred to as the "Company"), all of which are under common control of the Jackson-Madison County General Hospital District (the "District") and have been presented as blended component units ("BCUs") of the Company. We consider Jackson-Madison County General Hospital, Bolivar General Hospital, Camden General Hospital, Milan General Hospital, Volunteer Martin Hospital, Dyersburg Hospital, Pathways Behavioral Health, Outpatient Therapy, Health Partners, Therapy & Learning Center and the West Tennessee Medical Group BCUs of West Tennessee Healthcare, as the governing body is substantively the same as the governing body of West Tennessee Healthcare and has operational responsibility of those component units. The Company presents its financial statements in accordance with accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated.

Proprietary fund accounting

The Company utilizes the economic resources measurement focus and the proprietary fund method of accounting whereby revenues and expenses are recognized on an accrual basis. Substantially all revenues and expenses are subject to accrual.

Fiduciary activities

As defined by the GASB, the Company reports the operations of the pension and other post-employment benefits (“OPEB”), as blended fiduciary component units in the Fiduciary Fund Financial Statements. The pension and OPEB trust funds provide retirement and health benefits for qualified employees and retired employees. The pension and OPEB trust funds are legally separate entities and the resources of the trust funds cannot be used to finance the Company’s operations. The assets of the trust funds are held and administered in trust arrangements which are governed by a Board of Trustees (see Note 10). The Company is committed to making contributions to the trusts, and therefore assumes a financial burden for the trust funds and thus has financial accountability. As a result, the activity of the fiduciary funds is presented as a blended fiduciary component unit. The assets in each trust are held only for the Company employees’ and retirees’ benefit. The pension and OPEB trust funds have fiscal year-ends of December 31. Thus, the amounts included in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position are as of and for the years ended December 31, 2020 and 2019.

Cash and cash equivalents

The Company considers temporary cash investments with a maturity of three months or less when purchased to be cash and cash equivalents. In accordance with Tennessee Code Annotated Section 9-1-118, the full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation (“FDIC”). For deposits above and beyond the amount covered by the FDIC, the Company follows the requirements as set forth in Tennessee Code Annotated Title 9 Chapter 4, Part 5, “Collateral Pool for Public Deposits Act of 1990,” whereby “Local governments with bank deposits that are in excess of the amount covered by FDIC insurance must either maintain the deposit with a bank that is a member of the bank collateral pool or collateralize the deposit in accordance with State statues.”

Investments

The Company's investments are reported at fair value in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, which establishes a fair value hierarchy. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair values of investments in certain private equity, hedge and real estate funds are based on the investments' net asset value ("NAV") per share (or its equivalent) provided by the fund manager. The Company invests in government bonds, short-term money market investments, equity securities and alternative investments that are in accordance with the Company's investment policy. Alternative investments include the Company's ownership interest in limited partnerships and hedge, private equity and real estate investment funds.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Assets limited as to use

Assets limited as to use represent investments and temporary cash deposits set aside for multiple purposes:

- Funds by trustee under trust indentures
- To self-insure against malpractice and other general liability claims
- For future renovation, replacement, and expansion of the facilities
- To replenish operating funds as needed

The types of securities that are permitted investments for Company funds are established by the Company's Investment Policy in accordance with Tennessee Statutes. All funds of the Company may be invested in obligations of or guaranteed by the United States Government. In addition, certain funds of the Company may be invested in obligations of agencies of the U.S. government; obligations of or guaranteed by the State of Tennessee; collateralized certificates of deposit and repurchase agreements; commercial paper; and other asset classes including fixed income, domestic equities, international equities, and alternative investments.

Intangible assets

Intangible assets are amortized over their estimated useful lives of 5 to 40 years.

Capital assets

Property, plant, and equipment are recorded on the basis of cost. Depreciation is computed by applying the straight-line method over the estimated remaining useful lives of buildings and improvements (10 to 40 years) and equipment (4 to 20 years). Assets under capital leases are amortized using the straight-line method over the shorter of the estimated useful life of the assets or life of the lease term, excluding any lease renewal, unless the lease renewals are reasonably assured. Amortization expense related to assets under capital leases is included in depreciation expense. The Company's capitalization threshold is $3 and a minimum useful life of 2 years.

Deferred outflows/inflows of resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflow of resources (expense) until then. In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Company's deferred inflows and outflows are related to pensions, excess consideration provided for acquisitions and deferred charges on bond refundings.

Compensated absences

The Company allows employees to accumulate paid time off to be used for vacation, holiday and sick time. The Company allows employees to be paid for their vacation and holiday time not taken and accrues its liability for such time. Such liability is classified as accrued compensation and related expenses in the accompanying statements of net position.

Defined benefit pension plans

For purposes of measuring the 2021 and 2020 net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Company's defined benefit pension plans and additions to/deductions from the Company's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Bond original issue discounts or premiums

Bond original issue discounts or premiums are included with the long-term debt accounts and are amortized over the life of the related bonds by the interest method. Such amortization is included in interest expense in the accompanying statements of revenues and expenses and changes in net position.

Patient accounts receivable

Patient accounts receivable are reported net of both an estimated allowance for contractual adjustments and an estimated allowance for uncollectible accounts. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, TennCare and other third-party payor programs. The bad debt allowance is estimated based upon the age of the account, prior experience and any unusual circumstances which affect the collectability. The Company does not require collateral or other security for patient accounts receivable and routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Charity care and community benefit

As a community provider, the Company's policy is to accept all patients regardless of their ability to pay. Management believes that substantially all the uncollected amounts are due to patients' inability to pay. Therefore, all amounts which are not collected, other than third-party payor contractual adjustments, are recorded as charity care and excluded from net patient service revenues. In April 2015, the Company implemented a presumptive charity program, which is designed to provide financial assistance for non-elective services to individuals who meet approved eligibility criteria that have not applied through the traditional Patient Financial Assistance Program. Evaluation for presumptive charity begins at 90 days from initial patient billing, and determinations are made based upon obtainable credit history and estimated household income. As a result of this program, deductions to revenue that were considered bad debts in prior years are now considered to be charity care. The community benefit provided through charity care, including provisions for bad debts, was $137,664 and $159,258, based on gross charges, for the years ended June 30, 2021 and 2020, respectively. The estimated costs of providing charity services are based on a calculation, which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Company’s total expenses divided by gross patient service revenue. The estimated cost of providing such services amounted to approximately $45,261 and $50,827 for 2021 and 2020, respectively.

EHR incentive payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act ("HITECH"). The provisions were designed to increase the use of electronic health record ("EHR") technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

Net patient service revenues

Net patient service revenues are reported at the net amounts billed to patients, third-party payors and others for services rendered, including an estimated provision for bad debts and estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as changes in estimated provisions and final settlements are determined. Changes in estimated provisions and final settlements are included in net patient service revenues. Changes in estimated settlements resulted in an increase (decrease in net patient service revenues of $830 and ($6,965) for the years ended June 30, 2021 and 2020, respectively.

The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

<u>Medicare</u>

Inpatient acute care services and skilled nursing services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Company receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid-eligible and other low income patients. The Center for Medicare and Medicaid Services ("CMS") established an outpatient prospective payment system. CMS established groups called ambulatory payment classifications for outpatient procedures. Payments are made based on the group assignment for the service rendered. Additionally, CMS established a prospective payment system for home health services.

<u>TennCare</u>

The Company contracts with managed care organizations to receive reimbursement for providing hospital services to patients covered under the TennCare program. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges or prospectively determined daily rates.

<u>Other</u>

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

Charges at the Company's established billing rates (gross patient service charges) related to patients covered by Medicare, Medicaid, and TennCare programs were 67% and 68% of gross patient service revenues for the fiscal years ended June 30, 2021 and 2020, respectively.

Charges exceeding amounts reimbursed and not included in net patient service revenues were as follows:

		2021		2020
Medicare	$	**1,055,306**	$	1,063,290
TennCare		**377,215**		362,623
Other		**623,751**		532,917
Bad debts		**66,008**		76,757
	$	**2,122,280**	$	2,035,587

Laws and regulations governing the Medicare and TennCare/Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined (in relation to certain government programs, primarily Medicare, this is generally referred to as the "cost report" filing and settlement process). Final determination of amounts earned under prospective payment and cost reimbursement activities is subject to review by appropriate governmental authorities or their agents. Management believes that adequate provisions have been made for adjustments that may result from final determination of amounts earned under Medicare and Medicaid programs.

Virtual disproportionate share, critical access, UCC and Medicaid Disproportionate Share payments of approximately $14,328 and $15,184 received from TennCare/Medicaid were included in net patient service revenues during the years ended June 30, 2021 and 2020, respectively.

The Company believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and TennCare/Medicaid programs.

Operating revenues and expenses

The Company's primary mission is to provide health care services to the citizens of West Tennessee through its acute care and specialty care facilities. Therefore, operating revenues and expenses include those generated from direct patient care and sundry revenues and expenses related to the operation of the Company's facilities.

Federal income taxes

The Internal Revenue Service has determined that all material affiliates comprising the Company are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The District is also exempt from federal income taxes under Section 115 of the IRC. As qualified tax-exempt organizations, each of the tax-exempt affiliates comprising the Company must operate in conformity with the IRC to maintain its tax-exempt status.

Recent accounting pronouncements

GASB Statement No. 87, *Leases,* has the objective to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (the Company's fiscal year 2022).

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (the Company's fiscal year 2022).

GASB Statement No. 91, *Conduit Debt Obligations,* has the primary objective of providing a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 (the Company's fiscal year 2023).

GASB Statement No. 92, *Omnibus 2020*, has the objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (the Company's fiscal year 2022).

GASB Statement No. 93, *Replacement of Interbank Offered Rates.* Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods ending after June 15, 2021 (the Company's fiscal year 2022).

GASB Statement No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements* has the primary objective to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 (the Company's fiscal year 2023).

GASB Statement No. 96, *Subscription Based Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 (the Company's fiscal year 2023).

Management is evaluating the impact that the adoption of these standards will have on the financial statements.

2. Adoption of New Accounting Standards

The Company implemented GASB Statement No. 84, *Fiduciary Activities*, effective July 1, 2019. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. As a result of the implementation of GASB 84, the Company has included the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position for fiduciary activities for the pension and OPEB trust funds. Beginning net position in the fiduciary funds has been restated as of July 1, 2019. Previously, these fiduciary fund financial statements were not required to be presented, therefore all amounts for the year ended June 30, 2020 have been restated and presented for the first time as follows:

Fiduciary net position, July 1, 2019	$ 228,378
Fiduciary net position June 30, 2020	265,880
Change in fiduciary net position	37,502

The Company implemented GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and no. 84, and a Supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit

(OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The adoption clarified the requirements of GASB 84 for the Company.

The Company adopted GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No.61,* in 2021*. This standard* which has the primary objective of improving the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The adoption had no impact on the Company's financial statements.

3. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of coronavirus, a pandemic, and on March 13, 2020, a national emergency was declared in the United States. In response, state and local governments in the Company's service areas have imposed various measures to curtail certain aspects of public life in an effort to control further spreading of COVID-19. These measures include the closures of schools and businesses deemed "nonessential" and the temporary deferral of many of the Company's elective procedures and other non-urgent patient services. These measures have created significant volatility in the Company's operations and resulted in reduced patient volumes and operating revenues since March 2020. The ongoing disruption of the pandemic has resulted in deep and broad economic contraction, sharp increases in unemployment, supply chain shortages, and volatility in the financial markets. The pandemic could also result in an abnormally high demand for health care services, inundating the Company with patients in need of intensive care services. The treatment of a highly contagious disease could also result in a temporary shutdown of areas of the facility or diversion of patients or staffing shortages. These conditions may reduce the availability and increase the cost of certain medical supplies and equipment, negatively impact the creditworthiness of the Company's patients and payors and their ability to pay, result in shortages of clinical staff, and hurt the performance of the Company's investment portfolios.

The Company has activated plans to address the risks associated with the pandemic and is operating pursuant to infectious disease protocols and its emergency preparedness plan. The Company has also implemented various cost saving measures to attempt to mitigate any adverse financial impact and has received federal funding intended to provide emergency assistance to healthcare providers impacted by the pandemic.

The Provider Relief Fund was established under the Coronavirus Aid, Relief and Economic Security ("CARES") Act, administered by the U.S. Department of Health and Human Services ("HHS"), which was signed into law on March 27, 2020. The Company received approximately $73,720 from the Provider Relief Fund in fiscal 2020. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions, and regulatory requirements set forth by HHS. The Provider Relief Funds are accounted for as voluntary nonexchange transactions and related revenues are recognized as eligibility criteria are met. During the year ended June 30, 2020 the Company recognized $53,200 in nonoperating revenues, which is presented within nonoperating revenues (expenses) in the accompanying statements of revenues and expenses and changes in net position. The remaining $20,520 received in fiscal 2020 in addition to $4,700 in additional Provider Relief Fund payments received in fiscal 2021 were recognized by the Company in fiscal 2021. This $25,200 total is presented within nonoperating revenues (expenses) in the accompanying statements of revenues and expenses and changes in net position.

In addition to the terms, conditions, and published regulatory guidance available as of June 30, 2021 and 2020, HHS has published additional guidance related to the nature and allowability of certain qualifying expenses and methods for determining lost revenues attributable to COVID-19 through the publication of Frequently Asked Questions (FAQs) and the Post-Payment Notice of Reporting Requirements (see Note 16). The Company relied on the guidance available during the year ended June 30, 2021 and 2020 in determining the amounts of qualifying expenses and lost revenues attributable to COVID-19 and the related recognition of revenue during each of fiscal 2021 and 2020. Such determinations required management to make subjective interpretations of the available guidance, and to make assumptions and exercise considerable judgment.

The CARES Act allows employers to defer the payment of the employer's share of Federal Insurance Contributions Act ("FICA") taxes from the period of March 27, 2020 through December 31, 2020. 50% of the deferred employer FICA taxes is to be paid by December 31, 2021, with the remaining 50% to be paid by December 31, 2022. The Company began deferring employer FICA taxes in August 2020. The Company had $9,961 in deferred payroll taxes as of June 30, 2021, which is included in the "Accrued compensation and related expense" section of liabilities in the Statements of Net Position.

In addition, in April 2020 the Company received $109,651 in advance Medicare payments under the Centers for Medicare and Medicaid Services ("CMS") accelerated / advance payment program. These payments represent an advance on future services to be provided to Medicare patients, and are anticipated to be repaid in full during fiscal year 2022. The advance Medicare payments are reported as a current liability in the accompanying Statements of Net Position and have a balance of $97,413 as of June 30, 2021.

The extent of the impact of the pandemic on the Company's operational and financial performance will depend on certain developments, including the severity and duration of the pandemic, the responses of federal, state, and local governments and private industry, and the broader impact on the national and local economies. A sustained economic downturn could ultimately reduce the demand for the healthcare services and thus negatively impact future patient volumes, revenues, and cash flows. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

4. Assets Limited as to Use

The Company, as authorized by the Board of Trustees, maintains checking accounts necessary for daily operations and deposits and investments for debt service reserve funds, the contingency fund, and other internally designated funds.

Debt service reserve funds

The bond funds are maintained in accordance with the bond indentures related to the Series 2008 $318,980 Hospital Revenue Refunding and Improvement Bonds and the Series 2015 $205,965 Hospital Revenue Refunding Bonds (see Note 8). The interest fund and bond sinking fund are maintained for the payment of bond principal and interest. A debt service reserve fund was created under the existing indenture in connection with the issuance of the Series 2008 Bonds and this fund was eliminated in 2018 subsequent to the Series 2018A bond issue that refunded all outstanding Series 2008 bonds. The debt service reserve fund was maintained to make up any deficiencies in the interest fund and bond sinking fund. No debt service reserve fund was required in connection with the Series 2015, Series 2018A or Series 2018B bonds. Certain amounts comprising the interest fund, bond sinking fund and debt service reserve fund are included in the current portion of assets limited as to use in the accompanying statements of net position based on debt service requirements during the following fiscal year. The Company first applies restricted resources when expenses are incurred for purposes for which both restricted and unrestricted assets are available.

Board designated contingency fund and other internally designated

The Company established a board designated contingency fund for losses on self-insured professional liability claims. The Company also reserves funds for future purchases of capital assets and other internal purposes, and these funds are included in other internally designated assets limited as to use.

5. Cash and Investments

At June 30, 2021 and 2020, the Company had cash and deposits as follows:

	2021	2020
Cash on hand	$ 18	$ 18
Cash insured (FDIC) or collateralized with securities held by the Company	1,156	1,072
Cash collateralized by securities held by the pledging financial financial institution's trust department in the Company's name or in the State of Tennessee Collateral Pool	163,742	222,072
Total	$ 164,916	$ 223,162

Assets limited as to use consist of the following investments which are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit on the statements of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Prices for investment securities such as common stocks and mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

Prices for preferred stock, corporate bonds, U.S. government and agency fixed income securities, collateralized debt obligations and mortgage-backed securities are determined on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2.

There is limited or no observable data for the price of the private limited partnership fund, and the resulting fair value is categorized as Level 3. The fair value of this investment was estimated based primarily on the value of the underlying investments held by the fund and other information provided by the fund manager.

Investments' fair value measurements are as follows at June 30, 2021 and 2020:

	2021 Fair Value	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds:				
Money market	**$ 6,973**	**$ 6,973**	**$ -**	**$ -**
Balanced	**48,715**	**48,715**	**-**	**-**
Fixed income	**38,110**	**38,110**	**-**	**-**
	93,798	**93,798**	**-**	**-**
Common stock	**590**	**590**	**-**	**-**
Limited partnership fund of funds	**1,197**	**-**	**-**	**1,197**
Total investments in the fair value hierarchy	**95,585**	**$ 94,388**	**$ -**	**$ 1,197**
Investments measured at NAV	**352,647**			
Total investments	**$ 448,232**			

	2020 Fair Value	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds:				
Money market	$ 6,367	$ 6,367	$ -	$ -
Balanced	11,567	11,567	-	-
Fixed income	34,001	34,001	-	-
	51,935	51,935	-	-
Common stock	351	351	-	-
Limited partnership fund of funds	1,445	-	-	1,445
Total investments in the fair value hierarchy	53,731	$ 52,286	$ -	$ 1,445
Investments measured at NAV	316,011			
Total investments	$ 369,742			

The fair values of investments in certain private equity and hedge funds are based on the investments' NAV per share (or its equivalent) provided by the fund manager. Investments valued at NAV are as follows at June 30, 2021 and 2020:

	2021 Fair Value	2020 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships and hedge funds					
Equity fund [(a)]	**$ 117,972 ***	$ 129,981*	None	Daily	None
Core fixed income [(b)]	**70,689 ***	74,153*	None	Daily	None
Public inflation hedge [(c)]	**36,576 ***	27,063*	None	Daily	None
Real estate limited partnership [(d)]	**36,077 ***	36,118*	None	Quarterly	60 days
Direct hedged equity fund [(e)]	**37,472 ***	30,880*	None	Monthly	100 days
Private equity fund – global [(f)]	**543**	427	None	Quarterly	30 days
Private equity fund – global II [(g)]	**16,275**	12,000	None	(g)	1 year
Private equity funds [(h)]	**9,573**	5,389	None	(h)	N/A
Public foreign equity [(i)]	**11,810**	-	None	Monthly	30 days
Hedge fund [(j)]	**15,660**	-	None	Semi-annual	100 days
	$ 352,647	$ 316,011			

* Denotes an investment that is more than 5% of total investments.

[a] This fund is primarily invested in common stocks and exchange traded mutual funds in the United States and globally. The fair value of this investment has been estimated using the net asset value as provided by the fund manager.

[b] This fund is primarily invested in a broad range of fixed income securities, including commercial mortgage - backed securities, U.S. and global corporate bonds, and U.S. government securities.

[c] This fund's objective is to provide a partial hedge against inflation through a basket of inflation-sensitive assets. The fund holds investments in common stocks, exchange traded mutual funds and a broad range of fixed income securities in the U.S. and globally. Additionally, the fund is invested in derivatives and interest rate swaps.

[d] This fund actively manages a core portfolio consisting primarily of participating mortgage loans and equity real estate investments located in the United States.

[e] This fund invests in a number of alternative strategies through the use of separate accounts and limited partnerships. The objective is to provide a long-term total return with reduced volatility and reduced correlation to conventional stock and bond markets by utilizing a broad array of trading and investment strategies.

[f] This semi-liquid investment fund provides diversified private markets exposure in a registered investment company vehicle. 70% of the portfolio will be allocated to private equity, 20% to private debt, and the remaining 10% in liquid investments for cash management purposes.

[g] This is a semi-liquid investment fund following an initial lock of 3 years. The fund provides diversified private markets with exposure to private equity, real estate, secondary markets, infrastructure, and private credit.

[h] This investment is an illiquid investment that provides dedicated exposure to private equity investments. Investments in this fund cannot be redeemed. Rather, investments will be made for the first 5 years of the fund, and redemptions will be made as the underlying assets of the fund are liquidated. Final redemption could exceed 10 years. Because it is not probable that any of the investment will be sold prior to redemption, the fair value of the investment has been determined using the NAV per share of the Company's ownership interest.

[i] This fund is primarily invested in closed-end funds with a focus on developed international and emerging market equities.

[j] This fund invests in a number of long/short hedge fund strategies. The objective is to provide equity-like returns over the long term with less volatility than traditional equity markets.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the Company has assessed the custodial credit risk, the concentration of credit risk, credit risk, and interest rate risk of its cash and investments.

Custodial credit risk

The Company's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or are collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Company will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Company's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Company, and are held by either the counterparty or the counterparty's trust department or agent but not in the Company's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Company will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

At June 30, 2021 and 2020, the Company's bank balances were not exposed to custodial credit risk since the full amount was covered by FDIC insurance or collateralized by securities held by the pledging financial institution's trust department in the Company's name or by the State of Tennessee Collateral Pool.

As of June 30, 2021 and 2020, the Company's investments in assets limited as to use were registered in the Company's name; therefore, they are not exposed to custodial credit risk. In addition, the Company's investment policy requires that specific qualifications be met in order to represent the Company as a custodian.

Concentration of credit risk

This is the risk associated with the amount of investments the Company has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Company's investment policy states that no equity may represent more than 8% of any individual portfolio manager and that no single purchase shall represent more than 5% of the Company's total equity position.

Credit risk

GASB Statement No. 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Company's investment policy provides guidelines for its fund managers and lists specific allowable investments. The policy provides for the utilization of varying styles of managers so that portfolio diversification is maximized and total portfolio efficiency is enhanced.

The credit risk profile of the Company's investments as of June 30, 2021, is as follows:

	Balance June 30, 2021	Rating AAA	AA+/AA/AA-	A+ / A / A-	NA
Money market mutual funds	$ 6,973	$ 6,973	$ -	$ -	$ -
Real estate limited partnership at NAV	36,077	-	-	-	36,077
Fixed income mutual fund	38,110	11,455	2,186	10,237	14,232
Balanced mutual fund	48,715	-	-	-	48,715
Common stock	590	-	-	-	590
Limited partnerships	1,197	-	-	-	1,197
Common and collective trust funds	290,179	55,630	3,534	8,483	222,532
Private equity funds	26,391	-	-	-	26,391
Total investments	448,232	74,058	5,720	18,720	349,734
Amounts required to meet current obligations	(6,269)	(6,269)	-	-	-
	$ 441,963	$ 67,789	$ 5,720	$ 18,720	$ 349,734

Interest rate risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Company's investment policy authorizes a strategic asset allocation that is designed to provide an optimal return over the Company's investment horizon and within the Company's risk tolerance and cash requirements.

The distribution of the Company's investments by maturity as of June 30, 2021, is as follows:

	Balance June 30, 2021	Maturity 12 Months or Less	12 to 24 Months	24 to 60 Months	More than 60 Months	NA
Money market mutual funds	$ 6,973	$ 6,973	$ -	$ -	$ -	$ -
Real estate limited partnership at NAV	36,077	-	-	-	-	36,077
Fixed income mutual fund	38,110	29,727	2,558	-	3,228	2,597
Balanced mutual fund	48,715	-	-	-	-	48,715
Common stock	590	-	-	-	-	590
Limited partnerships	1,197	-	-	-	-	1,197
Common and collective trust funds	290,179	236	6,968	-	78,113	204,862
Private equity hedge fund	26,391	-	-	-	-	26,391
Total investments	448,232	36,936	9,526	-	81,341	320,429
Amounts required to meet current obligations	(6,269)	(6,269)	-	-	-	-
	$ 441,963	$ 30,667	$ 9,526	$ -	$ 81,341	$ 320,429

For the years ended June 30, 2021 and 2020, investment income is comprised of the following:

	2021	2020
Interest and dividends	**$ 2,631**	$ 713
Net increase in fair value of investments	**76,077**	2,835
	$ 78,708	$ 3,548

6. Disaggregation of Payable Balances

Accounts payable at June 30, 2021 and 2020, consisted of the following:

	2021	2020
Due to vendors	**$ 31,106**	$ 31,456
Due to patients and third-party payors	**4,659**	4,782
Other	**111**	96
Total accounts payable	**$ 35,876**	$ 36,334

Other accrued expenses at June 30, 2021 and 2020, consisted of the following:

	2021	2020
Self-insured professional liability	**$ 4,300**	$ 4,242
Self-insured employee health claims liability	**4,968**	4,503
Other	**949**	2,497
Total other accrued expenses	**$ 10,217**	$ 11,242

7. Capital Assets

Capital assets activity for the years ended June 30, 2021 and 2020, consisted of the following:

	Balance June 30, 2020	Additions	Transfers	Reductions	Balance June 30, 2021
Land	**$ 40,612**	**$ -**	**$ -**	**$ (394)**	**$ 40,218**
Land improvements	**14,424**	**-**	**10**	**(338)**	**14,096**
Building	**374,418**	**481**	**1,760**	**(3,004)**	**373,655**
Equipment	**607,717**	**28,931**	**833**	**(16,738)**	**620,743**
	1,037,171	**29,412**	**2,603**	**(20,474)**	**1,048,712**
CIP	**15,173**	**36,945**	**(2,603)**	**-**	**49,515**
Total capital assets	**1,052,344**	**66,357**	**-**	**(20,474)**	**1,098,227**
Accumulated Depreciation	**(644,334)**	**(51,110)**	**-**	**9,606**	**(685,838)**
Net capital assets	**$ 408,010**	**$ 15,247**	**$ -**	**$ (10,868)**	**$ 412,389**

	Balance June 30, 2019	Additions	Transfers	Reductions	Balance June 30, 2020
Land	$ 40,692	$ 234	$	$ (314)	$ 40,612
Land improvements	16,428	-	18	(2,022)	14,424
Building	384,174	1,987	1,848	(13,591)	374,418
Equipment	769,018	21,330	7,643	(190,274)	607,717
	1,210,312	23,551	9,509	(206,201)	1,037,171
CIP	17,924	7,108	(9,509)	(350)	15,173
Total capital assets	1,228,236	30,659	-	(206,551)	1,052,344
Accumulated depreciation	(795,804)	(52,136)	-	203,606	(644,334)
Net capital assets	$ 432,432	$ (21,477)	$ -	$ (2,945)	$ 408,010

Depreciation expense totaled $51,110 and $52,136, during the years ended June 30, 2021 and 2020, respectively.

Construction in progress at June 30, 2021, consists of various projects for additions and renovations to the Company's facilities. The Company has outstanding contracts and other commitments related to the completion of these projects. The Company estimates approximately $40,681 in costs to complete these projects.

8. Long-Term Debt and Capital Lease Obligations

Long-term debt consists of the following at June 30, 2021 and 2020:

	2021	2020
Hospital Revenue Bonds, Series 2015	**$ 177,590**	$ 182,735
Plus unamortized bond premium	**11,657**	12,782
Hospital Revenue Bonds, Series 2018A	**57,730**	59,395
Plus unamortized bond premium	**4,183**	4,560
Hospital Revenue Bonds, Series 2018B	**87,385**	88,960
Capital leases payable	**3,661**	8,244
	342,206	356,676
Amount due within one year, Series 2015	**(5,405)**	(5,145)
Amount due within one year, Series 2018A	**(1,745)**	(1,665)
Amount due within one year, Series 2018B	**(1,640)**	(1,575)
Amount due within one year, Capital leases	**(758)**	(2,186)
Total amounts due within one year	**(9,548)**	(10,571)
Total long-term debt less amounts due within one year	**$ 332,658**	$ 346,105

In November 2018, the Company issued $62,870 of Series 2018A Hospital Revenue Refunding Bonds and $91,025 of Series 2018B Taxable Hospital Revenue Bonds. The proceeds of the Series 2018A Bonds, together with other funds, were used by the Company to refund all outstanding Bonds from the Series 2008 Bond issue. The proceeds of the Series 2018B Bonds were used to reimburse the Company for the $90,000 bridge loan financing that was obtained for the Tennova West acquisition. The difference between the reacquisition price ($159,060) and the net carrying value of the old debt ($159,907) resulted in a loss of $847, which was recorded as deferred outflows of resources in the accompanying statements of net position and is being amortized over the remaining life of the Series 2008 Bonds (through 2041).

In April 2015, the District issued $205,965 of Series 2015 Hospital Revenue Refunding Bonds. The proceeds of the Series 2015 Bonds, together with other funds, were used by the District to advance refund $210,895 of the outstanding Series 2008 Hospital Revenue Refunding and Improvement Bonds. The difference between the reacquisition price ($241,465) and the net carrying value of the old debt ($207,897) resulted in a loss of $33,568, which was recorded as deferred outflows of resources in the accompanying statements of net position and is being amortized over the remaining life of the Series 2008 Bonds (through 2041).

The District's revenues are pledged as collateral to the Series 2018 and Series 2015 Bonds. Interest rates range from 3.25% to 5.31% on the Series 2018 Bonds and 2.0% to 5.25% on the Series 2015 Bonds. The District’s Series 2018 and Series 2015 Bonds contain covenant and default provisions as defined in the agreements, including the requirement to maintain rates such that net revenue available for debt service in a given fiscal year be greater than 110% of the principal and interest payment requirements for all debt for such fiscal year. In the event that the District violates this covenant by not maintaining such ratio, the District has the ability to cure the violation as defined in the agreement. The inability to cure the violation would result in a default. In each and every case of default, unless cured by the District within 30 days after written notice, the outstanding amounts can become due immediately upon approval of the bondholders.

Capital lease obligations

The Company entered into capital lease agreements, whereby it is leasing certain equipment through 2029. At June 30, 2021, the carrying value of equipment held under these leases totaled $3,786.

During 2021, the Company entered into a lease termination agreement, consisting of selling certain equipment with a net carrying value of approximately $7,075 held under capital lease back to the vendor for approximately $6,000, and repaying the remaining portion of the lease liability ($5,474) in addition to an early termination penalty ($331). The agreement was effective June 30, 2021, and net loss of approximately $1,406 was recognized on the lease termination transaction.

Minimum future lease payments under the capital leases at June 30, 2021, are as follows:

2022	$ 838
2023	730
2024	730
2025	730
2026	620
Thereafter	213
	3,861
Less: Amount representing interest	(200)
Present value of net minimum lease payments	3,661
Less: Current maturities	(758)
Long-term maturities of capital lease	$ 2,903

Long-term debt (excluding unamortized bond premium or discount) for the years ended June 30, 2021 and 2020, consisted of the following:

	June 30, 2019	**Additions**	**Reductions**	**June 30, 2020**	**Additions**	**Reductions**	**June 30, 2021**
Bonds payable	$ 339,095	**$ -**	$ 8,005	$ 331,090	**$ -**	**$ 8,385**	**$ 322,705**
Capital leases	10,039	466	2,261	8,244	**3,068**	**7,651**	**3,661**
Total	$ 349,134	$ 466	$ 10,266	$ 339,334	**$ 3,068**	**$ 16,036**	**$ 326,366**

Scheduled principal and interest payments, including bonds payable and capital leases, are as follows:

	Principal	**Interest**	**Total Debt Service**
Fiscal years ending June 30:			
2022	$ 9,548	$ 15,724	$ 25,272
2023	9,881	15,284	25,165
2024	10,336	14,822	25,158
2025	10,827	14,336	25,163
2026	11,283	13,825	25,108
2027-2031	61,726	60,642	122,368
2032-2036	78,560	43,588	122,148
2037-2041	99,270	22,877	122,147
2042-2046	23,630	6,893	30,523
2047-2048	11,305	907	12,212
	326,366	208,898	535,264
Unamortized bond premium, net	15,840	-	15,840
Total	$ 342,206	$ 208,898	$ 551,104

9. Leases

The Company leases equipment under various operating leases. Rent expense for all operating leases and office space was approximately $9,092 and $7,816 for the years ended June 30, 2021 and 2020, respectively. Approximate minimum future rental payments, by year and in the aggregate, under noncancelable operating leases with initial terms of one year or more are as follows at June 30, 2021:

2022	$ 6,082
2023	5,201
2024	4,937
2025	4,591
2026	4,507
2027-2031	8,334
2032-2036	3,665
Thereafter	2,975
	$ 40,292

10. Retirement Plans

The Company maintains and administers a noncontributory defined benefit pension plan, a defined contribution plan, a supplemental 415(m) plan, and other post-employment benefits plan. The operation of the plans is consistent with the laws of Tennessee and the United States federal government.

The Company's net pension liability as of June 30, 2021 and 2020, consists of the following:

	2021	2020
Defined benefit pension plan	**$ 126,557**	$ 121,081
Postretirement medical plan (OPEB)	**(2,726)**	(2,704)
Supplemental 415(m) plan	**1,218**	1,064
	$ 125,049	$ 119,441

Defined benefit pension plan

The West Tennessee Healthcare Pension Plan (the "Plan") is a single-employer defined benefit pension plan administered by the District. All employees hired after October 1, 2005, and prior to June 30, 2010, are covered on the fifth anniversary of their date of hire after they have completed at least 1,800 hours of employment per year. The Plan was discontinued for employees hired after June 30, 2010. The Plan provides retirement, termination, disability, and death benefits to plan members and beneficiaries. The Plan issues a publicly available financial report that can be obtained from the Company's Internal Audit Department, 620 Skyline Drive, Jackson, Tennessee 38301.

Normal retirement benefits for employees hired prior to October 1, 2005, are calculated as one-twelfth of 1.2% of the employee's highest consecutive 5-year average salary, plus .65% of average compensation in excess of covered compensation, as defined, for each year of credited service up to a maximum of 30 years. Normal retirement benefits for employees hired after October 1, 2005, are calculated as one-twelfth of the sum of (1), (2), and (3) as defined below:

(1) 0.5% of the employee's average compensation multiplied by years of credited service, as defined, up to ten years.

(2) 1% of the employee's average compensation, multiplied by years of credited service, as defined, in excess of ten years, but not over twenty years.

(3) 1.5% of the employee's average compensation multiplied by years of credited service, as defined, in excess of twenty years, but not exceeding thirty years.

Employees initially hired or acquired prior to October 1, 2005, are eligible to retire at the first of the month coincident with or next following the date on which the person attains age 65. Employees initially hired or acquired on or after October 1, 2005, are eligible to retire at the first of the month coincident with or next following the date the person attains age 65 and has been credited with at least five years of service. Employees initially hired or acquired prior to October 1, 2005, are eligible to retire before normal retirement on or after attaining age 55. Employees initially hired or acquired on or after October 1, 2005, are eligible to retire before normal retirement on or after attaining age 55 with five years of service.

All employees are eligible for disability benefits after 10 years of service. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefit is determined as if the employee had retired immediately before death and had elected to receive a joint and 100% survivor annuity naming the beneficiary as the joint annuitant.

At January 1, 2020 and January 1, 2019, the census dates used to measure the 2021 and 2020 total pension liability, respectively, the following employees (stated in actual numbers, not thousands) were covered by the benefit terms of the Plan:

	2021	2020
Inactive employees or beneficiaries currently receiving benefits	**$ 1,147**	$ 1,102
Inactive employees or beneficiaries entitled to but not yet receiving benefits	**670**	690
Active employees	**2,081**	2,277
Total	**$ 3,898**	$ 4,069

Contributions

The Company has no legal or Plan requirements to fund the Plan. The Company’s funding policy is to make contributions based on an amount recommended by an independent actuary calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. The actuarially determined contribution is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The additional amount to finance the unfunded liability has been estimated with the goal of fully funding the plan over a closed 30-year period beginning in 2017. In addition, annual gains and losses have been spread over a 10-year period in order to reduce the effects of market volatility and provide stability to the suggested contributions. For the years ended June 30, 2021 and 2020, the Company's average contribution rate was 10% and 11.7%, respectively, of annual payroll.

Net pension liability

The Company's net pension liability at June 30, 2021, was measured as of June 30, 2020, and the total pension liability used to calculate the 2021 net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5%
Investment rate of return	6.5%

Mortality rates were based on the RP-2014 Mortality Table for males and females with adjustments for generational projections based on Scale BB, using the Entry Age Normal Cost method. The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2019, to June 30, 2020.

The long-term expected rate of return on Plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic & international equity securities	55%	7.3 - 7.9%
Private equity	10%	8.3 - 8.7%
Hedged equity	10%	4.5 - 5.0%
Real estate and other	15%	5.2 - 5.3%
Fixed income	10%	1.0 – 2.3%
	100%	

The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that the Company contributions will be made at actuarially determined amounts. Based on these assumptions, 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 long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

The net pension liability and annual pension expense for fiscal year 2021 are based on a measurement date of June 30, 2020, and a measurement period of July 1, 2019 to June 30, 2020.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance, June 30, 2020	$ 370,270	$ 249,189	$ 121,081
Service cost	6,254	-	6254
Interest	23,832	-	23,832
Difference between expected and actual experience	(9,154)	-	(9,154)
Contributions – employer	-	16,278	(16,278)
Net investment income	-	(822)	822
Benefit payments	(20,077)	(20,077)	-
Administrative expense	-	-	-
Net changes	855	(4,621)	5,476
Balance, June 30, 2021	**$ 371,125**	**$ 244,568**	**$ 126,557**

The net pension liability and annual pension expense for fiscal year 2020 are based on a measurement date of June 30, 2019, and a measurement period of July 1, 2018, to June 30, 2019.

	Total Pension Liability (b)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance, June 30, 2019	$ 359,002	$ 242,631	$ 116,371
Service cost	6,577	-	6,577
Interest	23,224	-	23,224
Difference between expected and actual experience	(1,702)	-	(1,702)
Contributions – employer	-	13,400	(13,400)
Net investment income	-	9,989	(9,989)
Benefit payments	(16,831)	(16,831)	-
Administrative expense	-	-	-
Net changes	11,268	6,558	4,710
Balance, June 30, 2020	$ 370,270	$ 249,189	$ 121,081

The following presents the net pension liability of the Company, calculated using the discount rate of 6.5%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net pension liability	$ 168,976	$ 126,557	$ 82,536

For the years ended June 30, 2021 and 2020, the Company recognized pension expense of $19,531 and $20,543, respectively.

At June 30, 2021, and 2020, the Company reported pension deferred outflows (inflows) of resources as noted below:

		2021		2020
Difference between expected and actual experience	$	**(5,606)**	$	2,651
Net difference between projected and actual earnings on Plan investments		**14,925**		4,446
Pension contributions subsequent to the measurement date		**12,851**		16,354
	$	**22,170**	$	23,451

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

Fiscal Year Ending June 30		
2022	$	1,965
2023		3,175
2024		2,578
2025		1,601
2026		-

Supplemental 415(m) retirement plan

In 2005, the Company established a supplemental 415(m) retirement plan (the "415 Plan"). The 415 Plan provides monthly benefits, to a single retiree, equal to the benefit that cannot be paid from the Plan due to the application of the IRC Section 415 limits. The 415 Plan is unfunded. Benefit payments are deemed contributions when paid.

The 415 Plan net pension liability of $1,218 and annual pension expense of $230 for fiscal year 2021 are based on a measurement date of June 30, 2020, and a measurement period of July 1, 2019 to June 30, 2020, as determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2021, actuarial valuation was determined using a discount rate of 2.25%, adjusted down from the 4% discount rate that was used at June 30, 2020. The projection of cash flows used to determine the discount rate assumed that the Company contributions will be made at actuarially determined amounts.

The 415 Plan net pension liability of $1,064 and annual pension expense of $48 for fiscal year 2020 are based on a measurement date of June 30, 2019, and a measurement period of July 1, 2018 to June 30, 2019, as determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2020, actuarial valuation was determined using a discount rate of 4%. The projection of cash flows used to determine the discount rate assumed that the Company contributions will be made at actuarially determined amounts.

Other post-employment benefits ("OPEB")

The West Tennessee Healthcare Postretirement Medical Plan (the "OPEB") is a single-employer plan administered by the Company and provides postretirement health insurance benefits to certain retired employees and their beneficiaries. Effective July 1, 2017, the Company accounts for its OPEB plan in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. During 2016, the

OPEB plan was amended to not allow participation for employees retiring after December 31, 2017. With the change, the Company's OPEB plan was overfunded by approximately $3,600. In February 2018, the Company distributed approximately $2,500 of the excess to Plan participants.

Based on the June 30, 2021 and 2020 actuarial valuations, the Company's OPEB plan was overfunded by $2,726 and $2,704 (the "net OPEB asset"), respectively. In February 2021, the company distributed $2,300 of the excess to Plan participants. The remainder of the balance will continue to be drawn down as expenses are incurred by the Plan's existing beneficiaries. The Company recorded OPEB income of $265 and $2,653 in fiscal years 2021 and 2020, respectively. The plan does not issue a publicly available financial report.

Description of OPEB plan

90% of future eligible retirees are assumed to elect medical coverage in the OPEB plan. 100% of current retirees are assumed to continue medical coverage until Medicare eligibility, or until death if grandfathered. Employees that are eligible to participate in the OPEB plan are employees that were either full-time or part-time, enrolled in healthcare benefits, and retired prior to January 1, 2018, after meeting the following criteria:

- Age 60 and 30 years of service
- Age 62 and 15 years of service

Retiree coverage ends at age 65 (Medicare eligibility). Spouse coverage ends at the earlier of the spouse's age 65 or 18 months after the retiree reaches age 65. There is a closed group of grandfathered retirees that are eligible to continue coverage through their lifetime beyond age 65.

Retirees have the choice between two plan options for medical coverage: a medical deductible plan or a medical copayment plan. The retiree monthly contributions (in dollars) as of January 1, 2020, the actuarial valuation date and date of collection of census data, are summarized in the following table:

	Medical Deductible Plan	Medical Copayment Plan
Individual	$ 677	$ 713
Individual + 1	$ 1,337	$ 1,408

Certain grandfathered retirees have no contribution requirement, and certain grandfathered retirees will not be subject to contribution increases.

At January 1, 2020 and 2019, the following employees were covered by the benefit terms of the OPEB plan:

	2021	2020
Active employees	**-**	-
Retired employees receiving benefits	**15**	22
Spouses of retired employees receiving benefits	**1**	5
Total	**16**	27

Contributions

The Company has no legal or plan requirements to fund the OPEB plan. The Company's funding policy is to make contributions based on an amount recommended by an independent actuary calculated as of June 30 one year prior to the end of the fiscal year in which contributions are reported. The actuarially determined contribution is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended June 30, 2021 and 2020, the Company was not required to make a contribution to the OPEB plan.

Net OPEB asset

The Company's net OPEB asset at June 30, 2021, was measured as of June 30, 2020, and the total liability used to calculate the 2021 net OPEB asset was determined by an actuarial valuation as of that date. The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions:

Investment rate of return	6.5%

Mortality rates were based on the RP-2014 Mortality Table for males and females with adjustments for generational projections based on Scale BB, using the Entry Age Normal Cost method.

The long-term expected rate of return on Plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Expected Real Allocation	Long-Term-Expected Real Rate of Return
Domestic & international equity securities	100%	7.25 - 7.33%

The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that the Company contributions will be made at actuarially determined amounts. Based on these assumptions, 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 long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net OPEB asset

The net OPEB asset and annual OPEB income for fiscal year 2021 are based on a measurement date of June 30, 2020, and a measurement period of July 1, 2019 to June 30, 2020.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) – (b)
Balance, June 30, 2020	$ 272	$ 2,976	$ (2,704)
Service cost	-	-	-
Interest	15	-	15
Difference between expected and actual experience	(5)	-	(5)
Net investment income	-	(67)	67
Benefit payments	(99)	-	(99)
Net changes	(89)	(67)	(22)
Balance, June 30, 2021	**$ 183**	**$ 2,909**	**$ (2,726)**

The net OPEB asset and annual OPEB income for fiscal year 2020 are based on a measurement date of June 30, 2019, and a measurement period of July 1, 2018 to June 30, 2019.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) – (b)
Balance, June 30, 2019	$ 466	$ 2,834	$ (2,368)
Service cost			
Interest	28	-	28
Difference between expected and actual experience	(160)	-	(160)
Net investment income	-	142	(142)
Benefit payments	(62)		(62)
Net changes	(194)	142	(336)
Balance, June 30, 2020	$ 272	$ 2,976	$ (2,704)

The following presents the total OPEB liability of the Company, calculated using the discount rate of 6.5% and healthcare cost trend rates of 7.5% decreasing to 5.5%, as well as what the Company's total OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is 1% lower or 1% higher than the current rate.

	1% Decrease	Current Rates	1% Increase
Net OPEB asset with changes in discount rate	$ (2,720)	$ (2,726)	$ (2,732)
Net OPEB asset with changes in healthcare cost trend rates	$ (2,734)	$ (2,726)	$ (2,717)

At June 30, 2021, the actuarially determined OPEB deferred (inflows) outflows of resources are as follows:

Difference between expected and actual experience	$	-
Net difference between projected and actual earnings on OPEB plan investments		186
	$	186

Amounts reported as deferred inflows of resources related to the OPEB plan are scheduled to be recognized in OPEB income as follows:

Fiscal Year Ending June 30		
2022	$	17
2023		57
2024		60
2025		52

Defined contribution plan

The Company also maintains a defined contribution plan under Section 403(b) of the IRC which provides for voluntary contributions by employees upon employment and matching contributions by the Company after 90 days of service. Substantially all employees of the Company are eligible and may contribute up to 100% of their compensation, subject to certain IRC limitations. During the fiscal year ended June 30, 2012, upon January 1 or July 1 after the completion of 90 days of credited service, for every 1% the employee invested up to 6%, the Company matched 25% of the employee's contribution. Beginning on January 1, 2013, upon January 1 or July 1 after the completion of 90 days of credited service, for every 1% the employee invested up to 6%, the Company matched 50% of the employee's contribution. The Company recognized expense related to the 403(b) Plan of $5,150 and $4,335 in 2021 and 2020, respectively. There is no separate audited financial report available for the defined contribution plan, the 415 Plan or the OPEB plan.

11. Commitments and Contingencies

The Company 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; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Professional liability

The Company established the contingency fund as a professional liability self-insurance fund in accordance with the Tennessee Governmental Tort Liability Act ("the Tort Act"), which restricts the District’s exposure to professional liability risks to a pre-determined amount per occurrence.

The District is a "governmental entity" within the meaning of the Tort Act. As such, its maximum liability for state law tort causes of action is $300 for bodily injury or death of any one person in accident, occurrence, or act, and $700 for bodily injury or death of all persons in any one accident, occurrence, or act. These limits are subject to change by the Tennessee Legislature.

The Company's accrual for self-insured professional liability risks was $4,300 and $4,242 at June 30, 2021 and 2020, respectively, and was based on asserted claims for occurrences prior to that date.

Workers' compensation

Under the Tennessee Workers' Compensation Law, governmental entities such as the District need not accept the workers' compensation system, thereby remaining subject to common law liability for work-related injuries and retaining all common law defenses to such claims. The limits of liability under the Tort Act are applicable to such claims. The District has not accepted the workers' compensation system. The Tennessee Supreme Court has ruled this exemption applicable to the District's affiliate nonprofit corporations as well.

Self-insured health insurance

The Company is self-insured with respect to employee health insurance. Estimates of health insurance claims incurred but unpaid as of June 30, 2021 and 2020, are accrued based on estimates that incorporate the Company's past experience, as well as other considerations including the nature of claims and relevant trends. The Company accrued a liability for incurred but unpaid claims of approximately $4,968 and $4,503 as of June 30, 2021 and 2020, respectively, which is included in other accrued expenses in the accompanying statements of net position. The expenses related to claims paid during the years ended June 30, 2021 and 2020, are $61,495 and $54,290, respectively, and are included in salaries and benefits expense.

The following represents changes in those aggregate liabilities for estimates of health insurance for the years ended June 30:

	2021	2020
Claims payable, beginning of year	**$ 4,503**	$ 4,503
Incurred claims expense	**61,960**	54,290
Claims payments	**(61,495)**	(54,290)
Claims payable, end of year	**$ 4,968**	$ 4,503

Litigation

The Company is subject to claims and suits which arise in the ordinary course of business. In the opinion of management, reserves for estimated losses on pending legal proceedings are adequate, and the ultimate resolution of any pending legal proceedings will not have a material effect on the Company's financial position. However, the ultimate outcome of such matters is unknown.

CARES Act funding

Payments from the CARES Act are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost operating revenues and COVID-related costs, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider.

Furthermore, HHS has indicated that it will be closely monitoring and, along with the Office of Inspector General, auditing providers to ensure that recipients comply with the terms and conditions of relief programs and to prevent fraud and abuse. All providers will be subject to civil and criminal penalties for any deliberate omissions, misrepresentations or falsifications of any information given to HHS. The Company has formally accepted the terms and conditions associated with the receipt of relief payments received.

With respect to the CARES Act funding described in Note 3, there can be no assurance as to the total amount of financial and other types of assistance the Company will receive under the CARES Act or other funding sources, and it is difficult to predict the impact of such measures on operating results. Further, there can be no assurance that the terms of provider relief funding or other programs will not change or be interpreted in ways that affect the Company's funding or eligibility to participate or the Company's ability to comply with applicable requirements and retain amounts received. The Company continues to assess the potential impact of the CARES Act and the potential impact of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on the Company's business, results from operations, financial condition and cash flows. The use of CARES Act funding is subject to validation and audit and, therefore, the possibility exists that monies recognized as nonoperating activity could be subject to recoupment in the future.

12. Concentrations

The Company purchased approximately 49% and 50% of medical supplies and drugs from two vendors for the years ended June 30, 2021 and 2020, respectively.

13. Investment in Joint Venture

Through June 30, 2017, the Company owned and operated a 48-bed inpatient rehabilitation unit located at Jackson-Madison County General Hospital, and HealthSouth Corporation owned and operated a 40-bed inpatient rehabilitation hospital known as HealthSouth Cane Creek Rehab Hospital, located in Martin, Tennessee. The Company and HealthSouth entered into a joint venture agreement for the (a) construction, development and operation of a new 48-bed inpatient rehabilitation hospital in Jackson, Tennessee, and (b) the continued operation of the Cane Creek Rehab Hospital in its current location. The parties formed a limited liability company with both parties receiving a 50% ownership. During the year ended June 30, 2017, the Company contributed cash to the joint venture for construction and other costs totaling $13,781. Effective June 30, 2017, the Company discontinued its existing inpatient rehabilitation operations and made a contribution to the joint venture for the estimated value of those operations, resulting in a gain of $12,988. The Company's investment in the joint venture is accounted for using the equity method and was carried at $26,246 and $26,356 as of June 30, 2021, and 2020, respectively. The Company recognized earnings from the joint venture of $3,754 and $2,140 during the years ended June 30, 2021 and 2020, respectively. The Company received $3,864 and $4,037 of distributions from the joint venture during the years ended June 30, 2021 and 2020. Separately issued financial statements for the joint venture are not available. The carrying value of the Company's investment at June 30, 2021, approximates its share of underlying equity in the net assets of the joint venture, adjusted for the effects of contributed capital and other items in accordance with the terms of the joint venture agreement.

The joint venture's assets and liabilities totaled $56,176 and $31,093, respectively, as of June 30, 2021. The joint venture's revenues and net income for the year ended June 30, 2021, were $53,364 and $7,510, respectively. The joint venture's assets and liabilities totaled $56,277 and $30,695, respectively, as of June 30, 2020. The joint venture's revenues and net income for the year ended June 30, 2020, were $47,469 and $4,281, respectively.

14. Obligated Group

As disclosed in Note 8, the Company has revenue bonds outstanding that are payable from the operating revenues of certain affiliates of the District (the "Obligated Group"). Summary financial information for the Obligated Group is as follows:

	June 30	
	2021	**2020**
Assets:		
Current assets	$ **418,584**	$ 416,531
Capital assets	**393,486**	389,691
Other assets	**472,804**	394,736
	1,284,874	1,200,958
Deferred outflows of resources	**57,206**	55,146
Total assets and deferred outflows of resources	$ **1,342,080**	$ 1,256,104
Liabilities:		
Current liabilities	$ **200,527**	$ 219,531
Long-term debt	**332,658**	346,105
Net pension liability	**125,049**	119,441
	658,234	685,077
Deferred inflows of resources	**5,606**	-
Unrestricted net position	**555,239**	464,063
Invested in capital assets, net of related financing	**116,732**	100,696
Restricted net position	**6,269**	6,268
	678,240	571,027
Total liabilities, deferred inflows of resources and net position	$ **1,342,080**	$ 1,256,104

	Year Ended June 30	
	2021	**2020**
Net patient service revenues	$ **795,372**	$ 691,893
Other revenues	**41,089**	29,606
Total operating revenues	**836,461**	721,499
Operating expenses	**760,391**	676,620
Depreciation	**48,941**	50,096
Total operating expenses	**809,332**	726,716
Operating income (loss)	**27,129**	(5,217)
Net nonoperating revenues	**93,912**	51,857
Interest expense	**(13,828)**	(14,327)
Increase in net position	**107,213**	32,313
Net position, beginning of year	**571,027**	538,714
Net position, end of year	$ **678,240**	$ 571,027
Net cash provided by (used in):		
Operating activities	$ **18,653**	$ 181,676
Noncapital financing activities	**3,259**	62,275
Capital and related financing activities	**211**	(47,535)
Investing activities	**(79,963)**	410
	(57,840)	199,826
Cash and cash equivalents, beginning of year	**222,031**	22,205
Cash and cash equivalents, end of year	$ **164,191**	$ 222,031

15. Blended Component Units

Jackson-Madison County General Hospital, Bolivar General Hospital, Camden General Hospital, Milan General Hospital, Volunteer Martin Hospital, Dyersburg Hospital, Pathways Behavioral Health, Outpatient Therapy, Health Partners, Therapy & Learning Center and the West Tennessee Medical Group are considered blended component units ("BCUs") of West Tennessee Healthcare, as the governing body is substantively the same as the governing body of West Tennessee Healthcare and has operational responsibility of these component units. Separately issued financial statements are not available for any blended component unit. In the statements that follow, we present condensed combining information for the BCUs. In 2019, the Company transferred certain assets and liabilities, other operating revenues, operating expenses, and interest expense used to support all component unit operations to “System Support”, as reflected in the following statements. The revenues and expenses are allocated to component units based on a cost allocation methodology. Prior to 2019, these assets, liabilities, revenues, and expenses were reflected under Jackson-Madison County General Hospital.

As of June 30, 2021 and 2020, there were five blended component units that had an ending deficit net position, including West Tennessee Medical Group, Therapy & Learning Center, Health Partners, Volunteer Hospital, and Dyersburg Hospital. The contributing factors to each unit’s deficit net position vary by service. The units are integral to the overall mission of the health care system and the organization works to balance deficits in operational performance for these business units with surplus performance in other component units. In all cases, the organization strives to improve performance and the overall position of the component units as well as the organization as a whole.

West Tennessee Healthcare and Related Affiliates
Notes to Financial Statements
(in thousands)

Statement of Net Position
June 30, 2021

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Eliminations	Total BCUs
ASSETS														
Current assets:														
Cash and cash equivalents	$ 163,418	$ 110	$ 58	$ 212	$ 69	$ 561	$ 49	$ 32	$ 361	$ 7	$ 39	$ -	$ -	$ 164,916
Accounts receivable, net	98,923	1,327	1,075	3,137	777	5,947	1,144	1,590	6,637	-	449	-	-	121,006
Other receivables	234,444	216	210	169	732	5	1,205	120	126	2	595	-	(225,974)	11,850
Inventories	8,278	215	102	252	104	558	241	-	140	-	-	-	-	9,890
Prepaid expenses	12,866	141	147	230	253	282	-	-	262	-	-	-	-	14,181
Assets limited to use - current portion	6,269	-	-	-	-	-	-	-	-	-	-	-	-	6,269
Total current assets	524,198	2,009	1,592	4,000	1,935	7,353	2,639	1,742	7,526	9	1,083	-	(225,974)	328,112
Assets limited as to use	441,963	-	-	-	-	-	-	-	-	-	-	-	-	441,963
Other assets	28,747	-	-	171	-	472	-	-	-	-	-	1,451	-	30,841
Capital assets, net	302,184	7,365	2,063	10,199	1,278	25,555	1,297	983	4,982	-	935	55,548	-	412,389
Total assets	1,297,092	9,374	3,655	14,370	3,213	33,380	3,936	2,725	12,508	9	2,018	56,999	(225,974)	1,213,305
DEFERRED OUTFLOWS OF RESOURCES	49,805	-	-	-	-	-	-	-	-	-	-	7,401	-	57,206
Total assets and deferred outflows of resources	$ 1,346,897	$ 9,374	$ 3,655	$ 14,370	$ 3,213	$ 33,380	$ 3,936	$ 2,725	$ 12,508	$ 9	$ 2,018	$ 64,400	$ (225,974)	$ 1,270,511
LIABILITIES														
Current liabilities:														
Accounts payable	$ 32,859	$ 110	$ 57	$ 328	$ 54	$ 1,528	$ 95	$ 4	$ 740	$ -	$ 7	$ 94	$ -	$ 35,876
Accrued compensation and related expenses	46,381	-	-	-	-	-	-	-	(366)	-	-	-	-	46,015
Accrued interest expense	3,885	-	-	-	-	-	-	-	-	-	-	-	-	3,885
Other accrued expenses	(840)	(19,321)	(21,099)	28,241	(8,052)	35,472	(10,275)	(90)	147,207	1,757	18,885	64,306	(225,974)	10,217
Estimated third-party settlements	1,120	19	1,597	22	2,678	18	5,792	-	-	-	-	-	-	11,246
CMS Advance payments due within one year	83,788	1,550	717	1,952	614	8,792	-	-	-	-	-	-	-	97,413
Deferred CARES Act provider relief funds (see Note 2)	-	-	-	-	-	-	-		-	-	-	-	-	-
Long-term debt due within one year	9,548	-	-	-	-	-	-	-	-	-	-	-	-	9,548
Total current liabilities	176,741	(17,642)	(18,728)	30,543	(4,706)	45,810	(4,388)	(86)	147,581	1,757	18,892	64,400	(225,974)	214,200
Other liabilities:														
Long-term debt, less amounts due within one year	332,658	-	-	-	-	-	-	-	-	-	-	-	-	332,658
Net pension liability	125,049	-	-	-	-	-	-	-	-	-	-	-	-	125,049
Total other liabilities	457,707	-	-	-	-	-	-	-	-	-	-	-	-	457,707
Total liabilities	634,448	(17,642)	(18,728)	30,543	(4,706)	45,810	(4,388)	(86)	147,581	1,757	18,892	64,400	(225,974)	671,907
DEFERRED INFLOWS OF RESOURCES	5,606	-	-	-	-	-	-	-	-	-	-	-	-	5,606
NET POSITION														
Unrestricted	675,144	19,651	20,320	(26,372)	6,641	(37,985)	7,027	1,828	(140,055)	(1,748)	(17,809)	(55,548)	-	451,094
Net investment in capital assets	25,430	7,365	2,063	10,199	1,278	25,555	1,297	983	4,982	-	935	55,548	-	135,635
Restricted for debt service	6,269	-	-	-	-	-	-	-	-	-	-	-	-	6,269
Total net position	706,843	27,016	22,383	(16,173)	7,919	(12,430)	8,324	2,811	(135,073)	(1,748)	(16,874)	-	-	592,998
Total liabilities, deferred inflows of resources and net position	$ 1,346,897	$ 9,374	$ 3,655	$ 14,370	$ 3,213	$ 33,380	$ 3,936	$ 2,725	$ 12,508	$ 9	$ 2,018	$ 64,400	$ (225,974)	$ 1,270,511

(in thousands)

Statement of Net Position
June 30, 2020

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Eliminations	Total BCUs
ASSETS														
Current assets:														
Cash and cash equivalents	$ 221,886	$ 117	$ 71	$ (87)	$ 81	$ 232	$ 69	$ 135	$ 613	$ 4	$ 41	$ -	$ -	$ 223,162
Accounts receivable, net	82,168	1,433	682	2,281	627	5,851	757	1,311	6,015	-	277	-	-	101,402
Other receivables	178,329	3	223	-	178	7	823	-	132	-	693	-	(176,179)	4,209
Inventories	7,558	115	93	236	102	509	233	-	138	-	-	-	-	8,984
Prepaid expenses	11,621	8	-	64	8	247	-	-	35	-	-	-	-	11,983
Assets limited to use - current portion	6,268	-	-	-	-	-	-	-	-	-	-	-	-	6,268
Total current assets	507,830	1,676	1,069	2,494	996	6,846	1,882	1,446	6,933	4	1,011	-	(176,179)	356,008
Assets limited as to use	363,474	-	-	-	-	-	-	-	-	-	-	-	-	363,474
Other assets	28,652	-	-	185	-	847	-	-	-	-	-	1,578	-	31,262
Capital assets, net	294,448	3,946	2,207	10,735	1,510	26,935	1,236	1,173	7,188	-	1,059	57,573	-	408,010
Total assets	1,194,404	5,622	3,276	13,414	2,506	34,628	3,118	2,619	14,121	4	2,070	59,151	(176,179)	1,158,754
DEFERRED OUTFLOWS OF RESOURCES	47,466	-	-	-	-	-	-	-	-	-	-	7,680	-	55,146
Total assets and deferred outflows of resources	$ 1,241,870	$ 5,622	$ 3,276	$ 13,414	$ 2,506	$ 34,628	$ 3,118	$ 2,619	$ 14,121	$ 4	$ 2,070	$ 66,831	$ (176,179)	$ 1,213,900
LIABILITIES														
Current liabilities:														
Accounts payable	$ 30,030	$ 168	$ 88	$ 1,002	$ 156	$ 2,071	$ 128	$ 3	$ 951	$ -	$ 1	$ 1,736	$ -	$ 36,334
Accrued compensation and related expenses	29,883	-	-	-	-	-	-	-	(61)	-	-	-	-	29,822
Accrued interest expense	3,996	-	-	-	-	-	-	-	-	-	-	-	-	3,996
Other accrued expenses	4,683	(23,088)	(20,654)	20,846	(11,321)	29,770	(11,748)	(1,494)	116,299	1,444	17,589	65,095	(176,179)	11,242
Estimated third-party settlements	2,249	-	1,261	(13)	3,558	59	4,539	-	-	-	-	-	-	11,653
CMS Advance payments due within one year	94,500	1,591	969	2,200	850	9,541	-	-	-	-	-	-	-	109,651
Deferred CARES Act provider relief funds (see Note 2)	8,165	3,008	2,659	2,236	2,855	1,551	-		46	-	-	-	-	20,520
Long-term debt due within one year	10,571	-	-	-	-	-	-	-	-	-	-	-	-	10,571
Total current liabilities	184,077	(18,321)	(15,677)	26,271	(3,902)	42,992	(7,081)	(1,491)	117,235	1,444	17,590	66,831	(176,179)	233,789
Other liabilities:														
Long-term debt, less amounts due within one year	346,105	-	-	-	-	-	-	-	-	-	-	-	-	346,105
Net pension liability	119,441	-	-	-	-	-	-	-	-	-	-	-	-	119,441
Total other liabilities	465,546	-	-	-	-	-	-	-	-	-	-	-	-	465,546
Total liabilities	649,623	(18,321)	(15,677)	26,271	(3,902)	42,992	(7,081)	(1,491)	117,235	1,444	17,590	66,831	(176,179)	699,335
NET POSITION														
Unrestricted	580,526	19,997	16,746	(23,592)	4,898	(35,299)	8,963	2,937	(110,302)	(1,440)	(16,579)	(57,573)	-	389,282
Net investment in capital assets	5,453	3,946	2,207	10,735	1,510	26,935	1,236	1,173	7,188	-	1,059	57,573	-	119,015
Restricted for debt service	6,268	-	-	-	-	-	-	-	-	-	-	-	-	6,268
Total net position	592,247	23,943	18,953	(12,857)	6,408	(8,364)	10,199	4,110	(103,114)	(1,440)	(15,520)	-	-	514,565
Total liabilities and net position	$ 1,241,870	$ 5,622	$ 3,276	$ 13,414	$ 2,506	$ 34,628	$ 3,118	$ 2,619	$ 14,121	$ 4	$ 2,070	$ 66,831	$ (176,179)	$ 1,213,900

West Tennessee Healthcare and Related Affiliates
Notes to Financial Statements
(in thousands)

Statement of Revenues and Expenses and Changes in Net Position
Year Ended June 30, 2021

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Total BCUs
Revenue:													
Patient service revenues	$ 2,403,686	$ 51,330	$ 23,983	$ 77,057	$ 22,422	$ 208,326	$ 22,209	$ 32,106	$ 179,212	$ -	$ 13,386	$ -	$ 3,033,717
Deductions from revenue	1,685,967	38,924	15,518	53,115	14,838	154,615	12,587	21,411	115,364	-	9,941	-	2,122,280
Net patient service revenues	717,719	12,406	8,465	23,942	7,584	53,711	9,622	10,695	63,848	-	3,445	-	911,437
Other operating revenues	36,813	232	46	570	75	761	11,156	88	5,527	15	3,497	2,945	61,725
Total revenues	754,532	12,638	8,511	24,512	7,659	54,472	20,778	10,783	69,375	15	6,942	2,945	973,162
Operating expenses:													
Salaries, benefits, supplies and other	625,487	10,800	6,591	26,439	7,845	52,336	20,296	10,636	92,325	298	7,483	68,359	928,895
Depreciation and amortization	36,438	560	416	784	319	1,964	239	254	663	-	124	9,755	51,516
Indirect expense	56,023	992	600	2,281	687	4,635	1,710	938	6,630	25	648	(75,169)	-
Total operating expenses	717,948	12,352	7,607	29,504	8,851	58,935	22,245	11,828	99,618	323	8,255	2,945	980,411
Operating income (loss)	36,584	286	904	(4,992)	(1,192)	(4,463)	(1,467)	(1,045)	(30,243)	(308)	(1,313)	-	(7,249)
Nonoperating revenues (expenses):													
Investment income	78,698	-	4	1	1	2	-	1	1	-	-	-	78,708
Interest expense	(12,110)	(221)	(137)	(561)	(153)	(1,156)	(408)	(255)	(1,837)	-	(170)	-	(17,008)
Non-recurring relief funding	12,665	3,008	2,659	2,236	2,855	1,551	-	-	120	-	129		25,223
Contributions to affiliated entities	(1,241)	-	-	-	-	-	-	-	-	-	-	-	(1,241)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonoperating revenues (expenses), net	78,012	2,787	2,526	1,676	2,703	397	(408)	(254)	(1,716)	-	(41)	-	85,682
Change in net position	114,596	3,073	3,430	(3,316)	1,511	(4,066)	(1,875)	(1,299)	(31,959)	(308)	(1,354)	-	78,433
Net position at beginning of year	592,247	23,943	18,953	(12,857)	6,408	(8,364)	10,199	4,110	(103,114)	(1,440)	(15,520)	-	514,565
Ending net position	$ 706,843	$ 27,016	$ 22,383	$ (16,173)	$ 7,919	$ (12,430)	$ 8,324	$ 2,811	$ (135,073)	$ (1,748)	$ (16,874)	$ -	$ 592,998

(in thousands)

Statement of Revenues and Expenses and Changes in Net Position
Year Ended June 30, 2020

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Total BCUs
Revenue:													
Patient service revenues	$ 2,207,014	$ 47,826	$ 23,449	$ 71,837	$ 23,435	$ 234,246	$ 19,351	$ 30,126	$ 157,992	$ -	$ 10,529	$ -	$ 2,825,805
Deductions from revenue	1,587,205	36,968	17,618	51,797	17,251	182,202	10,434	22,144	101,858	-	8,110	-	2,035,587
Net patient service revenues	619,809	10,858	5,831	20,040	6,184	52,044	8,917	7,982	56,134	-	2,419	-	790,218
Other operating revenues	27,759	236	82	131	85	317	9,957	105	5,315	31	3,297	1,399	48,714
Total revenues	647,568	11,094	5,913	20,171	6,269	52,361	18,874	8,087	61,449	31	5,716	1,399	838,932
Operating expenses:													
Salaries, benefits, supplies and other	548,267	9,687	6,162	24,701	7,521	53,582	19,180	10,508	82,795	325	6,988	62,112	831,828
Depreciation and amortization	39,441	537	351	752	347	1,878	212	278	621	-	148	8,025	52,590
Indirect expense	49,855	891	559	2,152	661	4,689	1,591	912	6,799	27	602	(68,738)	-
Total operating expenses	637,563	11,115	7,072	27,605	8,529	60,149	20,983	11,698	90,215	352	7,738	1,399	884,418
Operating income (loss)	10,005	(21)	(1,159)	(7,434)	(2,260)	(7,788)	(2,109)	(3,611)	(28,766)	(321)	(2,022)	-	(45,486)
Nonoperating revenues (expenses):													
Investment income	3,538	-	1	-	1	-	2	1	5	-	-	-	3,548
Interest expense	(12,606)	(219)	(140)	(553)	(169)	(1,168)	(416)	(230)	(1,781)	(7)	(152)	-	(17,441)
Non-recurring relief funding	43,703	555	305	1,985	383	4,196	233	270	1,570	-	-		53,200
Contributions to affiliated entities	(1,566)	-	-	-	-	-	-	-	-	-	-	-	(1,566)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonoperating revenues (expenses), net	33,069	336	166	1,432	215	3,028	(181)	41	(206)	(7)	(152)	-	37,741
Change in net position	43,074	315	(993)	(6,002)	(2,045)	(4,760)	(2,290)	(3,570)	(28,972)	(328)	(2,174)	-	(7,745)
Net position at beginning of year	549,173	23,628	19,946	(6,855)	8,453	(3,604)	12,489	7,680	(74,142)	(1,112)	(13,346)	-	522,310
Ending net position	$ 592,247	$ 23,943	$ 18,953	$ (12,857)	$ 6,408	$ (8,364)	$ 10,199	$ 4,110	$ (103,114)	$ (1,440)	$ (15,520)	$ -	$ 514,565

(in thousands)

Condensed Statement of Cash Flows
Year Ended June 30, 2021

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Total BCUs
Net cash provided by (used in) operating activities	$ 8,028	$ 4,193	$ 392	$ 1,107	$ 227	$ 2,067	$ 688	$ 215	$ (33)	$ 3	$ 39	$ 7,451	$ 24,377
Net cash used in noncapital financing activities	3,259	-	-	-	-	-	-	-	74	-	129	-	3,462
Net cash provided by investing activities	208	-	4	1	1	2	-	1	1	-	-	-	218
Net cash provided by (used in) capital and related financing activities	(69,963)	(4,200)	(409)	(809)	(240)	(1,740)	(708)	(319)	(294)	-	(170)	(7,451)	(86,303)
Net change in cash and cash equivalents	(58,468)	(7)	(13)	299	(12)	329	(20)	(103)	(252)	3	(2)	-	(58,246)
Cash and cash equivalents, beginning of period	221,886	117	71	(87)	81	232	69	135	613	4	41	-	223,162
Cash and cash equivalents, end of period	$ 163,418	$ 110	$ 58	$ 212	$ 69	$ 561	$ 49	$ 32	$ 361	$ 7	$ 39	$ -	$ 164,916

Condensed Statement of Cash Flows
Year Ended June 30, 2020

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Total BCUs
Net cash provided by (used in) operating activities	$ 182,660	$ 315	$ (614)	$ (3,704)	$ (1,778)	$ (3,557)	$ (171)	$ 151	$ 2,015	$ (60)	$ 217	$ 6,277	$ 181,751
Net cash used in noncapital financing activities	55,308	1,814	840	4,220	2,151	5,747	233	270	1,571	-	-	-	72,154
Net cash provided by investing activities	410	-	1	-	1	-	2	1	5	-	-	-	420
Net cash provided by (used in) capital and related financing activities	(37,903)	(2,104)	(189)	(876)	(332)	(2,479)	(591)	(308)	(4,178)	(7)	(185)	(6,277)	(55,429)
Net change in cash and cash equivalents	200,475	25	38	(360)	42	(289)	(527)	114	(587)	(67)	32	-	198,896
Cash and cash equivalents, beginning of period	21,411	92	33	273	39	521	596	21	1,200	71	9	-	24,266
Cash and cash equivalents, end of period	$ 221,886	$ 117	$ 71	$ (87)	$ 81	$ 232	$ 69	$ 135	$ 613	$ 4	$ 41	$ -	$ 223,162

Required Supplementary Information

West Tennessee Healthcare and Related Affiliates
Schedule of Changes in Net Pension and OPEB Liability (Asset) and Related Ratios
(in thousands)

	Pension Plan						
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Total pension liability:							
Service cost	**$ 6,254**	$ 6,577	$ 6,749	$ 6,815	$ 6,276	$ 7,070	$ 7,026
Interest	**23,832**	23,224	22,220	21,309	19,884	19,615	18,956
Differences between expected and actual experience	**(9,154)**	(1,702)	2,376	535	8,735	(5,213)	1,467
Benefit payments	**(20,077)**	(16,831)	(14,657)	(14,501)	(12,540)	(20,419)	(14,387)
Net change in total pension liability	**855**	11,268	16,688	14,158	22,355	1,053	13,062
Total pension liability - beginning	**370,270**	359,002	342,314	328,156	305,801	304,748	291,686
Total pension liability-ending (a)	**371,125**	370,270	359,002	342,314	328,156	305,801	304,748
Plan fiduciary net position:							
Contributions - employer	**16,278**	13,400	12,300	18,000	18,000	17,040	12,992
Net investment income	**(822)**	9,989	16,378	20,210	(4,453)	1,341	24,480
Benefit payments	**(20,077)**	(16,831)	(14,657)	(14,501)	(12,540)	(20,419)	(14,387)
Administrative expense	**-**	-	-	-	(249)	(440)	(465)
Net change in plan fiduciary net position	**(4,621)**	6,558	14,021	23,709	758	(2,478)	22,620
Plan fiduciary net position - beginning	**249,189**	242,631	228,610	204,901	204,143	206,621	184,000
Plan fiduciary net position-ending (b)	**244,568**	249,189	242,631	228,610	204,901	204,143	206,620
Net pension							
Net pension liability (asset) (a)-(b)	**$ 126,557**	$ 121,081	$ 116,371	$ 113,704	$ 123,255	$ 101,658	$ 98,128
Plan fiduciary net position as a percentage of the total pension liability	**66%**	67%	68%	67%	62%	67%	68%
Covered-employee payroll	**$ 127,378**	$ 139,557	$ 144,257	$ 148,645	$ 150,997	$ 141,412	$ 153,252
Company's net pension liability (asset) as a percentage of covered-employee payroll	**99%**	87%	81%	76%	82%	72%	64%

Note: Information prior to 2015 for this plan is not available.

(in thousands)

	415(m) Pension Plan						
	2021	2020	2019	2018	2017	2016	2015
Total pension liability:							
Service cost	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -
Interest	**41**	42	40	41	42	43	43
Differences between expected and actual experience	**7**	6	90	5	4	4	4
Benefit payments	**(76)**	(76)	(70)	(70)	(70)	(70)	(70)
Net change in total pension liability	**(28)**	(28)	60	(24)	(24)	(23)	(23)
Assumption change - discount rate adjustment	**182**	-	-	-	-	-	-
Total pension liability - beginning	**1,064**	1,092	1,032	1,056	1,080	1,103	1,126
Total pension liability-ending (a)	**1,218**	1,064	1,092	1,032	1,056	1,080	1,103
Plan fiduciary net position:							
Contributions - employer	**76**	76	70	70	70	70	70
Net investment income	**-**	-	-	-	-	-	-
Benefit payments	**(76)**	(76)	(70)	(70)	(70)	(70)	(70)
Administrative expense	**-**	-	-	-	-	-	-
Net change in plan fiduciary net position	**-**	-	-	-	-	-	-
Plan fiduciary net position - beginning	**-**	-	-	-	-	-	-
Plan fiduciary net position-ending (b)	**-**	-	-	-	-	-	-
Net pension liability (asset) (a)-(b)	**$ 1,218**	$ 1,064	$ 1,092	$ 1,032	$ 1,056	$ 1,080	$ 1,103
Plan fiduciary net position as a percentage of the total pension liability	**0%**	0%	0%	0%	0%	0%	0%
Covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A
Company's net pension liability (asset) as a percentage of covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A

Note: Information prior to 2015 for this plan is not available.

(in thousands)

	OPEB Plan			
	2021	**2020**	**2019**	**2018**
Total OPEB liability:				
Service cost	**$ -**	$ -	$ 16	$ 35
Interest	**14**	28	100	121
Differences between expected and actual experience	**(5)**	(160)	(1,149)	(374)
Benefit payments	**(98)**	(62)	(41)	(142)
Net change in OPEB liability	**(89)**	(194)	(1,074)	(360)
Total OPEB liability - beginning	**272**	466	1,540	1,900
Total OPEB liability-ending (a)	**183**	272	466	1,540
Plan fiduciary net position:				
Contributions - employer	**-**	-	-	-
Net investment income	**(67)**	142	266	519
Benefit payments	**-**	-	(2,548)	(532)
Administrative expense	**-**	-	-	-
Net change in plan fiduciary net position	**(67)**	142	(2,282)	(13)
Plan fiduciary net position - beginning	**2,976**	2,834	5,116	5,129
Plan fiduciary net position-ending (b)	**2,909**	2,976	2,834	5,116
Net OPEB liability (asset) (a)-(b)	**$ (2,726)**	$ (2,704)	$ (2,368)	$ (3,576)
Plan fiduciary net position as a percentage of the total OPEB liability	**1590%**	1094%	608%	332%
Covered-employee payroll	**N/A**	N/A	N/A	$ 265,123
Company's net pension liability (asset) as a percentage of covered-employee payroll	**N/A**	N/A	N/A	N/A

Note: Information prior to 2018 for the OPEB plan is not available.

West Tennessee Healthcare and Related Affiliates
Schedule of Contributions
(in thousands)

	Pension Plan						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	**$ 13,549**	$ 12,775	$ 12,378	$ 12,300	$ 15,427	$ 15,552	$ 13,141
Contributions in relation to the actuarially determined contribution	**(12,775)**	(16,278)	(13,400)	(12,300)	(18,000)	(18,000)	(17,040)
Contribution deficiency (excess)	**$ 774**	$ (3,503)	$ (1,022)	$ -	$ (2,573)	$ (2,448)	$ (3,899)
Covered-employee payroll	**$ 127,378**	$ 139,557	$ 144,257	$ 148,645	$ 150,997	$ 141,412	$ 153,252
Contributions as a percentage of covered-employee payroll	**10%**	12%	9%	8%	12%	13%	11%

Notes to the schedule valuation date:
Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	Pension
Valuation date	June 30, one year prior to the end of the fiscal year
Actuarial cost method	Entry Age Normal Cost
Amortization method	Closed amortization
Amortization period of initial unfunded AAL	30 years
Remaining amortization period	27 years
Asset valuation method	Market value
CPI	2.5%
Salary increases	3.5% average, including inflation
Investment rate of return	6.5%, net of pension plan investment expense, including inflation
Mortality	RP-2014 Mortality Table for males and females with generational projections using Scale BB
Retirement age	Per the following table:

Age	Male	Female
55 - 59	5.0%	5.0%
60 - 61	7.5%	7.5%
62	25.0%	25.0%
63 - 64	20.0%	20.0%
65	40.0%	40.0%
66	30.0%	30.0%
67 - 68	15.0%	15.0%
69	25.0%	25.0%
70+	100.0%	100.0%

(in thousands)

	415(m) Pension Plan						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	**$ 76**	$ 76	$ 70	$ 70	$ 70	$ 70	$ 70
Contributions in relation to the actuarially determined contribution	**(76)**	(76)	(70)	(70)	(70)	(70)	(70)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A

Notes to the schedule valuation date:
Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	415(m) Plan
Valuation date	June 30, one year prior to the end of the fiscal year
Actuarial cost method	Entry Age Normal Cost
Amortization method	N/A
Amortization period of initial unfunded AAL	N/A
Remaining amortization period	N/A
Asset valuation method	N/A
CPI	N/A
Salary increases	N/A
Investment rate of return	2.25%
Mortality	RP-2014 Mortality Table for males and females with generational projections using Scale BB

	OPEB Plan			
	2021	**2020**	**2019**	**2018**
Actuarially determined contribution	**$ -**	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	**-**	-	-	-
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -
Covered-employee payroll	**N/A**	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	**N/A**	N/A	N/A	N/A

Notes to the schedule valuation date:
Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	OPEB
Valuation date	June 30, one year prior to the end of the fiscal year
Actuarial cost method	Entry Age Normal Cost
Amortization method	Closed amortization
Amortization period of initial unfunded AAL	N/A
Remaining amortization period	N/A
Asset valuation method	Market value
CPI	N/A
Salary increases	N/A
Investment rate of return	6.5%, net of pension plan investment expense, including inflation
Mortality	RP-2014 Mortality Table for males and females with generational projections using Scale BB
Retirement age	N/A

Age	Male	Female
55 - 59	5.0%	5.0%
60 - 61	7.5%	7.5%
62	25.0%	25.0%
63 - 64	20.0%	20.0%
65	40.0%	40.0%
66	30.0%	30.0%
67 - 68	15.0%	15.0%
69	25.0%	25.0%
70+	100.0%	100.0%

Other Information

West Tennessee Healthcare and Related Affiliates
Deductions From Gross Patient Service Revenues
(in thousands)

Year Ended June 30, 2021

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Total BCUs
Medicare	**$ 880,833**	**$ 15,629**	**$ 5,953**	**$ 21,127**	**$ 7,005**	**$ 74,426**	**$ 1,021**	**$ 8,270**	**$ 41,018**	**$ -**	**$ 24**	**$ 1,055,306**
TennCare	**274,661**	**6,396**	**3,965**	**12,724**	**3,040**	**33,506**	**6,771**	**4,839**	**24,466**	**-**	**6,847**	**377,215**
Other revenue deductions	**484,421**	**15,158**	**4,681**	**16,360**	**3,998**	**39,229**	**4,558**	**7,740**	**44,593**	**-**	**3,013**	**623,751**
Bad debt	**46,052**	**1,741**	**919**	**2,904**	**795**	**7,454**	**237**	**562**	**5,287**	**-**	**57**	**66,008**
	$ 1,685,967	**$ 38,924**	**$ 15,518**	**$ 53,115**	**$ 14,838**	**$ 154,615**	**$ 12,587**	**$ 21,411**	**$ 115,364**	**$ -**	**$ 9,941**	**$ 2,122,280**

Year Ended June 30, 2020

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Total BCUs
Medicare	$ 866,166	$ 17,113	$ 5,639	$ 21,993	$ 8,005	$ 97,169	$ 973	$ 8,331	$ 37,900	$ -	$ 1	$ 1,063,290
TennCare	262,885	7,598	6,139	12,151	3,955	39,605	2,698	4,067	18,327	-	5,198	362,623
Other revenue deductions	411,314	10,312	4,300	12,220	4,014	30,235	6,368	9,483	41,818	-	2,853	532,917
Bad debt	46,840	1,945	1,540	5,433	1,277	15,193	395	263	3,813	-	58	76,757
	$ 1,587,205	$ 36,968	$ 17,618	$ 51,797	$ 17,251	$ 182,202	$ 10,434	$ 22,144	$ 101,858	$ -	$ 8,110	$ 2,035,587

West Tennessee Healthcare and Related Affiliates
Schedule of Changes in Long-term Debt by Individual Issue
(in thousands)

Description of Indebtness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2021
Bonds payable									
Hospital Revenue Bonds, Series 2015	205,965	2.0% - 5.25%	April 5, 2015	April 1, 2041	$ 182,735	$ -	$ 5,145	$ -	**$ 177,590**
Hospital Revenue Bonds, Series 2018A	62,870	5%	November 1, 2018	April 1, 2041	59,395	-	1,665	-	**57,730**
Hospital Revenue Bonds, Series 2018B	91,025	3.25% - 5.31%	November 1, 2018	April 1, 2048	88,960	-	1,575	-	**87,385**
					331,090	-	8,385	-	**322,705**
Capital lease obligations									
Equipment lease - February 2021	3,069	2%	February 1, 2021	May 2, 2026	-	3,068	20	-	**3,048**
Equipment lease - March 2019	9,808	4%	March 1, 2019	February 1, 2024	7,398	-	7,398	-	**-**
Equipment lease - May 2019	627	4%	May 1, 2019	May 1, 2029	542	-	36	-	**506**
Equipment lease - September 2019	466		September 1, 2019	December 31, 2021	304	-	197	-	**107**
					8,244	3,068	7,651	-	**3,661**
Totals					$ 339,334	$ 3,068	$ 16,036	$ -	**$ 326,366**

Compliance Information

DHG is registered in the U.S. Patent and Trademark Office to Dixon Hughes Goodman LLP.

Independent Auditors' 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*

Board of Trustees
West Tennessee Healthcare and Related Affiliates
Jackson, Tennessee

We have audited, in accordance with the 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 West Tennessee Healthcare and Related Affiliates (the "Company"), which comprise the statement of net position as of June 30, 2021, and the related statements of revenues and expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 over financial reporting 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 the Company's financial statements are free of 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 financial statements. 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 the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Memphis, Tennessee
October 25, 2021