## Jackson County Hospital District and Affiliate

**Consolidated Financial Statements** and **Supplemental Information** 

September 30, 2019 and 2018



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#### INDEPENDENT AUDITORS' REPORT

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To the Board of Trustees

Jackson County Hospital District

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

We have audited the accompanying consolidated financial statements of Jackson County Hospital District (the "Hospital") and Affiliate as of and for the years ended September 30, 2019 and 2018, and the related notes to the consolidated financial statements, which collectively comprise the Hospital's consolidated financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

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

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

Board of Trustees Jackson County Hospital District Page Two

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jackson County Hospital District and Affiliate, as of September 30, 2019 and 2018, and the changes in its financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4.1 through 4.10 and other required supplementary information, as listed in the table of contents be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the consolidated 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.

Board of Trustees Jackson County Hospital District Page Three

#### Other Reporting Required by Government Auditing Standards

Can, Rigge & Ingram, L.L.C.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2020, on our consideration of the Jackson County Hospital District's internal control over financial reporting and 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 the 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 Hospital's internal control over financial reporting and compliance.

Marianna, Florida May 15, 2020



## JACKSON COUNTY HOSPITAL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS Year ended September 30, 2019

This section of Jackson County Hospital District (the Hospital) and Affiliate's annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal year ended September 30, 2019. Please read it in conjunction with the financial statements in this report.

#### **Financial Highlights**

- As presented in Table 1, Fiscal Year 2019's total assets improved to \$79,004,206, or 4.8% when compared to fiscal year 2018. Jackson Hospital's total assets and deferred outflows increased by over \$3.4 million or 4.5% for the fiscal year ended September 30, 2019.
- The Hospital's total liabilities decreased by slightly more than \$1 million, or 5%, when matched to fiscal year 2018, also as represented in table 1. This improvement is the result of a reduction in long-term liabilities offset by an increase in current liabilities.
- As displayed in Table 3, the Hospital's operations produced a return of \$2,994,610 in the current fiscal year in contrast to a gain of \$5,067,034 in the prior fiscal year. With the addition of the Orthopedic clinic and enriched Oncology and Infusion services, operating expenses underwent considerable growth. Salaries and Benefits increased by \$1,180,275 or 3.8% during the current fiscal year while Supplies increased by \$2,136,248 or 11.5% for the same period. Depreciation grew by \$92,094 due to new structures and equipment being placed into service. Other operating expense grew by \$446,734 or 23.4% for the year. With the reduction of over \$2 million of long-term debt, interest expense was reduced by \$153,385 or over 35% for the same period. Total operating expenses increased during the fiscal year 2019 by \$3,701,966, or 6.7%, principally through increased salary & benefit and supply, contracts & fees.
- Consideration must be given to the impact that Hurricane Michael had on the Florida Panhandle and Jackson Hospital in particular. The net hurricane insurance proceeds/expenses of was \$576,319 in Fiscal Year 2019. The performance of the investments resulted in non-operating investment income of \$265,056 in addition to growth in the value of the securities of \$516,488 during the current fiscal year. These results, combined with a loss on disposal of assets of \$500 and miscellaneous income and contributions of \$300,641, resulted in non-operating returns of \$1,585,120. Together, the operating and non-operating returns provided Jackson Hospital with a positive change in net position of \$4,579,730 in fiscal year 2019. This compares to the change of \$6,534,825 that was experienced in fiscal year 2018.

#### **Required Financial Statements**

The consolidated financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital, assessing the liquidity and financial flexibility of the Hospital. This statement measures improvements in the Hospital's operations over the past years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the statements of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as where did cash come from what was cash used for, and what was the change in cash balance during the reporting period.

#### Financial Analysis of the Hospital as a Whole

The statements of net position and the statements of revenue, expenses and changes in net position, report information about the Hospital's activities. These statements report the net position of the Hospital and changes in them. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should be considered.

TABLE 1 Condensed Statements of Net Position September 30, 2019 and 2018

		2019		2018	Do	ollar Change	Percent Change
Total current assets	\$	36,676,117	\$	33,485,769	\$	3,190,348	9.53%
Capital assets - net		37,481,168		37,843,161		(361,993)	-0.96%
Other assets		4,846,921		4,079,906		767,015	18.80%
Total assets		79,004,206		75,408,836		3,595,370	4.77%
Deferred outflows of							
resources - pensions		868,220		1,020,912		(152,692)	-14.96%
Total assets and deferred	_	70 072 426	_	76 400 740		2 442 672	4.500/
outflows of resources	\$	79,872,426	\$	76,429,748	\$	3,442,678	4.50%
	_		_		_		
Current liabilities	\$	9,636,222	\$	8,047,765	\$	1,588,457	19.74%
Long-term liabilities		9,136,094		11,758,580		(2,622,486)	-22.30%
Total Paletter .		40 772 246		10.006.245		/4 024 020\	F 220/
Total liabilities		18,772,316		19,806,345		(1,034,029)	-5.22%
Deferred inflows of							
		900 533		002 545		(102 022)	10.270/
resources - pensions		890,522		993,545		(103,023)	-10.37%
Investments in capital assets,							
(net of related debt)		35,587,087		35,310,429		276,658	0.78%
Unappropriated net assets		24,559,955		20,245,660		4,314,295	21.31%
Restricted net assets		62,546		73,769		(11,223)	-15.21%
		52,5 10		. 5,7 65		(11)223)	13.2170
Total net position		60,209,588		55,629,858		4,579,730	8.23%
·							
Total liabilities, deferred							
inflows and net position	\$	79,872,426	\$	76,429,748	\$	3,442,678	4.50%

As shown in Table 1, total assets and deferred outflows of resources grew by \$3,442,678 during the current fiscal year. This represented a balance of \$79,872,426 as of September 30, 2019. For the same period, total liabilities and deferred inflows of resources decreased by \$1,137,052, adjusting the total to \$19,662,838.

TABLE 2 Condensed Statements of Net Position September 30, 2018 and 2017

2		2018		2017	Do	ollar Change	Percent Change
Total current assets	\$	33,485,769	\$	27,586,631	\$	5,899,138	21.38%
Capital assets - net		37,843,161		38,761,897		(918,736)	-2.37%
Other assets		4,079,906		3,826,716		253,190	6.62%
Total assets		75,408,836		70,175,244		5,233,592	7.46%
Deferred outflows of							
resources - pensions		1,020,912		1,147,827		(126,915)	100.00%
Takal accepts and defermed							
Total assets and deferred	۲.	76 420 740	۲	71 222 071	۲	F 106 677	7 160/
outflow of resources	\$	76,429,748	\$	71,323,071	\$	5,106,677	7.16%
Current liabilities	\$	0.047.765	۲	7 020 770	۲	217.006	2 700/
	Ş	8,047,765	\$	7,829,779	\$	217,986	2.78%
Long-term liabilities		11,758,580		14,068,434		(2,309,854)	-16.42%
Total liabilities		19,806,345		21,898,213		(2,091,868)	-9.55%
Deferred inflows of							
resources - pensions		993,545		865,224		128,321	14.83%
Investments in capital assets,							
(net of related debt)		35,310,429		35,791,325		(480,896)	-1.34%
Unappropriated net assets		20,245,660		12,713,245		7,532,415	59.25%
Restricted net assets		73,769		55,064		18,705	33.97%
Table 1 and 1 and 200 and		FF 620 0F0		40 550 634		7.070.224	44.500/
Total net position		55,629,858		48,559,634		7,070,224	14.56%
Total liabilities and							
net position	¢	76,429,748	¢	71,323,071	\$	5,106,677	7.16%
HEL POSITION	ڔ	10,423,140	٧	11,323,071	٧	3,100,077	7.10/0

As indicated in Table 2, total assets and deferred outflows of resources improved by \$5,106,677 during fiscal year 2018. This represented a balance of \$76,429,748 as of September 30, 2018. For the same period, total liabilities and deferred inflows of resources decreased by \$1,963,547 to a balance of \$20,799,890.

#### **Summary of Revenue, Expenses and Changes in Net Position**

The following table presents a summary of the Hospital's historical revenue and expenses for the fiscal years ended September 30, 2019 and 2018.

TABLE 3
Condensed Statements of Revenue, Expenses and Changes in Net Position

		2040		2010	_		Percent
		2019		2018	Do	ollar Change	Change
Revenue:							
Net patient service revenue	\$	61,278,981	\$	59,841,003	\$	1,437,978	2.40%
Other	,	1,109,773	,	918,209	,	191,564	20.86%
		,, -				,	
Net revenue		62,388,754		60,759,212		1,629,542	2.68%
Expenses:							
Salaries and employee							
benefits ,		32,413,848		31,233,573		1,180,275	3.78%
Supplies, contract							
services and fees		20,697,505		18,561,257		2,136,248	11.51%
Other Operating expense		2,356,129		1,909,395		446,734	23.40%
Depreciation		3,642,390		3,550,296		92,094	2.59%
Interest		284,272		437,657		(153,385)	-35.05%
Total operating expenses		59,394,144		55,692,178		3,701,966	6.65%
Gain (loss) from operations		2,994,610		5,067,034		(2,072,424)	-40.90%
Non-operating revenue		1,585,120		1,467,791		117,329	7.99%
Excess of revenue							
Over expenses		4,579,730		6,534,825		(1,955,095)	-29.92%
Beginning net position		55,629,858		49,095,033		6,534,825	13.31%
beginning het position		33,023,036		43,033,033		0,334,623	15.51%
Ending net position	\$	60,209,588	\$	55,629,858	\$	4,579,730	8.23%

The following table presents a summary of the Hospital's historical revenue and expenses for the fiscal years ended September 30, 2018 and 2017.

TABLE 4
Condensed Statements of Revenue, Expenses and Changes in Net Position

		2242		224	_		Percent
		2018		2017	Do	ollar Change	Change
Revenue:							
Net patient service revenue	\$	59,841,003	\$	51,236,867	\$	8,604,136	16.79%
Other	Ş	918,209	Ą	918,209	Ş	6,004,130	0.00%
Other		918,209		916,209			0.00%
Net revenue		60,759,212		52,155,076		8,604,136	16.50%
Expenses:							
Salaries and employee							
benefits		31,233,573		29,331,886		1,901,687	6.48%
Supplies, contract							
services and fees		18,561,257		15,649,170		2,912,087	18.61%
Other operating expense		1,909,395		1,813,399		95,996	5.29%
Depreciation		3,550,296		2,699,696		850,600	31.51%
Interest		437,657		311,041		126,616	40.71%
Total operating expenses		55,692,178		49,805,192		5,886,986	11.82%
Gain (loss) from operations		5,067,034		2,349,884		2,717,150	115.63%
Non-operating revenue		1,467,791		4,017,918		(2,550,127)	-63.47%
		, - , -		, , , , , ,			
Excess of revenue							
Over expenses		6,534,825		6,367,802		167,023	2.62%
	_		_		_		
Beginning net position		49,095,033		42,727,231		6,367,802	14.90%
Ending net position	\$	55,629,858	\$	49,095,033	\$	6,534,825	13.31%
		. , -		, , -			

#### **Sources of Revenue**

#### **Operating Revenue**

During the current fiscal year, as well the previous fiscal year, Jackson Hospital derived roughly 98%, of its net revenue from patient care. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payers, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes cafeteria sales, rental income, as well as other miscellaneous services.

Table 5 presents the relative percentages of gross charges billed for patient services by payer for the fiscal years ended September 30, 2019 and 2018. The Hospital experienced a decrease in Medicare, Medicaid and Self Pay, a significant increase in Commercial/Managed Care and a very slight increase in Blue Cross Blue Shield.

TABLE 5
Payor Mix by Percentage
September 30, 2019 and 2018

	2019	2018
Medicare	35.2%	35.7%
Blue Cross Blue Shield	16.6%	17.4%
Medicaid	15.9%	16.7%
Commercial/Managed Care	23.9%	22.0%
Self-pay	8.4%	8.2%
Total patient revenues	100.0%	100.0%

#### **Operating and Financial Performance**

The following summarizes the Hospital's statements of revenue, expenses and changes in net position between fiscal year 2019 and fiscal year 2018:

Jackson Hospital's inpatient admissions dropped by 10.6% during 2019 in comparison to 2018 while the overall length of stay was 4.7 days per admission in the current fiscal year. This combination produced a decrease in patient days by 6.1% days, for the year. This decline in inpatient activity was similar to the healthcare industry as a whole but also reflected the impact of Hurricane Michael that we experienced in October 2018.

The Hospital's outpatient visits declined by 5.8% in fiscal year 2019 compared to fiscal year 2018, once again related to decreased activity in the period following Hurricane Michael.

In spite of the volume regressions associated with the Hurricane, net patient service revenue improved by 2.4% year over year. This represented an increase of \$1,438,414 in fiscal year 2019 compared to fiscal year 2018. More detailed information about the Hospital's net revenue calculations are presented in the notes to the consolidated financial statements.

Jackson Hospital, similar to each hospital in the United States, customarily produces adjustments to revenue, including but not limited to, contractual allowances and charity write offs. These adjustments represented 60.2% of gross patient revenue in 2019 and 59.8% in fiscal year 2018. These ratios are impacted by the changes in reimbursement from third-parties such as Medicare and Medicaid, as well as improved collections but remain stable.

While private pay revenue continued to be slightly over 8% of patient revenue in 2019, the Hospital's total charity care and bad debts adjustments also stayed consistent. The ratio in each fiscal year was approximately 8.2% of gross patient revenue.

Salaries and employee benefits, at \$32,351,840, grew by 3.6% in 2019 with the increase attributed expanded, up-to-date facilities and services available to the patients. These services, including an entire year of the Quick Care Clinic, the Wound Healing Center and the Cardiac Rehab department, as well as the addition of Pulmonology, Orthopedics and enhanced Oncology operations to allow our patients local access to these services.

Other expenses, such as supplies, contract services and fees, reflect growth consistent with the new and expanded services accessible to the Hospital's patients. Despite the addition of these innovative and progressive services and facilities, the staff at Jackson Hospital continue to be conscientious in controlling these essential expenses.

Non-operating revenue contains income from donations, grants, interest income, realized and unrealized gains on securities and miscellaneous income/expense. Jackson Hospital's non-operating income of \$1,588,433 in fiscal year 2019 represents a combination of these sources of revenue. This figure represented a 7.9% increase over the previous fiscal year.

As a result of the combination of these operating and non-operating yields, Jackson Hospital recognized an excess of revenue over expenses of \$4,579,730 in fiscal year 2019 in comparison to \$6,534,825 in fiscal year 2018.

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

#### **Capital Assets**

The Hospital's capital asset activities are included in Table 6 below:

TABLE 6
Capital Assets
September 30, 2019 and 2018

					Percent
	2019	2018	Do	ollar Change	Change
					_
Building and improvements	\$ 48,974,904	\$ 48,140,418	\$	834,486	1.73%
Equipment	34,135,612	32,669,523		1,466,089	4.49%
Capital leases and					
leasehold improvements	255,472	253,697		1,775	0.70%
Construction in progress	132,804	60,079		72,725	121.05%
					_
Subtotal	83,498,792	81,123,717		2,375,075	2.93%
Less accumulated					
depreciation	(48,006,130)	(45,269,062)		(2,737,068)	6.05%
Land and land improvements	1,988,506	1,988,506		-	0.00%
Net property, plant, and					
equipment	\$ 37,481,168	\$ 37,843,161	\$	(361,993)	-0.96%

Net property, plant and equipment decreased by \$361,993, or less than 1%, due to the net decline of property associated with Hurricane Michael in October 2018.

TABLE 7
Capital Assets
September 30, 2018 and 2017

	2018	2017	Do	ollar Change	Percent Change
Building and improvements	\$ 48,140,418	\$ 47,087,261	\$	1,053,157	2.24%
Equipment	32,669,523	31,524,609		1,144,914	3.63%
Capital leases and					
leasehold improvements	253,697	240,116		13,581	5.66%
Construction in progress	60,079	7,488		52,591	702.34%
Subtotal	81,123,717	78,859,474		2,264,243	2.87%
Less accumulated					
depreciation	(45,269,062)	(42,086,083)		(3,182,979)	7.56%
Land and land improvements	1,988,506	1,988,506		-	0.00%
Net property, plant, and					
equipment	\$ 37,843,161	\$ 38,761,897	\$	(918,736)	-2.37%

Net property, plant and equipment decreased by \$918,786, or 2.37%, due to more depreciation expense than capital purchases during 2018.

#### **Long-Term Liabilities**

At our current year-end, Jackson Hospital had \$9,136,094 in long-term liabilities compared to \$11,758,580 at September 30, 2018. This decrease of \$2,622,486 during the current fiscal year represents payments made on debt.

More detailed information about the Hospital's long-term liabilities is presented in the notes to the consolidated financial statements.

#### **Contacting the Hospital's Financial Manager**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.



## Jackson County Hospital District and Affiliate Consolidated Statements of Net Position

September 30,	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 10,137,842	\$ 9,694,710
Building fund cash	39,643	39,623
Investments	14,142,398	14,093,057
Accounts receivable – net	8,090,862	5,787,420
Other receivables	1,533,717	241,937
Inventory	1,103,924	867,133
Prepaid expenses	790,139	668,946
Due from Medicare/Medicaid	837,592	2,092,943
Total current assets	36,676,117	33,485,769
Land, buildings and equipment – net	37,481,168	37,843,161
	, ,	• •
Other assets	C2 = 4C	72.760
Restricted cash	62,546	73,769
Investment in life insurance policies in deferred compensation plan	3,603,153	2,996,155
Notes receivable – net	1,152,236	980,996
Other assets	28,986	28,986
Total other assets	4,846,921	4,079,906
Total assets	79,004,206	75,408,836
Deferred outflows of resources		
Pension	868,220	1,020,912
Total deferred outflows of resources	868,220	1,020,912
Total assets and deferred outflows of resources	\$ 79,872,426	\$ 76,429,748
Liabilities and net position  Current liabilities  Current portion of obligations		
under capital leases	\$ 664,451	•
Current portion of long-term debt	305,565	301,724
Accounts payable and accrued expenses	5,297,469	4,704,350
Estimated liability for malpractice claims	300,000	-
Accounts receivable credit balances	404,715	246,136
Life insurance policy loans	2,664,022	2,153,636
Total current liabilities	9,636,222	8,047,765
Long-term liabilities Long-term portion of obligations		
under capital leases	924,065	1,589,089
Long-term debt, less current portion	2,419,511	4,503,731
Net pension liability	3,044,969	2,940,844
Compensated absences	1,232,363	1,172,447
Deferred compensation liability	1,515,186	1,552,469
Total long-term liabilities	9,136,094	11,758,580
Total liabilities	18,772,316	19,806,345
	10,772,310	19,800,343
Deferred inflows of resources Pension	890,522	993,545
Total deferred inflows of resources	890,522	993,545
Net position		
Investment in capital assets, net of related debt	35,587,087	35,310,429
Unrestricted	24,559,955	20,245,660
Restricted for debt service	62,546	73,769
Total net position	60,209,588	55,629,858
Total liabilities, deferred inflows and net position	\$ 79,872,426	\$ 76,429,748

## Jackson County Hospital District and Affiliate Consolidated Statements of Revenue, Expenses and Changes in Net Position

Years ended September 30,	2019	2018
Operating revenue		
Net operating revenue, pledged as collateral for		
revenue bonds (net of provision for bad debts		
of \$6,253,509 in 2019 and \$5,450,769 in 2018)	\$ 62,388,754	\$ 60,759,212
Operating expenses		
Salaries and wages	26,816,412	26,081,954
Supplies and expenses	11,601,320	10,855,082
Employee benefits	5,597,436	5,151,619
Physician fees	964,668	1,095,623
Other fees	8,131,517	6,610,552
Utilities	1,449,794	1,499,346
Insurance and risk management	906,335	410,049
Interest	284,272	437,657
Depreciation and amortization	3,642,390	3,550,296
Total operating expenses	59,394,144	55,692,178
lucione form consisting	2 004 640	5 067 024
Income from operations	2,994,610	5,067,034
Nonoperating revenue (expense)		
Miscellaneous income and contributions	300,641	264,961
Miscellaneous expenses	(73,884)	(47,637)
Hurricane insurance proceeds and expenses	576,319	105,631
Gain (Loss) on disposition of assets	500	(98,470)
Realized/unrealized gain on securities	516,488	1,016,679
Investment income	265,056	226,627
investment moonie	203,030	220,027
Total nonoperating revenue (expense)	1,585,120	1,467,791
Change in net position	4,579,730	6,534,825
	FF (20 0F0	40.005.033
Beginning net position	55,629,858	49,095,033
Ending net position	\$ 60,209,588	\$ 55,629,858
	· · · · · ·	. , ,

## Jackson County Hospital District and Affiliate Consolidated Statements of Cash Flows

Years ended September 30,		2019	2018
Cash flows from anarating activities			
Cash flows from operating activities:			
Receipts from patient services	\$		\$ 58,840,725
Payments to suppliers		(22,570,759)	(20,928,227)
Payments to employees		(32,185,160)	(30,727,638)
Other (payments) receipts		(2,070,018)	(65,179)
Net cash provided by (used in) operating activities		4,673,305	7,119,681
Cash flows from noncapital financing activities:			
Miscellaneous revenue and contributions		803,076	244,666
Cash flows from capital and related financing activities:			
· · · · · · · · · · · · · · · · · · ·		(2 522 000)	(2 462 225)
Purchases of capital assets Proceeds from sale of fixed assets		(3,532,086)	(2,463,325)
		252,189	6,000
Proceeds from capital debt		510,386	628,381
Principal paid on capital debt		(2,722,871)	(2,556,928)
Interest paid on capital debt		(284,272)	(437,657)
Net cash used in capital and related financing activities		(5,776,654)	(4,823,529)
Cash flows from investing activities:			
Proceeds from sales and maturities of investments		4 214 400	F 141 027
		4,314,490	5,141,837
Purchases of investments		(3,609,592)	(5,522,483)
Interest and dividends		27,304	6,366
Net cash provided by (used in) investing activities		732,202	(374,280)
		-	
Net increase in cash and cash equivalents		431,929	2,166,538
Balance – beginning of the year		9,808,102	7,641,564
Balance – end of the year	\$	10,240,031	\$ 9,808,102
Reconciliation of cash and cash equivalents to the statements of net position:			
Cash and cash equivalents	\$	10,137,842	\$ 9,694,710
·	Ş		. , ,
Building fund cash in current assets		39,643	39,623
Restricted cash in other assets		62,546	73,769
Total cash and cash equivalents	Ś	10,240,031	\$ 9,808,102
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## Jackson County Hospital District and Affiliate Consolidated Statements of Cash Flows (Continued)

Years ended September 30,		2019	2018
Reconciliation of operating income to net cash provided by operating activities Income from operations	\$	2,994,610	\$ 5,067,034
Adjustments to reconcile income from operations to			
net cash provided by operating activities  Depreciation and amortization  Provision for bad debts  Interest expense included in operating income  Changes in:		3,642,390 6,253,509 284,272	3,549,559 5,450,769 437,657
Patient accounts receivable Inventory and prepaid expense, other receivables		(8,398,372)	(5,189,011)
and other assets Notes receivable Deferred outflows		(2,256,762) (171,240) 152,692	
Accounts payable, accrued expenses and other current liabilities		915,753	(87,916)
Net pension liability Deferred inflows		104,125 (103,023)	(253,980) 128,321
Estimated third-party payor settlements  Net cash provided by operating activities	\$	1,255,351 4,673,305	\$ 7,119,681
the basis provided by operating detivities	<u> </u>	1,010,000	Ÿ /,±±5,00±

#### **NOTE 1 - NATURE OF OPERATIONS**

Jackson County Hospital District (the Hospital) is a hospital organized under Section 2003-363 of the Laws of Florida. The Board of Trustees is appointed by the Governor of the State of Florida. It is operated as a 100 bed hospital. The Hospital changed its legal name from Jackson County Hospital Corporation to Jackson County Hospital District effective July 23, 2003.

The consolidated financial statements include the accounts of the Hospital and Jackson Hospital Foundation, Inc. (the Affiliate), a not-for-profit organization created and operated exclusively for the purpose of soliciting and managing gifts, grants, and contributions for the Hospital. All significant inter-activity accounts and transactions have been eliminated. The Affiliate is included in the consolidated financial statements as a blended component unit pursuant to Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600, which requires reporting, as a component unit, of an organization that raises and holds economic resources for the direct benefit of a governmental unit.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

The Hospital operates as an enterprise fund and utilizes the economic resources measurement focus and accrual basis of accounting. Substantially all revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of cash flows, in accordance with GASB standards.

Based on GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, the Hospital has elected to include all pre-November 30, 1989 Financial Accounting Standards Board ("FASB") pronouncements which are now codified in GASB Statement No. 62. As such, disclosures of FASB or AICPA pronouncements applied to these and future financial statements are no longer required.

#### **Charity Care**

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was \$6,175,611 and \$6,809,256 in 2019 and 2018, respectively.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Operating Revenue**

Operating revenues consist of patient service revenue, cafeteria and dining sales, pharmacy sales and revenues from billing services. All other income is considered nonoperating including rental income, contributions, investment income and tax revenues.

#### **Net Patient Service Revenue**

The Hospital recognizes charges to patients as revenue at the time the services are performed for the patients. A provision is made each year for charges to indigent patients and other patients whose accounts appear to be uncollectible.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including 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 final settlements are determined.

#### Patient Accounts Receivable - Net

Patient accounts receivable are reduced by an allowance for estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts and provisions for bad debt and third-party contractual adjustments. Management reviews data about these major payer sources of revenue on a monthly basis in evaluating the sufficiency of the allowance. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

For receivables associated with services provided to patients who have third party coverage, the Hospital analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as 'self-pay'), which includes both patients without insurance and patients with deductible and copayment balances due for which third party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

exhausted is charged off against the allowance for uncollectible accounts.

The Hospital's allowance for uncollectible accounts and contractual adjustments was approximately 67% and 70%, respectively, of gross patient receivables at September 30, 2019 and 2018. The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2019 and did not have significant write-offs from third party payers in fiscal year 2019.

#### **Prepaid Expenses**

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

#### Inventory

Inventories are valued at the lower of cost (first-in, first-out method) or net realizable value. See Note 5 for composition.

#### Land, Buildings, and Equipment - Net

Property consisting of land, buildings and equipment is recorded at cost less accumulated depreciation computed using the straight-line method. A half year's depreciation has been taken on additions in the year of acquisition and half year's depreciation provided for in the year that the asset is taken out of service. Estimated useful lives range from 2 to 40 years. See Note 6 for composition. Any interest charges incurred related to the construction of buildings is added to the cost of the building. Donated fixed assets are valued at their estimated fair value on the date donated. The Hospital capitalizes all equipment costing \$1,000 or more with the exception of computer equipment which is always capitalized no matter the cost.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant items subject to such estimates include the determination of the allowances for uncollectible accounts and contractual adjustments, reserves for employee health care claims, accrued professional liability costs, and estimated third-party payer settlements. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investment in Life Insurance Policies in Deferred Compensation Plan

The Hospital invests in life insurance policies as part of a deferred compensation plan for certain employees and independent contractors. These financial instruments are carried at cash surrender value of the policies which approximates their fair value.

#### Cash and Cash Equivalents

Cash and cash equivalents for the Hospital include checking accounts, money market accounts and amounts in demand deposits as well as short term investments with an original maturity date of three months of the date acquired by the government.

At year end, the carrying amount of the Hospital's deposits was \$10,240,031 and the bank balance was \$11,357,659. The bank balance was covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Deposit Act. Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of securities pledged by the defaulting depository are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

#### **Investments**

The Hospital's policy authorizes the Board to invest in cash and cash equivalents, fixed income securities both domestic and foreign as well as equities including US, foreign, emerging markets and REITS.

#### **Restricted Assets**

Restricted assets consist of cash which is required by resolution to be set aside for specific purposes and is therefore unavailable for general operating purposes. When both restricted and unrestricted resources are available, restricted assets are applied first.

#### **Accounting Standards**

The Hospital prepares its financial statements utilizing proprietary fund accounting and the accrual basis of accounting in accordance with standards established by the Governmental Accounting Standards Board (GASB) and certain provisions in the "Audits of Health Care Organizations" audit and accounting guide published by the American Institute of Certified Public Accountants.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accordingly, pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

#### **Advertising Costs**

Advertising costs are expensed as incurred. Advertising expense was \$92,636 and \$60,478 for the years ended September 30, 2019 and 2018, respectively.

#### **Net Assets**

During 2003, the Board adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," as amended by Statement No. 37. These Statements established standards for external financial reporting for all state and local governmental entities in the United States which include a balance sheet, a statement of revenues, expenses, and changes in net position and a statement of cash flows. It requires the classification of net position into three components – invested in capital assets, net of related debt; restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.
- Restricted This component of net position consists of constraints placed on net assets through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by laws through constitutional provision or enabling legislation.
- Unrestricted This component of net position consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available, it is the Hospital's policy to use the restricted resources before using the unrestricted resources.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Risk Management**

The Hospital is exposed to various risks of loss related to malpractice; torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Hospital has decided to purchase commercial insurance for the general liability and workers compensation, see Note 16 for further details.

The Hospital sponsors an employee health insurance plan under a self-funded minimum premium plan which includes a stop-loss policy. The Hospital estimates the liability based on history of the prior year and the claims paid after year end until the date of this report with service dates prior to year end. See Note 17 for further details.

At the respective fiscal year ends, the hospital has accrued amounts up to the estimated liability maximum on all claims asserted or anticipated on the accompanying statements of net position. Nevertheless, the future assertion of claims for occurrences prior to year-end is reasonably possible and may occur, although not currently anticipated. In any event, management believes that any such claims would not be material.

The Hospital is self-insured for malpractice claims. Florida Statute 768.28 provides a cap on the amount of damages recoverable against certain state government entities, including the Hospital. The Hospital has sovereign immunity, which limits its losses to \$200,000 per person and \$300,000 per incident. The Hospital estimates the liability by taking into account the history and legal counsel's opinions on outstanding cases. See Note 11 for further details.

The activity for health insurance is as follows:

Beginning of fisc	cal year	Curi	rent year claims and			
liability		ch	nanges in estimate	Claim Payment	Balar	nce at fiscal year-end
\$	94,237	\$	2,320,821	\$ 2,283,967	\$	131,091

The activity for malpractice claims is as follows:

Beginni	ing of fiscal	year	Cur	rent year claims and					
	liability		С	hanges in estimate	Claim Payment		Baland	ce at fiscal	year-end
\$		-	\$	300,000	\$	-	\$		300,000

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Impact of Recently Issued Accounting Pronouncements**

During the year ended September 30 2019, the Hospital adopted four new statements of financial accounting standards issued by GASB, as follows:

- GASB Statement No. 83, Certain Asset Retirement Obligations ("GASB 83")
- GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings And Direct Placements ("GASB 88")

GASB 83 establishes standards of accounting and financial reporting requirements for legally enforceable liabilities associated with the retirement of certain tangible capital assets. State and local governments that have legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the regulation of the statement. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. GASB 83 had no impact on the Property Appraiser's financial statements.

GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. GASB 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant subjective acceleration clauses. GASB 88 also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of GASB 88 are effective for reporting periods beginning after June 15, 2018. GASB 88 had no impact on the Property Appraiser's Financial Statements.

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Accounting Pronouncements Recently Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Hospital upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
<u>statement ivo.</u>	GASD Accounting Standard	Tiscai icai
84	Fiduciary Activities	2020
87	Leases	2021
89	Accounting for Interest Cost Incurred Before the End	
	of a Construction Period	2021
90	Majority Equity Interest an amendment of GASB	
	Statements No. 14 and No. 61	2020
91	Conduit Debt Obligations	2022

#### **Current Healthcare Environment**

The Hospital monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payer industry

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Current Healthcare Environment (Continued)**

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Hospital's financial position and operating results.

#### **Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued, May 15, 2020 and determined there were no events that occurred that required disclosure.

#### **NOTE 3 – CASH AND INVESTMENTS**

The investment mission of the Hospital is to protect the principal assets and enhance income for a portfolio of the Hospital's excess public funds. Important objectives include, maintaining an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy, while still having the potential to produce positive real returns, and to maximize return within reasonable and prudent risk.

Investment manager(s) retained will be given full investment discretion consistent with the investment objectives and guidelines provided regarding the purchase and sale of individual securities. The Hospital acknowledges that while the investment manager(s) expects to meet these objectives, there is no guarantee they can be achieved.

#### NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Carrying values of investments were as follows:

	2019			2018		
September 30	Market Value			Market Value		
Cash and cash equivalents	\$	308,876	\$	251,217		
Fixed income securities		5,139,909		4,805,594		
Domestic equities		7,251,777		7,447,454		
Foreign equities		1,441,836		1,588,792		
				_		
Total investments	\$	14,142,398	\$	14,093,057		

The total realized gains on the sale/redemption of investments were \$1,350,238 and \$825,082 for the years ended September 30, 2019 and 2018, respectively. There were total unrealized gains of \$591,108 and \$191,597 on investments as of the year ended September 30, 2019 and 2018, respectively.

#### **Custodial Credit Risk**

Custodial risk is the risk that in the event of bankruptcy of the custodial entity, the Hospital's deposits may not be returned to it. The Hospital does not have a policy for custodial credit risk. As of September 30, 2019 and 2018, none of the Hospital's money market and short term investment accounts were exposed to uninsured and uncollateralized custodial credit risk because the custodian has provided insurance coverage addressing this risk.

#### **Interest Rate Risk**

The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposures to fair value losses arising from increasing interest rates. Specific investments with interest rate risk and their maturities are listed as part of the table included in the credit risk disclosure.

#### **Concentration Credit Risk**

The Hospital places no limit on the amount that may be invested in any one issuer. The Hospital does not have more than five percent of Hospital's investments in any one issuer with the exception of United States Treasury Notes.

#### Credit Risk

The Hospital has a policy that limits investments to bonds with an investment grade of Bbb/BBB or higher.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investment	Rating*	Maturities	Fair Value at 9/30/19
<u>US Treasury Bond Notes</u>	AAA	10/31/18-02/15/22	\$ 334,789
Corporate Bonds			
General Elect Cap Corp	A2/A	1/9/2020	199,762
Duke Energy Corp	BAA1/BBB+	6/15/2020	50,018
Microsoft Corp	AAA/AAA	10/1/2020	50,567
Berkshire Hathaway Fin Corp	AA2/AA	10/15/2020	50,562
Coca Cola Co	AA3/A+	11/1/2020	100,558
Apple Inc	AA1/AA+	5/6/2021	101,564
Goldman Sachs BK USA	N/A	5/27/2021	50,326
General Elect Cap Corp	A2/A	10/15/2021	98,661
Qualcomm Inc	A2/A-	5/20/2022	51,256
Comenity Cap BK Utah	N/A	5/31/2022	232,571
Morgan Stanley BK N A Utah	N/A	5/31/2022	232,553
Exxon Mobil Corp	AAA/AA+	3/1/2023	205,484
Berkshire Hathaway Fin Corp	AA2/AA	3/15/2023	205,026
Discover BK CD 2.3	N/A	12/14/2023	101,729
Synchrony BK Retail CD 2.7	N/A	2/23/2024	181,332
Chevron Corp	AA2/AA-	3/3/2024	103,757
Amazon Com Inc	BAA1/AA-	12/5/2024	239,325
Merck & Co Inc	A1/AA	2/10/2025	207,112
Celtic BK Salt Lake City Utah	N/A	6/13/2025	100,092
Automatic Data Processing Inc	AA3/AA	9/15/2025	107,136
Citibank National Association	N/A	1/6/2026	104,170
Proctor & Gamble Co	AA3/AA-	2/2/2026	103,800
Berkshire Hathaway Fin Corp	AA2/AA	3/15/2026	105,527
Seattle Savings Bk Wash	N/A	5/29/2026	200,330
JP Morgan Chase BK NA Columbus	N/A	7/30/2026	100,351
Signature BK Chicago ILL	N/A	11/16/2026	200,212
Pfizer Inc	A1/AA	12/25/2026	78,961
Gilead Sciences Inc	A3/A	3/1/2027	206,222
Johnson & Johnson	AAA/AAA	3/3/2027	205,007
Apple Inc	AA1/AA+	6/20/2027	105,149
Bofi FED BK San Diego Calif	N/A	10/29/2027	100,079
Oracle Corp	A1/A+	11/15/2027	211,842
JP Morgan Chase BK NA Columbus	N/A	12/29/2027	100,191
Federal Farm Credit Bank	AAA/AA+	6/20/2028	100,003
Goldman Sachs BK USA	N/A	5/15/2029	213,885
Total Fixed Income Securities			\$ 5,139,909

<sup>\*</sup>Rated by Standard & Poor's and Moody Investor Services.

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investment	Rating*	Maturities	Fair Value at 9/30/18
US Treasury Bond Notes	AAA	10/31/18-02/15/22	\$ 1,310,543
Corporate Bonds			
Johnson & Johnson	AAA/AAA	12/5/2018	99,851
Wells Fargo & Co	A2/A-	4/22/2019	74,762
Apple Inc	AA1/AA+	5/6/2019	49,873
Pfizer Inc	A1/AA	5/15/2019	74,797
General Elect Cap Corp	A2/A	1/9/2020	197,882
Duke Energy Corp	BAA1/BBB+	6/15/2020	49,959
Microsoft Corp	AAA/AAA	10/1/2020	50,279
Berkshire Hathaway Fin Corp	AA2/AA	10/15/2020	49,988
Coca Cola Co	AA3/A+	11/1/2020	98,913
Apple Inc	AA1/AA+	5/6/2021	99,500
Goldman Sachs BK USA	N/A	5/27/2021	48,951
General Elect Cap Corp	A2/A	10/15/2021	96,435
Qualcomm Inc	A2/A-	5/20/2022	49,193
Comenity Cap BK Utah	N/A	5/31/2022	224,474
Morgan Stanley BK N A Utah	N/A	5/31/2022	224,469
Exxon Mobil Corp	AAA/AA+	3/1/2023	195,536
Berkshire Hathaway Fin Corp	AA2/AA	3/15/2023	195,330
Discover BK CD 2.3	N/A	12/14/2023	94,947
Synchrony BK Retail CD 2.7	N/A	2/23/2024	169,561
Chevron Corp	AA2/AA-	3/3/2024	97,334
Amazon Com Inc	BAA1/AA-	12/5/2024	224,409
Merck & Co Inc	A1/AA	2/10/2025	71,995
Celtci BK Salt Lake City Utah	N/A	6/13/2025	95,436
Federal Farm CR BKS	AAA/AA+	8/14/2025	123,546
Automatic Data Processing Inc	AA3/AA	9/15/2025	99,216
Proctor & Gamble Co	AA3/AA-	2/2/2026	94,817
JP Morgan Chase BK NA Columbus	N/A	7/30/2026	96,597
Pfizer Inc	A1/AA	12/25/2026	72,004
Apple Inc	AA1/AA+	6/20/2027	95,160
Bofi FED BK San Diego Calif	N/A	10/29/2027	93,877
JP Morgan Chase BK NA Columbus	N/A	12/29/2027	94,801
Federal Farm Credit Bank	AAA/AA+	6/20/2028	91,159
Total Fixed Income Securities			\$ 4,805,594

<sup>\*</sup>Rated by Standard & Poor's and Moody Investor Services.

#### NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

The Hospital invests in domestic equities, international equities and bonds. The value and related income of these securities are sensitive to changes in economic conditions. Accordingly, investment values may be subject to risks by shifts in the market's perception of the issuers and changes in interest rates.

#### Foreign Currency Risk

The Hospital holds \$1,441,836 and \$1,588,792 in various foreign equities that account for approximately 10.19% and 11.69% of the Hospital's total investments as of September 30, 2019 and 2018, respectively.

The Hospital categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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 Hospital has the following recurring fair value measurements as of September 30, 2019 and 2018, respectively:

- U.S. Government obligations of \$334,789 and \$1,310,543 using quoted market prices (Level 1 inputs).
- Corporate bonds of \$4,805,120 and \$3,759,680 using quoted market prices (Level 1 inputs).
- Domestic equities of \$7,251,777 and \$7,447,454 using quoted market prices (Level 1 inputs).
- Foreign equities of \$1,441,836 and \$1,588,792 using quotes market prices (Level 1 inputs).
- Money market funds of \$308,876 and \$251,217 using quoted market prices (Level 1 inputs).

#### **NOTE 4 - ACCOUNTS RECEIVABLE - NET**

An analysis of accounts receivable as of September 30 follows:

September 30,	2019	2018
Accounts receivable – patients	\$ 24,197,642	\$ 19,253,182
Allowances for uncollectible accounts and contractual adjustments	(16,106,780)	(13,465,762)
Accounts receivable – net	\$ 8,090,862	\$ 5,787,420

#### NOTE 4 - ACCOUNTS RECEIVABLE - NET (CONTINUED)

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The percentage mix of accounts receivables from patients and major third-party payers at September 30, 2019 and 2018, was as follows:

September 30,	2019	2018
Medicare	36%	30%
Medicaid	10%	12%
Blue Cross	10%	8%
Commercial/HMO/PPO	16%	20%
Self-Pay	28%	30%
Total	99%	100%

#### **NOTE 5 - INVENTORY**

Inventory consisted of the following:

September 30,		2019	2018
General Supplies	\$	386,285	\$ 386,369
Pharmacy		717,639	480,764
Total	\$ 1	1,103,924	\$ 867,133

#### NOTE 6 - LAND, BUILDINGS AND EQUIPMENT - NET

Land, buildings and equipment additions, retirements, and balances for the year ended September 30, 2019 were as follows:

	Balance October 1,			Balance September 30,
	2018	Additions	Retirements	2019
Land	\$ 782,090	\$ -	\$ -	\$ 782,090
Land improvements	1,206,416	-	-	1,206,416
Buildings	48,140,418	1,458,929	624,443	48,974,904
Fixed equipment	4,648,100	-	-	4,648,100
Major moveable equipment	28,021,423	1,998,656	532,567	29,487,512
Leasehold improvements	253,697	1,775	-	255,472
Construction-in-progress	60,079	119,081	46,356	132,804
Total cost	83,112,223	3,578,441	1,203,366	85,487,298
Less accumulated depreciation for:				
Land improvements	1,172,532	16,195	-	1,188,727
Buildings	18,618,848	1,755,847	359,263	20,015,432
Fixed equipment	4,292,739	4,953	-	4,297,692
Major moveable equipment	21,052,892	1,824,735	513,933	22,363,694
Leasehold improvements	132,051	8,590	56	140,585
Total accumulated depreciation	45,269,062	3,610,320	873,252	48,006,130
Land, buildings, and equipment - net	\$ 37,843,161	\$ (31,879)	\$ 330,114	\$ 37,481,168

#### NOTE 6 - LAND, BUILDINGS AND EQUIPMENT - NET (CONTINUED)

Land, buildings and equipment additions, retirements, and balances for the year ended September 30, 2018 were as follows:

	Balance			Balance
	October 1,			September 30,
	2017	Additions	Retirements	2018
Land	\$ 782,090	\$ -	\$ -	\$ 782,090
Land improvements	1,206,416	-	-	1,206,416
Buildings	47,087,261	1,053,157	-	48,140,418
Fixed equipment	4,648,100	-	-	4,648,100
Major moveable equipment	26,876,509	1,615,965	471,051	28,021,423
Leasehold improvements	240,116	13,581	-	253,697
Construction-in-progress	7,488	54,591	2,000	60,079
Total cost	80,847,980	2,737,294	473,051	83,112,223
Less accumulated depreciation for:				
Land improvements	1,148,642	23,890	-	1,172,532
Buildings	16,749,970	1,868,878	-	18,618,848
Fixed equipment	4,274,619	18,120	-	4,292,739
Major moveable equipment	19,789,784	1,629,688	366,580	21,052,892
Leasehold improvements	123,068	8,983	-	132,051
Total accumulated depreciation	42,086,083	3,549,559	366,580	45,269,062
Land, buildings, and equipment - net	\$ 38,761,897	\$ (812,265)	\$ 106,471	\$ 37,843,161

#### **NOTE 7 - NOTES RECEIVABLE - NET**

Notes receivable consists of the following:

September 30,	20	019	2018
Notes receivable – medical students	\$ 1,1	L01,752	\$ 926,950
Notes receivable – nurse scholarships		50,484	54,046
Total	1,1	L52,236	980,996
Less allowance for uncollectible amounts		-	-
Notes receivable – net	\$ 1,1	L <b>52,23</b> 6	\$ 980,996

#### NOTE 7 - NOTES RECEIVABLE - NET (CONTINUED)

To increase the availability of trained personnel to meet current health care needs in the community, the Hospital advances funds to certain physicians locating to the area. As part of their agreements, the Hospital may forgive all or part of these loans if these individuals practice medicine in this area for specified time periods. Any amounts forgiven under these agreements are recognized as an expense in the year of forgiveness.

To ensure availability of trained personnel to meet future hiring needs, the Hospital provides loans to eligible individuals who are working toward degrees in the healthcare field. The terms call for annual loans from the Hospital to the students, not exceeding \$28,000 per year, as long as the student remains in good standing with their respective college. The agreements with the students also call for the forgiveness of the indebtedness if the student returns to Jackson County to establish a medical practice after completing their education. Upon successful completion from an accredited medical school, graduates may apply to the financial assistance program. Candidates will be eligible to receive \$12,000 per year for a maximum of three years with a two year payback obligation for the entire residency program to run consecutively with any District medical student financial assistance obligations.

The Hospital's total commitments under both of these arrangements extend to the year 2022 and are projected to total approximately \$565,000. Any amounts forgiven under these agreements are recognized as an expense in the year of forgiveness.

#### **NOTE 8 - LEASING ARRANGEMENTS**

The Hospital is the lessor of buildings as included in Note 6 under operating leases expiring in various years through 2025. Minimum future rentals to be received on non-cancelable leases as of September 30, 2019 for each of the next 5 years and in the aggregate are:

2020	\$ 176,812
2021	128,750
2022	59,060
2023	20,985
2024	20,985
2025	20,985
Total minimum future rentals	\$ 427,577

#### **NOTE 8 - LEASING ARRANGEMENTS (CONTINUED)**

Following is a summary of property included in Land, Buildings and Equipment – net on the Statement of Net Position on or held for lease at September 30, 2019 and 2018:

	2019		2018
Land	\$ 6,60	<b>0</b> \$	6,600
Land improvement	6,58	2	6,582
Buildings	4,478,63	5	4,245,732
Fixed equipment	818,64	3	818,643
Property on or held for lease	5,310,46	0	5,077,557
Accumulated depreciation	(3,169,71	7)	(2,991,981)
Property on or held for lease - net	\$ 2,140,74	<b>3</b> \$	2,085,576

The Hospital has entered into leasing agreements as lessee for financing the acquisition of major movable equipment valued at \$3,209,829 with accumulated depreciation totaling \$788,214. The equipment has useful lives ranging from 5 to 15 years and is included in major movable equipment in Note 6. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, were as follows:

Year	Ending	September 30,

2020	\$ 710,827
2021	710,827
2022	239,447
Total minimum lease payments	1,661,101
Less: amount respresenting interest	(70,645)
Present value of minimum lease payments	\$ 1,590,456

**NOTE 9 - LONG-TERM DEBT** 

Schedule of changes in long-term debt for 2019:

	Balance October				S	Balance September		mounts e within
	1, 2018	-	Additions	Payments		30, 2019	С	ne Year
RBC Wealth Management	\$ 1,872,908	\$	-	\$ 1,872,908	\$	-	\$	-
SunTrust Bank	2,660,578		-	116,815		2,543,763		124,251
Baxter Healthcare	271,969		-	90,656		181,313		181,314
Capital Lease Obligations	2,231,008		-	642,492		1,588,516		664,451
Total notes payable	7,036,463		-	2,722,871		4,313,592		970,016
Compensated absences	1,172,447		1,569,683	1,509,767		1,232,363		-
Total	\$ 8,208,910	\$	1,569,683	\$ 4,232,638	\$	5,545,955	\$	970,016

Schedule of changes in long-term debt for 2018:

	Balance			Balance	Amounts
	October			September	Due within
	1, 2017	Additions	Payments	30, 2018	One Year
RBC Wealth Management	\$ 3,599,615	\$ -	\$ 1,726,707	\$ 1,872,908	\$ -
SunTrust Bank	2,777,279	-	116,701	2,660,578	120,412
Baxter Healthcare	-	362,625	90,656	271,969	181,312
Capital Lease Obligations	2,853,872	-	622,864	2,231,008	641,919
Total notes payable	9,230,766	362,625	2,556,928	7,036,463	943,643
Compensated absences	1,050,033	1,620,302	1,497,888	1,172,447	
Total	\$ 10,280,799	\$ 1,982,927	\$ 4,054,816	\$ 8,208,910	\$ 943,643

#### **NOTE 9 - LONG-TERM DEBT (CONTINUED)**

Long-term debt consisted of the following:

September 30,	2019	2018
RBC Wealth Management - Margin loan, interest payable monthly at 2.75%, maturing July 2023, collateralized by investments.	\$	- \$ 1,872,908
SunTrust Bank - Note Payable, interest and principle payable semi-annually at 3.18%, maturing July 2035, collateralized by revenues.	2,543,7	2,660,578
Baxter Healthcare - Note Payable, four quarterly payments of \$90,656 at 0% interest, maturing July 2020, collateralized by equipment with a net book value of \$336,723.	181,3	271,969
First American Equipment Finance - Five capital leases, sixty monthly payments of \$177,697 with interest rates ranging from 3.44% to 3.65%, maturing January 2022, collateralized by equipment with a		
net book value of \$2,267,100.	1,588,5	2,231,008
Compensated absences	1,232,3	1,172,447
Total Current portion	5,545,9 (970,0	(943,643)
Long-term debt, less current portion	\$ 4,575,9	<b>39</b> \$ 7,265,267

Following are maturities of long term debt for each of the next five years and in the aggregate:

#### **FISCAL YEAR ENDING**

September 30,	PRINCIPAL	INTEREST	
2020	\$ 970,016	\$ 127,152	
2021	815,969	99,876	
2022	365,400	71,132	
2023	136,474	68,544	
2024	140,814	64,204	
2025-2029	774,154	250,935	
2030-2034	905,326	119,763	
2035	205,439	6,319	
Total	\$ 4,313,592	\$ 807,925	

#### **NOTE 9 - LONG-TERM DEBT (CONTINUED)**

Total interest expense for the years ended September 30, 2019 and 2018 was \$284,272 and \$437,657, respectively. Interest paid during the years ended September 30, 2019 and 2018 was \$287,576 and \$430,760, respectively. There was \$-0- interest capitalized for the years ended September 30, 2019 and 2018, respectively.

#### **NOTE 10 - NET OPERATING REVENUE**

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

#### Medicare

Inpatient acute care 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. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary or settled without audit through September 30, 2017.

#### Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective reimbursement methodology based on historical costs. Inpatient reimbursement is based on a per diem rate. Outpatient reimbursement is based on a fee schedule for laboratory and a flat rate for all other services and supplies. The Hospital is reimbursed at a prospective rate with subsequent rate adjustment determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. There is no cost report settlement with respect to Medicaid.

#### **NOTE 10 - NET OPERATING REVENUE (CONTINUED)**

#### **Blue Cross**

Services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge for inpatients and at discounts from established charges for outpatients. The rates and discounts are prospectively determined and are not subject to retroactive settlement.

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

Net operating revenue consisted of the following:

Years ended September 30,	2019	2018
Patient revenue	\$ 151,090,003	\$ 148,404,381
Other operating revenue	2,211,699	1,113,522
Total gross revenue	153,301,702	149,517,903
Less: Contractual adjustment -		
Medicare, Medicaid and others	83,161,372	82,256,812
Less: Administrative discounts	1,498,067	1,051,110
Less: Provision for bad debts	6,253,509	5,450,769
Total adjustments to revenue	90,912,948	88,758,691
Net operating revenue	\$ 62,388,754	\$ 60,759,212

#### **NOTE 11 - CONTINGENCIES**

Various claims and lawsuits are pending against the Hospital. In the opinion of legal counsel, the potential loss on all claims and lawsuits will not materially exceed the Hospital's recorded liability.

The Hospital may be subject to some financial risk associated with potential violations of certain healthcare laws. The potential amount of exposure to the Hospital as a result of this matter cannot be estimated at this time, but it is not expected to be material.

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

#### NOTE 11 – CONTINGENCIES (CONTINUED)

Revenue from the Medicare and Medicaid programs accounted for approximately 49 percent and 16 percent, respectively, of the Hospital's net patient revenue for the year ended 2019. Revenue from the Medicare and Medicaid programs accounted for approximately 36 percent and 18 percent, respectively, of the Hospital's net patient revenue for the year ended 2018. Laws and regulations governing the Medicare and Medicaid programs are extremely 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.

#### **NOTE 12 - COMMITMENTS**

#### **Management Agreement**

The Hospital has executed a five year agreement for management services with Quorum Health Resources which expires April 6, 2021. This agreement may be terminated without cause by providing written notice effective December 1, 2018. The agreement provides for an annual fee of \$268,540, to be adjusted annually for increases or decreases in the Consumer Price Index. The fees paid were \$332,943 and \$326,730 for the years ended September 30, 2019 and 2018, respectively.

#### **Contracts**

The Hospital has various contracts with health care service providers. These contracts allow the various providers to perform their services at the Hospital under the terms of each agreement.

#### Litigation

The Hospital is involved with litigation and regulatory investigations arising in the normal course of business. Based on consultations with legal counsel, management is of the opinion that these matters will be resolved without material adverse effect on the Hospital's future financial position or on the results of its future operations.

#### **NOTE 13 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY**

The Hospital participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

#### NOTE 13 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (CONTINUED)

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

#### **Benefits Provided**

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

#### NOTE 13 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (CONTINUED)

#### **Contributions**

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The employer's contribution rates as of September 30, 2019 and 2018, were as follows:

	FRS	HIS
September 30, 2019		
Florida Retirement System:		
Regular	6.81%	1.66%
Senior Management Service Class	23.75%	1.66%
Special Risk	23.82%	1.66%
DROP	12.94%	1.66%
September 30, 2018		
Florida Retirement System:		
Regular	6.60%	1.66%
Senior Management Service Class	22.40%	1.66%
Special Risk	22.84%	1.66%
DROP	12.37%	1.66%

The Hospital's contributions for the year ended September 30, 2019, were \$204,303 to the FRS and \$40,017 to the HIS. The Hospital's contributions for the year ended September 30, 2018, were \$194,080 to the FRS and \$42,354 to the HIS.

#### Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2019 and 2018, the Hospital reported a liability for its proportionate share of the net pension liabilities of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program. The net pension liabilities were measured as of June 30, 2019 and 2018. The Hospital's proportions of the net pension liabilities were based on the Hospital's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

NOTE 13 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (CONTINUED)

	FRS	HIS
September 30, 2019 Net Pension Liability	\$ 2,233,752 \$	811,217
Proportion at: Current measurement date Prior measurement date	0.0000649 0.0000692	0.0000725 0.0000810
Pension expense (benefit)	\$ 425,370 \$	(27,258)
September 30, 2018 Net Pension Liability	\$ 2,083,059 \$	857,785
Proportion at: Current measurement date Prior measurement date	0.0000692 0.0000751	0.0000810 0.0000911
Pension expense (benefit)	\$ 249,266 \$	(13,339)

#### Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2019 and 2018, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

September 30, 2019		FF	RS		HIS			
	Deferred Deferred		Deferred		Deferred			
	C	outflows		Inflows	C	Outflows		Inflows
Description	of	Resources	of	Resources	of	Resources	of	Resources
Differences between expected and								
actual experience	\$	132,490	\$	(1,386)	\$	9,853	\$	(993)
Change of assumption		573,724		-		93,931		(66,302)
Net difference between projected and actual earnings on pension plan investments		-		(123,583)		522		-
Changes in proportion and differences between hospital contributions and proportional share of				(272 206)				(225 962)
contributions		-		(372,396)		-		(325,862)
Hospital contributions subsequent to		40 504				0.110		
the measurement date		48,581		<u>-</u>		9,119		
Total	\$	754,795	\$	(497,365)	\$	113,425	\$	(393,157)

NOTE 13 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (CONTINUED)

September 30, 2018		FF	RS		HIS			
	Deferred		Deferred		Deferred		Deferred	
	C	utflows		Inflows	C	utflows		Inflows
Description	of	Resources	of	Resources	of	Resources	of	Resources
Differences between expected and								
actual experience	\$	176,466	\$	(6,405)	\$	13,132	\$	(1,457)
Change of assumption		680,643		-		95,396		(90,692)
Net difference between projected and actual earnings on pension plan investments Changes in proportion and differences between hospital contributions and proportional share of		-		(160,942)		518		-
contributions		-		(407,354)		-		(326,695)
Hospital contributions subsequent to								
the measurement date		45,397		-		9,360		-
Total	\$	902,506	\$	(574,701)	\$	118,406	\$	(418,844)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	FRS	HIS
2020	\$ 93,884 \$	(73,561)
2021	(35,013)	(62,022)
2022	67,484	(52,317)
2023	67,318	(58,317)
2024	8,961	(30,939)
Thereafter	6,216	(11,694)
		_
Total	\$ 208,850 \$	(288,850)

#### NOTE 13 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (CONTINUED)

#### **Actuarial Assumptions**

The total pension liability for each of the defined benefit plans, measured as of June 30, 2019. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2019. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2018 and using standard actuarial roll forward procedures to develop the liability at June 30, 2019. The individual entry age normal actuarial cost method was used for each plan, along with the following significant assumptions:

	FRS	HIS
September 30, 2019		
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	6.90%	N/A
Discount rate	6.90%	3.50%
September 30, 2018		
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.00%	N/A
Discount rate	7.00%	3.87%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The following changes in key actuarial assumptions occurred in 2019:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.0% to 6.9%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 3.87% to 3.50%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the tables below summarize the consulting actuary's assumptions based on the long-term target asset allocation.

NOTE 13 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (CONTINUED)

#### **September 30, 2019**

Asset Class	Target Allocation (1)	Annual Arithmetic Return *	Compound Annual (Geometric) Return
Cash	1.0%	3.3%	3.3%
Fixed Income	18.0%	4.1%	4.1%
Global Equity	54.0%	8.0%	6.8%
Real Estate (Property)	10.0%	6.7%	6.1%
Private Equity	11.0%	112.0%	8.4%
Strategic Investments	6.0%	5.9%	5.7%
Total	100.00%		

**September 30, 2018** 

		Annual	Compound Annual	
	Target	Arithmetic	(Geometric)	Standard
Asset Class	Allocation (1)	Return *	Return	Deviation
Cash	1.0%	2.9%	2.9%	1.8%
Fixed Income	18.0%	4.4%	4.3%	4.0%
Global Equity	54.0%	7.6%	6.3%	17.0%
Real Estate (Property)	11.0%	6.6%	6.0%	11.3%
Private Equity	10.0%	10.7%	7.8%	26.5%
Strategic Investments	6.0%	6.0%	5.7%	8.6%
Total	100.00%			

Note: (1) As outlined in the Pension Plan's investment policy

#### **Discount Rate**

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.90%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.50% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

<sup>\*</sup> Includes assumed rate of inflation of 2.6%

#### NOTE 13 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (CONTINUED)

#### Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

#### **September 30, 2019**

	FRS	Net Pension Liab	oiltiy	HIS Net Pension Liability				
Current					Current			
1% Decrease		<b>Discount Rate</b>	1% Increase	1% Decrease	<b>Discount Rate</b>	1% Increase		
	5.90%	6.90%	7.90%	2.50%	3.50%	4.50%		
	\$ 3.861.413	\$ 2.233.752	\$ 874.379	\$ 926.046	\$ 811.217	\$ 715.578		

#### September 30, 2018

	FRS Net Pension Liabiltiy						HIS Net Pension Liability				
Current							Current		_		
	1% Decrease	<b>Discount Rate</b>		Discount Rate 1% Increase		_1%	Decrease	Dis	count Rate	19	% Increase
	6.00%		7.00%		8.00%		2.87%		3.87%		4.87%
	\$ 3,801,670	\$	2,083,059	\$	655,651	\$	976,967	\$	857,785	\$	758,440

#### Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

#### **Defined Contribution Plan**

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the years ended September 30, 2019 and 2018, totaled \$293,380 and 304,133, respectively.

#### **NOTE 14 - BLENDED COMPONENT UNIT**

Jackson Hospital Foundation, Inc. (Affiliate) is a legally separate, tax exempt component unit of the Hospital. Because the Foundation is considered to be a blended component unit, its financial activity is included in the Hospital's financial activity on the accompanying consolidated financial statements.

#### NOTE 14 - BLENDED COMPONENT UNIT (CONTINUED)

A summary of the Foundation's assets, liabilities, and fund balances, results of operations, and changes in fund balances as of and for the years ended September 30 follows:

		2019		2018
Assets, principally cash and cash equivalent investments	\$	724,701	\$	617,437
Liabilities	\$	-	\$	-
Net Position		724,701		617,437
Total liabilities and not position	Ļ	724 701	۲	C17 427
Total liabilities and net position	\$	724,701	\$	617,437
Support and revenue	\$	256,147	\$	204,674
Expenses				
Distributions to/for Jackson County Hospital		75,000		75,000
Other		73,883		47,639
Total expenses		148,883		122,639
Excess of support and revenue over (under) expenses		107,264		82,035
Net position, beginning of year		617,437		535,402
Net position, end of year	\$	724,701	\$	617,437

For the years ended September 30, 2019 and 2018, \$75,000 and \$75,000, respectively, of operating expenses presented above represents cash donations form the Foundation to the Hospital. Such amounts have been eliminated against donations income on the accompanying consolidated statements of revenues, expenses and changes in net position.

#### **NOTE 15 - RELATED PARTY TRANSACTIONS**

Jackson Hospital Auxiliary is a not-for-profit organization formed to render services to Jackson Hospital and its patients through volunteer work, nursing scholarships, and contributions. The Auxiliary Board of Directors has discretionary control over the amounts to be distributed to the Hospital and services to be rendered.

Contributions from the Auxiliary totaled \$7,710 and \$5,158 for the years ended September 30, 2019 and 2018, respectively.

#### **NOTE 16 - WORKERS' COMPENSATION INSURANCE**

The Hospital is currently insured for workers compensation with CompOptions under a retrospectively rated policy. The premiums are accrued based on the ultimate costs of the experience to date of the entity. Due to the uncertainty regarding the amount and existence of any unreported claims, the amount of any resulting liability cannot be estimated.

#### **NOTE 17 - EMPLOYEE HEALTH INSURANCE**

The Hospital sponsors an employee health insurance plan under a self-funded minimum premium plan. The Hospital has purchased a stop-loss insurance policy which will limit total losses related to health insurance claims and limits losses on large individual claims. The specific claim stop-loss limit for the January 1, 2018 to December 31, 2019 plan year is \$400,000. The Hospital is liable for any claims up to this limit. An estimated liability for claims incurred but not reported or paid is included in accrued expenses and operating expenses on the financial statements. Commercial reinsurance is purchased for claims in excess of coverage provided by the Hospital to limit the Hospitals' liability or losses under its self-insurance program. Expense related to this plan was \$1,543,836 and \$1,528,840 for the years ended September 30, 2019 and 2018, respectively, including claim payments and insurance premiums.

The claim liability at September 30, 2019 and 2018 is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. This statement provides that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

#### **NOTE 18 - TAX DEFERRED ANNUITY PLAN**

The Hospital sponsors a tax deferred annuity plan for its employees. Participation in the plan is optional for the employees. The Hospital makes a matching contribution up to 2% for the year under this plan. The amount of contribution made by the Hospital is within the Hospital's discretion and may change from year to year.

#### **NOTE 19 - DEFINED CONTRIBUTION PLAN**

Jackson Hospital sponsors a defined contribution retirement plan for full-time and part-time employees hired after January 1, 1996 who have completed one year of service requiring a contribution of 4% of covered payroll. The Hospital can amend or terminate the plan anytime at its sole discretion. Pension expense related to the plan was \$575,545 and \$565,753 for the years ended September 30, 2019 and 2018, respectively.

#### **NOTE 20 - DEFERRED COMPENSATION PLAN**

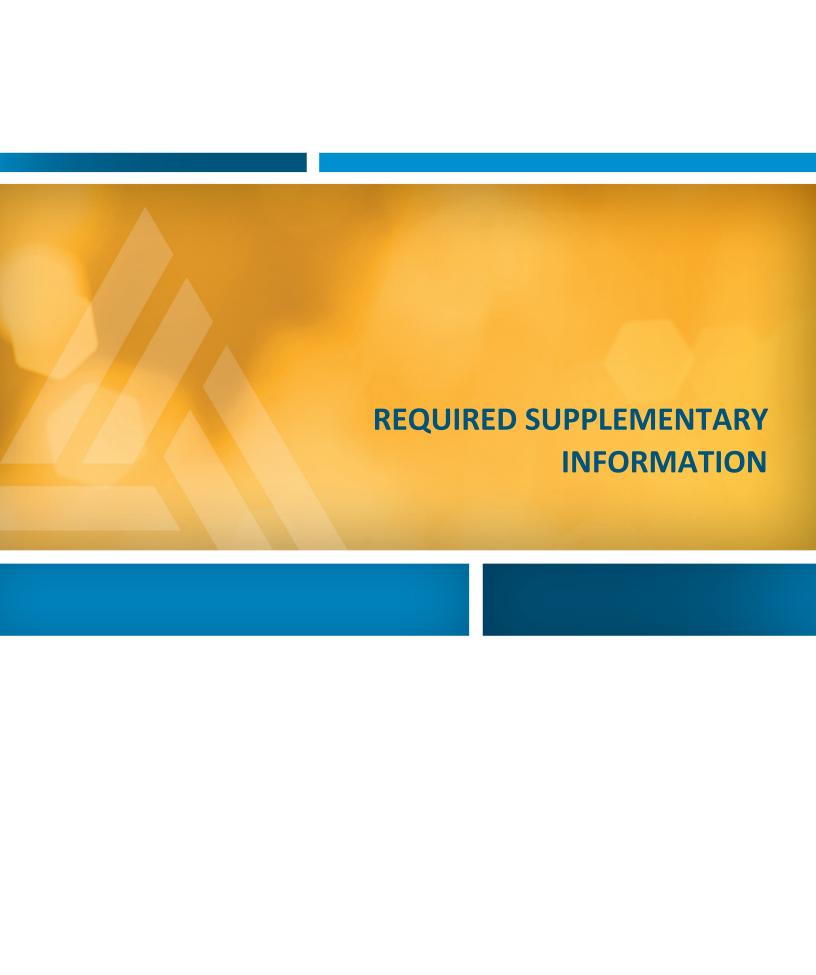
The Hospital established a physician call plan in 2010 for certain employees or independent contractors as determined by the Board of Directors. The plan is a deferred compensation plan under sections 201(2), 301(a)(3) and 401 (a)(1) of the Employee Retirement Income Security Act of 1974. All compensation deferred under this plan is held life insurance policies in an investment trust, which is considered to be an asset of the Hospital. The plan calls for multiple vesting options for the participants. The expense associated with the deferred compensation plan was \$645,300 and \$696,291 for the years ended September 30, 2019 and 2018, respectively.

#### Note 21 – INSURANCE RECOVERIES AND ASSET IMPAIRMENT RELATED TO HURRICANE MICHAEL

Hurricane Michael caused significant damage in the Florida Panhandle on October 10, 2018. The Hospital has filed insurance claims for reimbursement of damages and additional costs related to the hurricane, such reimbursements totaled \$2,559,646 for the current year. Business interruption proceeds of \$1,094,368 have been included in "Operating Revenue" and \$1,340,508 in other proceeds have been included in "Hurricane Insurance Proceeds and Expenses". Assets were reviewed and evaluated by management for potential impairment as a result of the hurricane. Amounts totaling \$251,689 including the loss of radiology equipment and Hudnall Building damages have been recorded to reflect impairment losses and are also included as a reduction of "Hurricane Insurance Proceeds and Expenses". Additional costs including but not limited to debris removal, repairs and overtime have been reported in the account "Hurricane Insurance Proceeds and Expenses" that were directly related to the effects of the hurricane.

#### **NOTE 22 - SUBSEQUENT EVENT**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.



#### Jackson County Hospital District and Affiliate Schedule of Proportional Share of Net Pension Liability Florida Retirement System (Last 7 fiscal years)

	2019	2018	2017	2016	2015	2014	2013
Hospital's proportion of the net pension liability (asset)	0.0065%	0.0069%	0.0075%	0.0095%	0.0102%	0.0110%	0.0113%
Hospital's proportionate share of the net pension liability (asset)	\$ 2,233,752	\$ 2,083,059	\$ 2,220,254	\$ 2,389,585	\$ 1,314,323	\$ 669,385	\$ 1,943,806
Hospital's covered - employee payroll	\$ 2,411,062	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 3,370,543	\$ 3,599,149	\$ 3,357,368
Hospital's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	92.65%	78.85%	72.64%	75.26%	38.99%	18.60%	57.90%
FRS Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	N/A

Note: Data was unavailable prior to 2013

#### Note to schedule:

## Jackson County Hospital District and Affiliate Schedule of Contributions Florida Retirement System (Last 7 fiscal years)

	2019	2018	2017	2016	2015	2014		2013
Contractually required contributions	\$ 201,119	\$ 197,093	\$ 195,402	\$ 230,787 \$	248,091	\$ 240,309	\$	151,952
Contributions in relation to the contractually required contribution	(201,119)	(197,093)	(195,402)	(230,787)	(248,091)	(240,309)		(151,952)
Contribution deficiency (excess)	\$ 	\$ 	\$ 	\$ - \$		\$ - !	\$	_
Hospital's covered-employee payroll	\$ 2,342,332	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059 \$	3,370,543	\$ 3,599,149	\$ :	3,357,368
Contributions as a percentage of covered-employee payroll	8.59%	7.46%	6.39%	7.27%	7.36%	6.68%		4.53%

#### Note to schedule:

#### Jackson County Hospital District and Affiliate Schedule of Proportional Share of Net Pension Liability Health Insurance Subsidy (Last 7 fiscal years)

	2019	2018	2017	2016	2015	2014	2013
Hospital's proportion of the net pension liability (asset)	0.0073%	0.0081%	0.0091%	0.0110%	0.0113%	0.0125%	0.0140%
Hospital's proportionate share of the net pension liability (asset)	\$ 811,217	\$ 857,785	\$ 974,570	\$ 1,281,958 \$	1,154,331	\$ 1,166,072	\$ 1,219,591
Hospital's covered - employee payroll	\$ 2,411,062	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059 \$	3,370,543	\$ 3,599,149	\$ 3,357,368
Hospital's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	33.65%	32.47%	31.89%	40.38%	34.25%	32.40%	36.33%
HIS Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	N/A

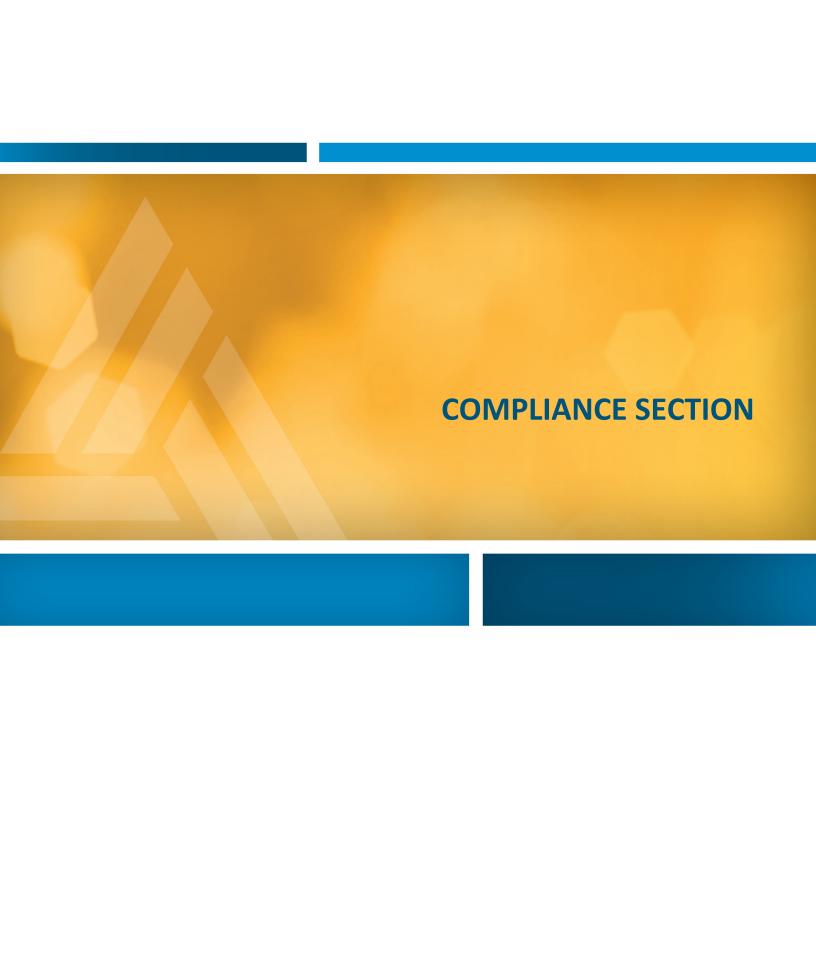
Note: Data was unavailable prior to 2013

#### Note to schedule:

## Jackson County Hospital District and Affiliate Schedule of Contributions Health Insurance Subsidy (Last 7 fiscal years)

	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 40,259	\$ 43,951	\$ 48,237	\$ 56,380	\$ 43,267	\$ 42,722	\$ 45,887
Contributions in relation to the contractually required contribution	(40,259)	(43,951)	(48,237)	(56,380)	(43,267)	(42,722)	(45,887)
Contribution deficiency (excess)	\$ -						
Hospital's covered-employee payroll	\$ 2,342,332	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 3,370,543	\$ 3,599,149	\$ 3,357,368
Contributions as a percentage of covered-employee payroll	1.72%	1.66%	1.58%	1.78%	1.28%	1.19%	1.37%

#### Note to schedule:





Carr, Riggs & Ingram, LLC 4267 Lafayette Street Marianna, FL 32446

Mailing Address: P.O. Box 1606 Marianna, FL 32447

### INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES

(850) 526-3207 (850) 526-5322 (fax) www.cricpa.com

To Board of Trustees

Jackson County Hospital District

We have examined Jackson County Hospital District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the years ended September 30, 2019 and 2018. Management is responsible for Jackson County Hospital District's compliance with those requirements. Our responsibility is to express an opinion on Jackson County Hospital District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Jackson County Hospital District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Jackson County Hospital District's compliance with specified requirements.

In our opinion, Jackson County Hospital District complied, in all material respects, with the aforementioned requirements for the years ended September 30, 2019 and 2018.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Marianna, Florida May 15, 2020

Can, Rigge & Ingram, L.L.C.



Carr, Riggs & Ingram, LLC 4267 Lafayette Street Marianna, FL 32446

Mailing Address: P.O. Box 1606 Marianna, FL 32447

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# 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

To the Board of Trustees

Jackson County Hospital District

We have audited, in accordance with the auditing standards general 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 accompanying consolidated financial statements of the business type activities of the Jackson County Hospital District and Affiliate, as of and for the years ended September 30, 2019 and 2018, and the related notes to the consolidated financial statements, which collectively comprise Jackson County Hospital District's consolidated financial statements and have issued our report thereon dated May 15, 2020.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jackson County Hospital District's internal control over financial reporting in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jackson County Hospital District'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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that are not identified. We did identify a certain deficiency in internal control described below that we consider to be a significant deficiency.

Board of Trustees Jackson County Hospital District Page Two

#### **CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

#### 2019-001 - Bank Account Reconciliation

**CRITERIA:** Bank accounts should be reconciled and agreed to the recorded balances on a timely basis. All reconciling items should be reviewed for proper recording.

**CONDITION:** The operating account bank reconciliation was not completed timely.

**CAUSE:** A new collection company utilized for hospital owned clinics made reconciling the bank account problematic. The Hospital had issues with the collection company's management team turnover and their ability to provide necessary deposit reconciliation documentation.

**EFFECT:** The operating bank account was not reconciled timely.

**RECOMMENDATION:** All significant balances should be reconciled each month, including bank accounts. All reconciling items should be reviewed for proper recording.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jackson County Hospital District's consolidated financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental 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 Jackson County Hospital District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jackson County Hospital District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cau, Rigge & Ingram, L.L.C.

Marianna, Florida May 15, 2020



Carr, Riggs & Ingram, LLC 4267 Lafayette Street Marianna, FL 32446

Mailing Address: P.O. Box 1606 Marianna, FL 32447

(850) 526-3207 (850) 526-5322 (fax) www.cricpa.com

#### INDEPENDENT AUDITORS' MANAGEMENT LETTER

Board of Trustees Jackson County Hospital District Marianna, Florida

We have audited the consolidated financial statements of the Jackson County Hospital District and Affiliate as of and for the years ended September 30, 2019, and 2018 and have issued our report thereon dated May 15, 2020.

#### **Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

#### **Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards;* Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies;* and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards,* AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 15, 2020, should be considered in conjunction with this management letter.

#### **Prior Audit Findings**

Section 10.554(1)(i)1. Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no recommendations made in the preceding financial audit report.

Board of Trustees Jackson County Hospital District Page Two

#### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information can be found in Note 1 of the Jackson County Hospital District's financial statements.

#### **Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Hospital has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Hospital did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for Jackson County Hospital District. It is management's responsibility to monitor Jackson County Hospital District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

#### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings other than finding 2019-001.

#### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Trustees and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Caux Rigge & Ingram, L.L.C.

Marianna, Florida May 15, 2020

## Jackson County Hospital District Response to Management Letter Comment



Growing a Healthier Community.

May 15, 2020

State of Florida Office of Auditor General PO Box 1735 Tallahassee, FL 32302

To Whom It May Concern,

In response to the Independent Auditors' Management Letter Comments for Jackson Hospital for the fiscal year ended September 30, 2019 presented by Carr, Riggs and Ingram, please accept the following:

<u>2019-001 – BANK ACCOUNT RECONCILIATION</u> – A new collection company used by the Hospital clinics made reconciling the bank account problematic. Jackson Hospital had issues with the collection company's management team turnover and their ability to provide necessary deposit reconciliation documentation. Therefore, the operating bank account was not reconciled timely. We anticipate that all significant balances will be reconciled each month, including these bank accounts. We will review all reconciling items for proper recording.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Kevin A. Rovito

Associate Administrator/CFO

Direct 850/718-2623

cc: J. Platt, CEO Board of Trustees

4250 Hospital Drive / Marianna, FL 32448 / (850) 526-2200 / jacksonhosp.com