# Jackson County Hospital District and Affiliate

**Consolidated Financial Statements** and Supplemental Information

September 30, 2020 and 2019



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#### **INDEPENDENT AUDITORS' REPORT**

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

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, 2020 and 2019, 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, 2020 and 2019, 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 March 29, 2021, 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

March 29, 2021



#### JACKSON COUNTY HOSPITAL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS Year ended September 30, 2020

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, 2020. Please read it in conjunction with the financial statements in this report.

#### **Financial Highlights**

- As presented in Table 1, Fiscal Year 2020's total assets improved to \$97,873,210, or 23.9% when compared to fiscal year 2019. Jackson Hospital's total assets and deferred outflows increased by \$18.9 million or 23.7% for the fiscal year ended September 30, 2020. The improvement is a direct result from Medicare Advanced and CARES Act payments received due to COVID-19 legislation.
- The Hospital's total liabilities increased by \$12.4 million, or 66.4%, when matched to fiscal year 2019, also as represented in table 1. This improvement is a direct result of COVID-19 legislation requiring repayment of Medicare Advanced payments and strictly defined conditions under which the CARES Act funding my be considered earned.
- As displayed in Table 3, the Hospital's operations saw a loss of \$1,525,117 in the current fiscal year in contrast to a gain of \$2,994,610 in the prior fiscal year. With the addition of a Family Practice Clinic, continued growth in Oncology and Infusion services and the impact of COVID-19 operating restrictions, operating expenses outpaced operating revenues for the year. Salaries and Benefits increased by \$4,088,276 or 12.6% during the current fiscal year. Supplies, Contract Services and fees increased by \$3,596,049 or 17.4% for the same period. The majority of the increase was from the use of agency staff during the COVID-19 surges and a substantial increase in the volume of expensive infusion and COVID-19 related drugs. Other operating expense decreased by \$123,340 or -5.2% for the year. The impact of COVID-19 was recognized throughout operating expenses during the fiscal year 2020 with an overall increase of \$7,619,861, or 12.8%.
- Consideration must be given to the impact that COVID-19 on the healthcare industry. The performance of the investments resulted in non-operating investment income of \$274,028 in addition to growth in the value of the securities of \$1,121,689 during the current fiscal year. These results, combined with the recognition of a substantial part of the CARES Act funds, resulted in \$8,096,542 of non-operating revenue. Together, the operating and non-operating returns provided Jackson Hospital with a positive change in net position of \$6,571,425 in fiscal year 2020. This compares to the change of \$4,579,730 that was experienced in fiscal year 2019.

#### **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, 2020 and 2019

		2020		2019	D	ollar Change	Percent Change
Total current assets	\$	55,360,524	\$	36,676,117	\$	18,684,407	50.94%
Capital assets - net		37,381,860		37,481,168		(99,308)	-0.26%
Other assets		5,130,826		4,846,921		283,905	5.86%
							22.224
Total assets		97,873,210		79,004,206		18,869,004	23.88%
Deferred outflows of							
resources - pensions		893,629		868,220		25,409	2.93%
		000,020		000,==0			
Total assets and deferred							
outflows of resources	\$	98,766,839	\$	79,872,426	\$	18,894,413	23.66%
Current liabilities	\$	22,957,925	\$	9,636,222	\$	13,321,703	138.25%
Long-term liabilities		8,283,440		9,136,094		(852,654)	-9.33%
Total liabilities		31,241,365		18,772,316		12,469,049	66.42%
Deferred inflows of							
resources - pensions		744,461		890,522		(146,061)	-16.40%
Investments in capital assets,							
(net of related debt)		36,330,200		35,587,087		743,113	2.09%
Unappropriated net assets		30,376,299		24,559,955		5,816,344	23.68%
Restricted net assets		74,514		62,546		11,968	19.13%
Total net position		66,781,013		60,209,588		6,571,425	10.91%
Tatal liabilities defended							
Total liabilities, deferred	۲.	00 766 020	۲	70 072 426	۲	10 004 412	22.66%
inflows and net position	<b>\</b>	98,766,839	\$	79,872,426	\$	18,894,413	23.66%

As shown in Table 1, total assets and deferred outflows of resources grew by \$18,894,413 during the current fiscal year. This represented a balance of \$98,766,839 as of September 30, 2020. For the same period, total liabilities and deferred inflows of resources increased by \$12,322,988, adjusting the total to \$31,985,826.

TABLE 2 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)	100.00%
Total assets and deferred	_	70.072.426		76 420 740	_	2 442 670	4.500/
outflow of resources	\$	79,872,426	\$	76,429,748	\$	3,442,678	4.50%
		0.505.000	_			4 500 455	40 740/
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 liabilities		18,772,316		19,806,345		(1,034,029)	-5.22%
Total natimics		10,772,310		13,000,343		(1,034,023)	3.2270
Deferred inflows of							
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%
Total net position		60,209,588		55,629,858		4,579,730	8.23%
Total liabilities and							
net position	\$	79,872,426	\$	76,429,748	\$	3,442,678	4.50%

As indicated in Table 2, total assets and deferred outflows of resources improved by \$3,442,678 during fiscal year 2019. 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 to a balance of \$19,662,838.

#### 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, 2020 and 2019.

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

		2020		2010	_		Percent
		2020		2019	Do	ollar Change	Change
Revenue:							
Net patient service revenue	\$	64,379,115	\$	61,470,545	\$	2,908,570	4.73%
Other	۲	1,109,773	Ą	918,209	۲	191,564	20.86%
Other		1,109,773		918,209		191,304	20.80%
Net revenue		65,488,888		62,388,754		3,100,134	4.97%
Expenses:							
Salaries and employee							
benefits		36,502,124		32,413,848		4,088,276	12.61%
Supplies, contract							
services and fees		24,293,554		20,697,505		3,596,049	17.37%
Other Operating expense		2,231,868		2,355,208		(123,340)	-5.24%
Depreciation		3,710,564		3,643,311		67,253	1.85%
Interest		275,895		284,272		(8,377)	-2.95%
Total operating expenses		67,014,005		59,394,144		7,619,861	12.83%
Gain (loss) from operations		(1,525,117)		2,994,610		(4,519,727)	-150.93%
Non-operating revenue		8,096,542		1,585,120		6,511,422	410.78%
Excess of revenue							
		6 571 425		4 570 720		1 001 605	42 400/
Over expenses		6,571,425		4,579,730		1,991,695	43.49%
Beginning net position		60,209,588		55,629,858		4,579,730	8.23%
Ending net position	\$	66,781,013	\$	60,209,588	\$	6,571,425	10.91%

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

					Percent
	2019	2018	Do	ollar Change	Change
_					
Revenue:	64 470 545	50.044.000	_	4 630 543	2.720/
Net patient service revenue	\$ 61,470,545	\$ 59,841,003	\$	1,629,542	2.72%
Other	918,209	918,209			0.00%
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	2,355,208	1,909,395		445,813	23.35%
Depreciation	3,643,311	3,550,296		93,015	2.62%
Interest	284,272	437,657		(153,385)	-35.05%
Tatal an austina ann an a	FO 204 4 4 4	FF CO2 470		2 704 066	C CEN/
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%
Ending net position	\$ 60,209,588	\$ 55,629,858	\$	4,579,730	8.23%

#### **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, 2020 and 2019. 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, 2020 and 2019

	2020	2019
Medicare	32.7%	35.7%
Blue Cross Blue Shield	18.2%	17.4%
Medicaid	16.7%	16.7%
Commercial/Managed Care	26.8%	22.0%
Self-pay	5.6%	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 2020 and fiscal year 2019:

Jackson Hospital's inpatient admissions dropped by 1.5% during 2020 in comparison to 2019 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 2.8% days for the year.

The impact of COVID-19 was more reflected in outpatient volume. While outpatient visits increased slightly by 2.4%, Jackson Hospital experienced a decline in Emergency Room visits by 19.5%, outpatient surgeries by 19.2% and Quick Care visits by 19.4%.

In spite of the volume regressions associated with the COVID-19, net patient service revenue improved by 4.7% year over year. This represented an increase of \$2,908,570 in fiscal year 2020 compared to fiscal year 2019. 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 61.1% of gross patient revenue in 2020 and 60.2% in fiscal year 2019. These ratios are impacted by the changes in reimbursement from third-parties such as Medicare and Medicaid related to COVID-19, as well as improved collections but remain stable.

Private pay revenue decreased considerably to 5.6% of patient revenue in 2020, the Hospital's total charity care and bad debts adjustments experienced a positive impact. The ratio of gross patient revenue in fiscal year 2020 was 7.6% compared to 7.9% in fiscal year 2019.

Salaries and employee benefits, at \$36,502,124, grew by 12.6% in 2020 with the increase attributed to expanded, up-to-date facilities and services available to the patients. These services, including an entire year of the Orthopedics and Pulmonology clinic, as well as the addition of Family Care and Pediatric providers allowed our patients increased local access to these services. New protocols attributed to COVID-19 also impacted this area.

Other expenses, such as supplies, contract services and fees, reflect growth consistent with the new and expanded services accessible to the Hospital's patients. Jackson Hospital experienced a drastic increase in the use of agency staff attributed to COVID-19 surges. Along with the staffing crisis, COVID-19 brought about challenges of procuring necessary supplies and drugs, often at greatly increased prices.

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 \$8,096,542 in fiscal year 2020 represents a combination of these sources of revenue. This figure represented a 410.8% increase over the previous fiscal year. \$6,412,925 or 404.6% of the increase is attributed to the recognition of the CARES Act funds.

As a result of the combination of these operating and non-operating yields, Jackson Hospital recognized an excess of revenue over expenses of \$6,571,425 in fiscal year 2020 in comparison to \$4,579,730 in fiscal year 2019.

#### **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, 2020 and 2019

					Percent
	2020	2019	Do	ollar Change	Change
Building and improvements	\$ 50,094,096	\$ 48,974,904	\$	1,119,192	2.29%
Equipment	35,296,904	34,135,612		1,161,292	3.40%
Capital leases and					
leasehold improvements	255,472	255,472		-	0.00%
Construction in progress	1,205,543	132,804		1,072,739	807.76%
Subtotal	86,852,015	83,498,792		3,353,223	4.02%
Less accumulated					
depreciation	(51,458,661)	(48,006,130)		(3,452,531)	7.19%
Land and land improvements	1,988,506	1,988,506		-	0.00%
Net property, plant, and					
equipment	\$ 37,381,860	\$ 37,481,168	\$	(99,308)	-0.26%

Net property, plant and equipment decreased by \$99,308, or less than 1%, due to more depreciation expense than capital purchases during 2020.

TABLE 7
Capital Assets
September 30, 2019 and 2018

	2019	2018	Do	ollar Change	Percent 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 more depreciation expense than capital purchases during 2019.

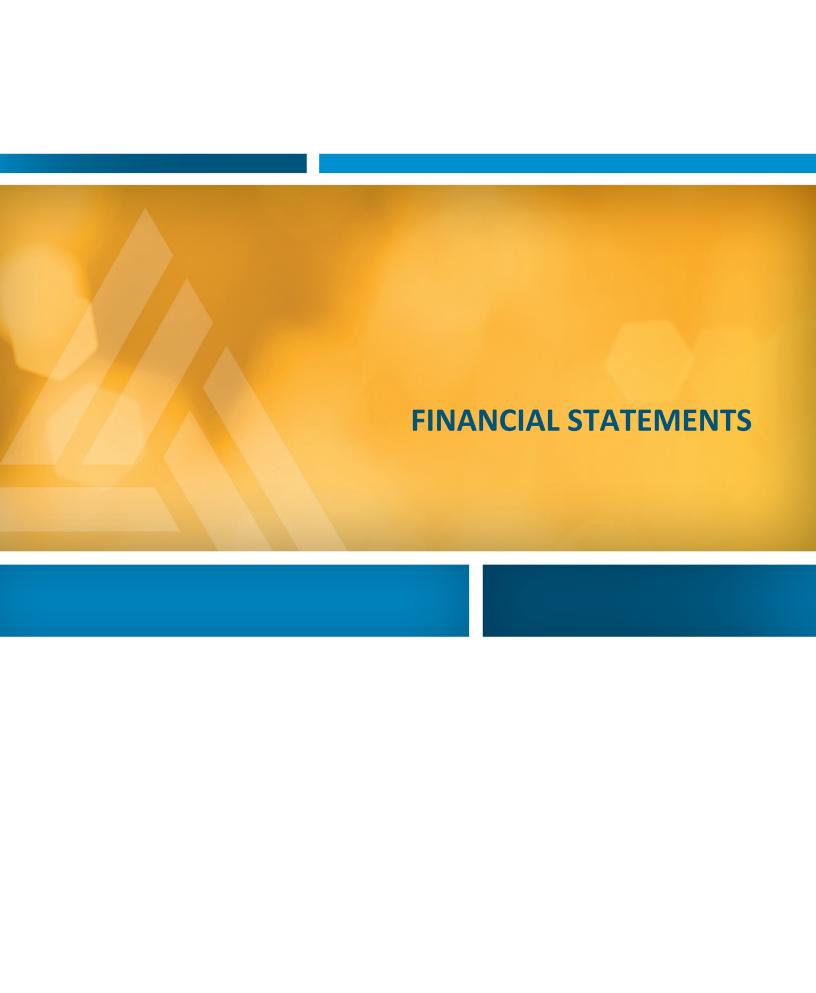
#### **Long-Term Liabilities**

At our current year-end, Jackson Hospital had \$8,283,440 in long-term liabilities compared to \$9,136,094 at September 30, 2019. This decrease of \$852,654 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,	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 29,246,691	10,137,842
Building fund cash	-	39,643
Investments	16,501,804	14,142,398
Accounts receivable – net	6,724,970	8,090,862
Other receivables	466,782	1,533,717
Inventory	1,365,719	1,103,924
Prepaid expenses	1,054,558	790,139
Due from Medicare/Medicaid	-	837,592
Total current assets	55,360,524	36,676,117
and, buildings and equipment – net	37,381,860	37,481,168
Other assets		
Restricted cash	74,514	62,546
Investment in life insurance policies in deferred compensation plan	3,876,735	3,603,153
Notes receivable – net	1,150,591	1,152,236
Other assets	28,986	28,986
Total other assets	5,130,826	4,846,921
Total assets	97,873,210	79,004,206
Deferred outflows of resources		050.000
Pension  Total deferred outflows of resources	893,629	868,220
	 893,629	868,220
otal assets and deferred outflows of resources	\$ 98,766,839	79,872,426
Liabilities and net position Current liabilities Current portion of obligations		
under capital leases	\$ 687,776	-
Current portion of long-term debt	128,191	305,565
Accounts payable and accrued expenses	5,948,492	5,297,469
Estimated liability for malpractice claims	500,000	300,000
Accounts receivable credit balances	670,678	404,715
Life insurance policy loans	3,143,038	2,664,022
Unearned revenue	4,404,196	-
Due to Medicare/Medicaid	7,475,554	0.626.222
Total current liabilities	22,957,925	9,636,222
ong-term liabilities		
Long-term portion of obligations	225 602	024.065
under capital leases	235,693	924,065
Long-term debt, less current portion	2,291,332 3,339,633	2,419,511
Net pension liability		3,044,969
Compensated absences Deferred compensation liability	1,420,271 996,511	1,232,363
Total long-term liabilities	8,283,440	1,515,186 9,136,094
Total liabilities	31,241,365	18,772,316
Deferred inflows of resources		==,::=,==
Pension	744,461	890,522
Total deferred inflows of resources	 744,461	890,522
let position		
Investment in capital assets, net of related debt	36,330,200	35,587,087
Unrestricted	30,376,299	24,559,955
Restricted for debt service	74,514	62,546
Total net position	66,781,013	60,209,588
Total liabilities, deferred inflows and net position	\$ 98,766,839	79,872,426

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

For the years ended September 30,		2020	2019
Operating revenue			
Net operating revenue, pledged as collateral for			
revenue bonds (net of provision for bad debts			
of \$6,456,923 in 2020 and \$6,253,509 in 2019)	\$	<b>65,488,888</b> \$	62,388,754
01 \$0,100,520 HT 2020 and \$0,250,500 HT 2025	<u> </u>	το, ισο,σσο φ	02,000,75
Operating expenses			
Salaries and wages		30,548,638	26,816,412
Supplies and expenses		14,193,259	11,601,320
Employee benefits		5,953,486	5,597,436
Physician fees		877,218	964,668
Other fees		9,223,077	8,131,517
Utilities		1,494,525	1,449,794
Insurance and risk management		737,343	905,414
Interest		275,895	284,272
Depreciation and amortization		3,710,564	3,643,311
Total operating expenses		67,014,005	59,394,144
(Loss) income from operations		(1,525,117)	2,994,610
Nonoperating revenue (expense)			
Miscellaneous income and contributions		6,664,123	300,641
Miscellaneous expenses		(33,890)	(73,884)
Hurricane insurance proceeds and expenses		68,393	576,319
Gain on disposition of assets		2,199	500
Realized/unrealized gain on securities		1,121,689	516,488
Investment income		274,028	265,056
myestment meome		274,020	203,030
Total nonoperating revenue (expense)		8,096,542	1,585,120
Change in net position		6,571,425	4,579,730
Beginning net position		60,209,588	55,629,858
Ending net position	\$	66,781,013 \$	60,209,588

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

For the years ended September 30,		2020	2019
Cash flows from operating activities:			
Receipts from patient services	\$	<b>75,433,889</b> \$	61,499,242
Payments to suppliers		(26,192,179)	(22,570,759)
Payments to employees		(36,718,131)	(32,185,160)
Other (payments) receipts		794,998	(2,070,018)
Net cash provided by (used in) operating activities		13,318,577	4,673,305
Cash flows from noncapital financing activities:			
Miscellaneous revenue and contributions		11,102,822	803,076
		, - ,-	,
Cash flows from capital and related financing activities:			
Purchases of capital assets		(3,611,254)	(3,532,086)
Proceeds from sale of fixed assets		2,199	252,189
Proceeds from capital debt		510,386	510,386
Principal paid on capital debt		(970,600)	(2,722,871)
Interest paid on capital debt		(275,896)	(284,272)
			<b></b>
Net cash provided by (used in) capital and related financing		(4,345,165)	(5,776,654)
Cash flows from investing activities:			
Proceeds from sales and maturities of investments		460 575	4 21 4 400
Purchases of investments		460,575 (1,481,000)	4,314,490 (3,609,592)
Interest and dividends		25,365	27,304
interest and dividends		23,303	27,304
Net cash provided by (used in) investing activities		(995,060)	732,202
Net increase in cash and cash equivalents		19,081,174	431,929
Net increase in cash and cash equivalents		19,061,174	451,929
Balance – beginning of the year		10,240,031	9,808,102
Balance – end of the year	\$	<b>29,321,205</b> \$	10,240,031
Reconciliation of cash and cash equivalents to the			
statements of net position:			
Cash and cash equivalents	\$	<b>29,246,691</b> \$	10,137,842
Building fund cash in current assets		-	39,643
Restricted cash in other assets		74,514	62,546
Total cash and cash equivalents	\$	<b>29,321,205</b> \$	10,240,031
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# Jackson County Hospital District and Affiliate Consolidated Statements of Cash Flows (Continued)

For the years ended September 30,	2020	2019
Reconciliation of operating income to net cash provided by operating activities (Loss) income from operations	\$ <b>(1,525,117)</b> \$	2,994,610
Adjustments to reconcile income from operations to		
net cash provided by operating activities		
Depreciation and amortization	3,710,564	3,643,311
Provision for bad debts	6,456,923	6,253,509
Interest expense included in (loss) income from operatings	275,895	284,272
Changes in:		
Patient accounts receivable	(4,825,068)	(8,399,293)
Inventory and prepaid expense, other receivables		
and other assets	267,139	(2,256,762)
Notes receivable	1,645	(171,240)
Deferred outflows	(25,409)	152,692
Accounts payable, accrued expenses and other		
current liabilities	520,256	915,753
Net pension liability	294,664	104,125
Deferred inflows	(146,061)	(103,023)
Estimated third-party payor settlements	8,313,146	1,255,351
Net cash provided by (used in) operating activities	\$ <b>13,318,577</b> \$	4,673,305

#### **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 interactivity 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 \$6,140,503 and \$6,175,611 in 2020 and 2019, respectively.

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

#### **Operating Revenue**

Operating revenue consists 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 exhausted is charged off against the allowance for uncollectible accounts.

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

The Hospital's allowance for uncollectible accounts and contractual adjustments was approximately 67% and 70%, respectively, of gross patient receivables at September 30, 2020 and 2019. The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2020 and did not have significant write-offs from third party payers in fiscal year 2020.

#### **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 \$29,321,205 and the bank balance was \$30,538,705. 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 \$68,959 and \$92,636 for the years ended September 30, 2020 and 2019, 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 statement of net position, 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 fiscal	Cu	rrent year claims and		
year liability		changes in estimate	Claim Payment	Balance at fiscal year-end
\$ 131,091	\$	2,283,967	\$ 2,283,967	\$ 131,091

The activity for malpractice claims is as follows:

Beginning of fiscal	Cι	irrent year claims and			
year liability		changes in estimate	Claim Payment	Balance a	at fiscal year-end
\$ 300,000	\$	200,000	\$ -	\$	500,000

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### Impact of Recently Issued Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83 (GASB 83), *Certain Asset Retirement Obligations*. 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 GASB 83. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2019. GASB 83 had no impact on the Hospital's financial statements.

In March 2018, the GASB issued Statement No. 88 (GASB 88), Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. GASB 88 requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, GASB 88 also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. See Note 9 for additional disclosures related to the implementation of GASB 88.

In May 2020, the GASB issued Statement No. 95 (GASB 95), *Postponement of the Effective Date of Certain Authoritative Guidance*. GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. GASB 95 had no impact on the Hospital's financial statements.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

In January 2017, the GASB issued Statement No. 84 (GASB 84), Fiduciary Activities. GASB 84 establishes specific criteria for identifying fiduciary activities and the requirements for financial statement reporting. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. In addition, recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred which compels the government to disburse fiduciary resources should also be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87 (GASB 87), Leases. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89 (GASB 89), Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of GASB 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of GASB 89 are effective for reporting periods beginning after December 15, 2020.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### Accounting Pronouncements Recently Issued But Not Yet Effective (continued)

In August 2018, the GASB issued Statement No. 90 (GASB 90), *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of GASB 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of GASB 90 are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations (GASB 91). The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92 (GASB 92), *Omnibus 2020*. The objectives of GASB 92 are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB 92 are effective for reporting periods beginning after June 15, 2021.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### Accounting Pronouncements Recently Issued But Not Yet Effective (continued)

In March 2020, the GASB issued Statement No. 93 (GASB 93), *Replacement of Interbank Offered Rates*. The purpose of GASB 93 is to address accounting and financial reporting implications that result from the replacement of interbank offered rate (IBOR) — most notably, the London Interbank Offered Rate (LIBOR). GASB 93 achieves this objective by (1) providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, (3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probably, (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, (5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of the interest rate swap, and (6) clarifying the definition of reference rate, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021.

In March 2020, the GASB issued Statement No. 94 (GASB 94), Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in GASB 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in GASB 94 as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB 94 also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in GASB 94, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. GASB 94 is effective for fiscal years beginning after June 15, 2022.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### Accounting Pronouncements Recently Issued But Not Yet Effective (continued)

In May 2020, the GASB issued Statement No. 96 (GASB 96), Subscription-Based Information Technology Arrangements. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB 96 is effective for fiscal years beginning after June 15, 2022.

In June 2020, the GASB issued statement No. 97 (GASB 97), Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements for GASB 97 are effective for reporting periods beginning after June 15, 2021.

#### **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, March 29, 2021. See Note 22

#### **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:

		2020		2019
September 30	Market Value			Market Value
Cash and cash equivalents	\$	571,978	\$	308,876
Fixed income securities		5,693,732		5,139,909
Domestic equities		8,903,988		7,251,777
Foreign equities		1,332,106		1,441,836
Total investments	\$	16,501,804	\$	14,142,398

The total realized gains on the sale/redemption of investments were \$143,892 and \$1,350,238 for the years ended September 30, 2020 and 2019, respectively. There were total unrealized gains of \$3,093,809 and \$2,057,916 on investments as of the year ended September 30, 2020 and 2019, 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, 2020 and 2019, 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 9/30/20
US Treasury Bond Notes	AAA	11/15/20-02/15/22	\$ 257,195
Corporate Bonds			
Microsoft Corp	AAA/AAA	10/1/2020	50,000
Berkshire Hathaway Fin Corp	AA2/AA	10/15/2020	50,048
Coca Cola Co	AA3/A+	11/1/2020	100,176
Apple Inc	AA1/AA+	5/6/2021	101,490
Goldman Sachs BK USA	N/A	5/27/2021	50,702
Qualcomm Inc	A2/A-	5/20/2022	52,108
Comenity Cap BK Utah	N/A	5/31/2022	236,162
Morgan Stanley BK N A Utah	N/A	5/31/2022	236,196
Exxon Mobil Corp	AA/AA1	3/1/2023	210,334
Berkshire Hathaway Fin Corp	AA2/AA	3/15/2023	210,678
Discover BK CD 2.3	N/A	12/14/2023	106,657
Synchrony BK Retail CD 2.7	N/A	2/23/2024	189,893
Chevron Corp	AA2/AA	3/3/2024	107,369
American Express Co	A3/BBB+	7/30/2024	106,433
Amazon Com Inc	A2/AA-	12/5/2024	247,795
JPMorgan Chase & Co	A2/A-	1/23/2025	114,540
Merck & Co Inc	A1/AA-	2/10/2025	217,338
Oracle Corp	A3/A	5/15/2025	108,909
McDonalds Corp	BAA1/BBB+	5/26/2025	100,133
Automatic Data Processing Inc	AA3/AA	9/15/2025	112,844
Citibank National Association	N/A	1/6/2026	110,440
Proctor & Gamble Co	AA3/AA-	2/2/2026	111,513
Berkshire Hathaway Fin Corp	AA2/AA	3/15/2026	111,639
Wells Fargo & Co New	A3/BBB	6/3/2026	225,532
Pfizer Inc	A1/AA	12/25/2026	84,812
Gilead Sciences Inc	A3/A	3/1/2027	330,072
Johnson & Johnson	AAA/AAA	3/3/2027	217,583
Apple Inc	AA1/AA+	6/20/2027	282,040
3M Company	A1/A+	10/15/2027	122,145
Oracle Corp	A3/A	11/15/2027	226,252
Johnson & Johnson	AAA/AAA	1/15/2028	112,678
Bank New York Mellon Corp	A1/A	1/29/2028	115,637
Goldman Sachs BK USA	N/A	5/15/2029	238,626
Walmart Inc	AA2/AA	9/24/2029	220,766
Anheuser-Bush INBEV Worldwide	BAA1/BBB+	6/1/1930	113,773
Wells Fargo BK N A Sioux Falls	N/A	2/28/1933	103,224
Total Fixed Income Securities			\$ 5,693,732

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

NOTE 3: CASH AND INVESTMENTS (Continued)

Investment	Rating*	Maturities	Fair Value at 9/30/19
<u>US Treasury Bond Notes</u>	AAA	10/31/18-02/15/22	\$ 334,789
<u>Corporate Bonds</u>			
General Elect Cap Corp	A2/A	1/9/2020	
Duke Energy Corp	BAA1/BBB+	6/15/2020	<u>-</u>
Microsoft Corp	AAA/AAA	10/1/2020	
Berkshire Hathaway Fin Corp	AA2/AA	10/15/2020	
Coca Cola Co	AA3/A+	11/1/2020	
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	
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	213,878
Total Fixed Income Securities			\$ 5,139,902

<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 \$1,332,106 and \$1,441,836 in various foreign equities that account for approximately 8.07% and 10.19% of the Hospital's total investments as of September 30, 2020 and 2019, 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, 2020 and 2019, respectively:

- U.S. Government obligations of \$257,195 and \$334,789 using quoted market prices (Level 1 inputs).
- Corporate bonds of \$5,436,537 and \$4,805,113 using quoted market prices (Level 1 inputs).
- Domestic equities of \$8,903,988 and \$7,251,777 using quoted market prices (Level 1 inputs).
- Foreign equities of \$1,332,106 and \$1,441,836 using quotes market prices (Level 1 inputs).
- Money market funds of \$571,978 and \$308,876 using quoted market prices (Level 1 inputs).

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

An analysis of accounts receivable as of September 30 follows:

September 30,	2020	2019
Accounts receivable – patients	\$ 20,220,723	\$ 24,197,642
Allowances for uncollectible accounts and contractual adjustments	(13,495,753)	(16,106,780)
Accounts receivable – net	\$ 6,724,970	\$ 8,090,862

#### **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, 2020 and 2019, was as follows:

Medicare	34%	36%
Medicaid	11%	10%
Blue Cross	9%	10%
Commercial/HMO/PPO	18%	16%
Self-Pay	28%	28%
Total	100%	100%

#### **NOTE 5: INVENTORY**

Inventory consisted of the following:

September 30,		2020	2019		
Conoral Supplies	ć	464 <b>2</b> E1	¢	206 205	
General Supplies	Ą	464,351	\$	386,285	
Pharmacy		901,368		717,639	
Total	\$	1,365,719	\$	1,103,924	

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

Land, buildings and equipment additions, retirements, and balances for the year ended September 30, 2020 were as follows:

	Balance October 1,	8 dd:4:	Dating on a sub-	Balance September 30,
	2019	Additions	Retirements	2020
Land	\$ 782,090	\$ -	\$ -	\$ 782,090
Land improvements	1,206,416	-	-	1,206,416
Buildings	48,974,904	1,119,192	-	50,094,096
Fixed equipment	4,648,100	-	5,439	4,642,661
Major moveable equipment	29,487,512	1,419,325	252,594	30,654,243
Leasehold improvements	255,472	-	-	255,472
Construction-in-progress	132,804	1,072,739	-	1,205,543
Total cost	85,487,298	3,611,256	258,033	88,840,521
Less accumulated depreciation for:				
Land improvements	1,188,727	4,251	-	1,192,978
Buildings	20,015,432	1,749,871	-	21,765,303
Fixed equipment	4,297,692	3,485	-	4,301,177
Major moveable equipment	22,363,694	1,946,031	258,033	24,051,692
Leasehold improvements	140,585	6,926	-	147,511
Total accumulated depreciation	48,006,130	3,710,564	258,033	51,458,661
Land, buildings, and equipment - net	\$ 37,481,168	\$ (99,308)	\$ -	\$ 37,381,860

#### NOTE 6: LAND, BUILDINGS AND EQUIPMENT – NET (Continued)

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	1,998,657	532,568	29,487,512	
Leasehold improvements	253,697	1,775	-	255,472	
Construction-in-progress	60,079	72,725	-	132,804	
Total cost	83,112,223	3,532,086	1,157,011	85,487,298	
Less accumulated depreciation for:					
Land improvements	1,172,532	16,195	-	1,188,727	
Buildings	18,618,848	1,787,838	391,254	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	3,642,311	905,243	48,006,130	
Land, buildings, and equipment - net	\$ 37,843,161	\$ (110,225)	\$ 251,768	\$ 37,481,168	

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

Notes receivable consists of the following:

September 30,	2020	2019
Notes receivable – medical students	\$ 1,119,341	\$ 1,101,752
Notes receivable – nurse scholarships	31,250	50,484
Total	1,150,591	1,152,236
Less allowance for uncollectible amounts	-	<u>-</u> _
Notes receivable – net	\$ 1,150,591	\$ 1,152,236

#### **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 2028 and are projected to total approximately \$432,000. 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, 2020 for each of the next 5 years and in the aggregate are:

2021	\$ 180,411
2022	84,891
2023	20,985
2024	20,985
2025	20,985
2026	20,985
Total minimum future rentals	\$ 349,242

#### **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, 2020 and 2019:

	2020	2019
Land	\$ 6,600	\$ 6,600
Land improvement	6,582	6,582
Buildings	4,529,389	4,478,635
Fixed equipment	818,643	818,643
Property on or held for lease	5,361,214	5,310,460
Accumulated depreciation	(2,941,920)	(3,169,717)
Property on or held for lease - net	\$ 2,419,294	\$ 2,140,743

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, 2020, were as follows:

#### For the years Ending September 30,

2021	\$ 710,783
2022	226,032
Total minimum lease payments	936,815
Less: amount respresenting interest	(24,910)
Present value of minimum lease payments	\$ 911,905

#### **NOTE 9: LONG-TERM LIABILITIES**

Schedule of changes in long-term debt for 2020:

	Balance October			Balance September	Dι	Amounts ue within
	1, 2019	Additions	Payments	30, 2020		One Year
SunTrust Bank	\$ 2,543,763	\$ -	\$ 124,240	\$ 2,419,523	\$	128,191
Baxter Healthcare	181,313	-	181,313	-		-
Capital Lease Obligations	1,588,516	-	665,047	923,469		687,776
Total notes payable	4,313,592	-	970,600	3,342,992		815,967
Compensated absences	1,232,363	1,697,675	1,509,767	1,420,271		-
Total	\$ 5,545,955	\$ 1,697,675	\$ 2,480,367	\$ 4,763,263	\$	815,967

Schedule of changes in long-term liabilities for 2019:

	Balance October			Balance September	Dι	Amounts ue within
	1, 2018	Additions	Payments	30, 2019		One 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

#### **NOTE 9: LONG-TERM LIABILITIES (Continued)**

Long-term liabilities consisted of the following:

September 30,	2020	2019
SunTrust Bank - Note Payable, interest and principal payable semi-annually at 3.18%, maturing July 2035, collateralized by revenues.	\$ 2,419,523	\$2,543,763
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.	-	181,313
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 \$1,904,230.	923,469	1,588,516
Compensated absences	1,420,271	1,232,363
Total Current portion	4,763,263 (815,967)	5,545,955 (970,016)
Long-term debt, less current portion	\$ 3,947,296	\$4,575,939

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

#### FISCAL YEAR ENDING

September 30,	PRINCIPAL	INTEREST
2021	\$ 815,967	\$ 116,473
2022	365,400	91,228
2023	136,474	83,672
2024	140,814	78,512
2025	143,110	73,152
2026-2030	629,931	234,748
2031-2035	1,111,296	152,206
Total	\$ 3,342,992	\$ 829,991

#### **NOTE 9: LONG-TERM LIABILITIES (Continued)**

Total interest expense for the years ended September 30, 2020 and 2019 was \$275,895 and \$284,272, respectively. Interest paid during the years ended September 30, 2020 and 2019 was \$274,254 and \$287,576, respectively. There was \$-0- interest capitalized for the years ended September 30, 2020 and 2019, 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, 2018.

#### 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:

For the years ended September 30,	2020	2019
Patient revenue	\$ 159,524,708	\$ 151,090,003
Other operating revenue	1,094,901	2,211,699
Total gross revenue	160,619,609	153,301,702
Less: Contractual adjustment -		
Medicare, Medicaid and others	87,312,430	83,161,372
Less: Administrative discounts	1,361,368	1,498,067
Less: Provision for bad debts	6,456,923	6,253,509
Total adjustments to revenue	95,130,721	90,912,948
Net operating revenue	\$ 65,488,888	\$ 62,388,754

#### **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 36 percent and 19 percent, respectively, of the Hospital's net patient revenue for the year ended 2020. 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. 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 July 31, 2025. This agreement may be terminated without cause by providing written notice effective July 31, 2023. The agreement provides for an annual fee of \$325,000, to be adjusted annually for increases or decreases in the Consumer Price Index. The fees paid were \$340,509 and \$332,942 for the years ended September 30, 2020 and 2019, 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 (<a href="https://www.dms.myflorida.com">www.dms.myflorida.com</a>).

#### 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, 2020 and 2019, were as follows:

	FRS	HIS
September 30, 2020		
Florida Retirement System:		
Regular	8.34%	1.66%
Senior Management Service Class	25.63%	1.66%
Special Risk	22.79%	1.66%
DROP	15.32%	1.66%
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%

The Hospital's contributions to the FRS for the years ended September 30, 2020, 2019, and 2018 were \$197,347, \$204,303, 194,080, respectively. The Hospital's contributions to the HIS for the years ended September 30, 2020, 2019, and 2018 were \$36,120, 40,017, and 42,354, respectively.

#### **Pension Liabilities and Pension Expense**

In its financial statements for the year ended September 30, 2020 and 2019, 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, 2020 and 2019. 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, 2020 Net Pension Liability	\$ 2,574,317 \$	765,316
Proportion at: Current measurement date Prior measurement date	0.0000594 0.0000649	0.0000627 0.0000725
Pension expense (benefit)	\$ 401,603 \$	(41,057)
September 30, 2019 Net Pension Liability	\$ 2,233,752 \$	811,217
Proportion at: Current measurement date Prior measurement date	0.0000649 0.0000692	0.0007250 0.0000810

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

At September 30, 2020 and 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

September 30, 2020	FRS				HIS			
	D	eferred		Deferred	D	eferred	[	Deferred
	C	Outflows		Inflows	C	utflows		Inflows
Description	of	Resources	of	Resources	of	Resources	of	Resources
Differences between expected and								
actual experience	\$	98,524	\$	-	\$	31,306	\$	(590)
Change of assumption Net difference between projected and		466,033		-		82,293		(44,500)
actual earnings on pension plan investments		153,276		-		611		-
Changes in proportion and differences between hospital contributions and proportional share of								
contributions		-		(372,678)		-		(326,693)
Hospital contributions subsequent to								
the measurement date		53,822		-		7,764		
						•		
Total	\$	771,655	\$	(372,678)	\$	121,974	\$	(371,783)

NOTE 13: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)

September 30, 2019	FRS			HIS				
	D	eferred		Deferred		eferred	ı	Deferred
	C	Outflows		Inflows	C	utflows		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								
contributions		-		(372,396)		-		(325,862)
Hospital contributions subsequent to								
the measurement date		48,581		-		9,119		-
Total	\$	754,795	\$	(497,365)	\$	113,425	\$	(393,157)

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 Years Ending June 30,		FRS		
	<u>.</u>		(00.040)	
2021	\$	28,194	(69,818)	
2022		122,466	(59,400)	
2023		121,283	(63,554)	
2024		71,150	(37,259)	
2025		2,062	(17,278)	
Thereafter		-	(10,264)	
Total	\$	345,155	(257,573)	

#### **Actuarial Assumptions**

The total pension liability for each of the defined benefit plans, measured as of June 30, 2020 and 2019. The total pension liability for the FRS Pension Plan was determined by an actuarial valuations dated July 1, 2020 and 2019, respectively. For the HIS Program, the total pension liability was determined by an actuarial valuations dated July 1, 2020 and 2019, respectively. The individual entry age actuarial cost method was used for each plan, along with the following significant assumptions:

	FRS	HIS
September 30, 2020		
Inflation	2.40%	2.40%
Salary increases	3.25%	3.25%
Investment rate of return	6.80%	N/A
Discount rate	6.80%	2.21%
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%

Mortality assumptions for both plans were based on the PUB-2010 base tables projected generationally with Scale MP-2018.

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 2020:

#### FRS:

- The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 6.9% to 6.8%.
- The assumed rate of inflation was decreased from 2.60% to 2.40%.

#### HIS:

- The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.50% to 2.21%.
- The assumed rate of inflation was decreased from 2.60% to 2.40%.
- Mortality assumptions for the HIS Program were changed from the Generational RP-2000 with Projection Scale BB to the PUB2010 base tables projected generationally with Scale MP-2018.

The long-term expected investment rate of return for the FRS Pension Plan was not based on historical returns, but instead was based on a forward-looking capital market economic model developed during 2020 by an outside investment consultant to the Florida State Board of Administration. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption of 2.40% and 2.6% for September 30, 202 and 2019, respectively.

For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

#### September 30, 2020

Asset Class	Target Allocation (1)	Annual Arithmetic Return *	Compound Annual (Geometric) Return
	4.00/	2.20/	2.20/
Cash	1.0%	2.2%	2.2%
Fixed Income	19.0%	3.0%	2.9%
Global Equity	54.2%	8.0%	6.7%
Real Estate (Property)	10.3%	6.4%	5.8%
Private Equity	11.1%	10.8%	8.1%
Strategic Investments	4.4%	5.5%	5.3%
Total	100.00%		

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

		Annual	Compound Annual
	Target	Arithmetic	(Geometric)
Asset Class	Allocation (1)	Return *	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%		

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

<sup>\*</sup> Includes assumed rate of inflation of 2.4% for September 30, 2020 and 2.6% for September 30, 2019.

#### **Discount Rate**

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.80%. The 6.80% reported investment return assumption differs from the 7.00% investment return assumption chosen by the 2020 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards. 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 2.21% 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.

#### 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, 2020**

FRS	Net Pension Liab	iltiy	HIS Net Pension Liability			
Current			Current			
1% Decrease	<b>Discount Rate</b>	1% Increase	1% Decrease	<b>Discount Rate</b>	1% Increase	
5.80%	6.80%	7.80%	1.21%	2.21%	3.21%	

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

	FRS	Net Pension Liab	iltiy	HIS	Net Pension Liab	lity
		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%

#### 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, 2020 and 2019, totaled \$276,678 and \$293,380, 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.

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

	2020	2019
Assets, principally cash and cash equivalent investments	\$ 712,735	\$ 724,701
Liabilities	\$ -	\$ -
Net Position	712,735	724,701
Total liabilities and net position	\$ 712,735	\$ 724,701
Support and revenue	\$ 176,029	\$ 256,147
Expenses		
Distributions to/for Jackson County Hospital	154,104	75,000
Other	33,891	73,883
Total expenses	187,995	148,883
Excess of support and revenue over (under) expenses	(11,966)	107,264
Net position, beginning of year	724,701	617,437
Net position, end of year	\$ 712,735	\$ 724,701

#### **NOTE 14: BLENDED COMPONENT UNIT (Continued)**

For the years ended September 30, 2020 and 2019, \$154,104 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 \$6,455 and \$7,710 for the years ended September 30, 2020 and 2019, 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, 2020 to December 31, 2020 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 \$1,603,848 and \$1,543,836 for the years ended September 30, 2020 and 2019, respectively, including claim payments and insurance premiums.

The claim liability at September 30, 2020 and 2019 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 \$577,283 and \$575,545 for the years ended September 30, 2020 and 2019, 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 \$699,664 and \$645,300 for the years ended September 30, 2020 and 2019, respectively.

#### **NOTE 21: UNCERTAINTY**

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 Hospital. 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.

#### **NOTE 22: SUBSEQUENT EVENT**

Jackson County Hospital District signed a term sheet on March 16, 2021 for a proposed New Markets Tax Credit (NMTC) transaction, which is projected to provide the District with a net subsidy of \$2,079,150. NMTC is a Federal program designed to fund capital for project owners located in qualifying low income communities. Truist Bank will be the Tax Credit Investor and River Gorge Capital is the Community Development Entity (CDE) that has agreed to provide NMTC allocation for the transaction. The subsidy from the transaction will be used to purchase new medical equipment for the District. The transaction is projected to close in late May 2021.

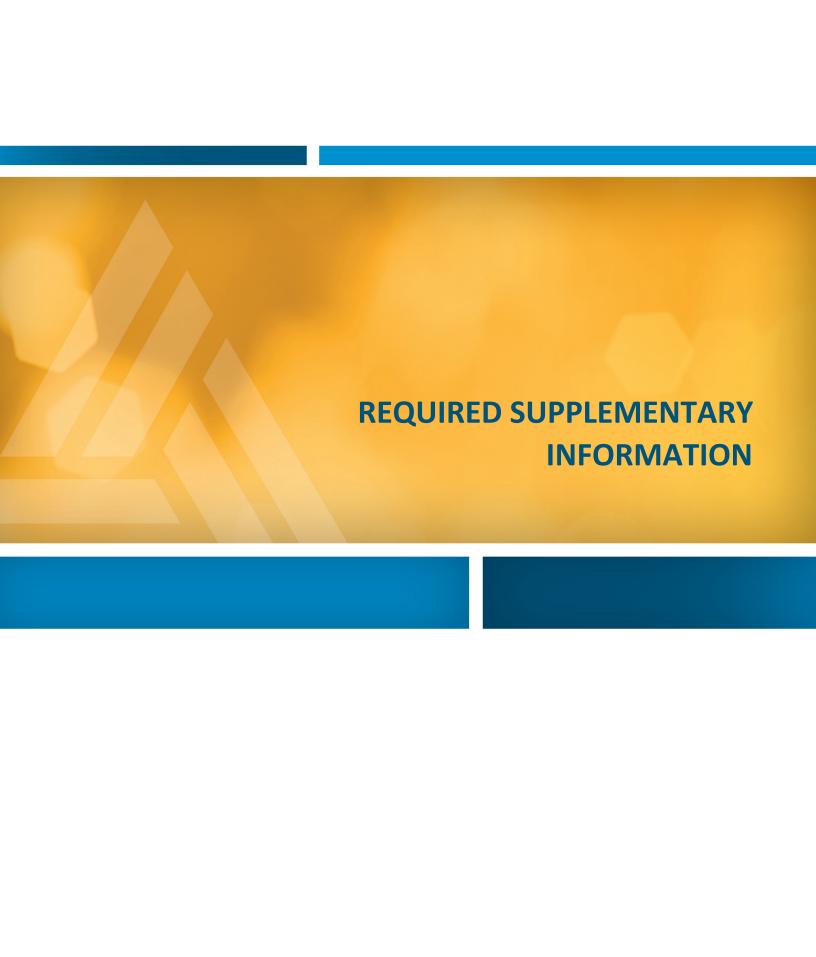
The proposed transaction requires establishing an unrelated 501(C)(3) Supporting Organization to serve as the Qualified Active Low Income Community Business (QALICB). This new entity is called Jackson Hospital QALICB, Inc. The QALICB's sole purpose is to be an exclusive supporting organization for JCSB and for the NMTC transaction.

The transaction is complex, especially for the QALICB entity. NMTC transactions have a seven year compliance period, during which time the Tax Credit Investor receives Federal tax credits in exchange for providing the equity to the District. Truist is expected to unwind the transaction through a put option seven years after the closing date.

Projected NMTC equity from the transaction of \$2,079,150 will be recorded as a liability on the Hospital's statement of net position during the seven year compliance period. This is, in effect, unearned revenue for the Hospital until Truist unwinds the transaction. The NMTC equity will convert to earned revenue on Hospital's statement of revenue, expenses, changes in net position on the unwind date.

NMTC transactions are reported as a property sale for tax purposes through a lease/leaseback structure, even though fee property ownership remains unchanged. The Hospital will enter into a lease/leaseback for the majority of the Hospital property with the QALICB, whereas the Hospital pays a substantially below market lease payment to the QALICB. The QALICB is legally prohibited from retaining any cash as it must be immediately returned to the Hospital for its supporting purpose. This return payment will be received by the Hospital as interest income. This payment arrangement will continue until the unwind date, after which the QALICB and lease are expected be dissolved. The Hospital will then recognize the income from the transaction as fully earned.

JSCB's NMTC consultant (Davis Business Advisory Services, PLLC) will be paid a projected consulting fee of \$337,500 for the transaction at closing. Davis Business Advisory Services, PLLC has agreed to provide ongoing support to the District and the QALICB at no additional fee to either party until the transaction unwinds.



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

September 30,	2020		2019	2018		2017	7	2016	2015		2014	- [
Hospital's proportion of the net pension liability (asset)	0.0059%	%69	0.0065%	%6900:0	. 0	0.0075%		0.0095%	0.0102%	2%	0.0110%	%
Hospital's proportionate share of the net pension liability (asset)	\$ 2,574,3	17 \$	2,574,317 \$ 2,233,752 \$ 2,083,059 \$ 2,220,254 \$ 2,389,585 \$ 1,314,323 \$	\$ 2,083,059	\$	2,220,254	\$ 2,	389,585	\$ 1,314,3	23 \$	669,385	2
Hospital's covered - employee payroll	\$ 2,452,5	\$ 99	2,452,566 \$ 2,411,062 \$ 2,641,806 \$ 3,056,319 \$ 3,175,059 \$ 3,370,543 \$ 3,599,149	\$ 2,641,806	.,,	3,056,319	\$ ,3,	175,059	3,370,5	43 \$	3,599,149	6
Hospital's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	104.96%	%90	92.65%	78.85%	. •	72.64%		75.26%	38.99%	%6	18.60%	%
FRS Plan fiduciary net position as a percentage of the total pension liability	78.85%	%5%	82.61%	84.26%	. 0	83.89%		84.88%	92.00%	%0	%60'96	%
Note: Data was unavailable prior to 2013												

## Note to schedule:

The amounts presented for each fiscal year for the FRS and HIS were determined as of the measurement date, which was June 30th of the current fiscal year.

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

Years ended September 30,		2020	2019	2018		2017	2016		2015	2	2014
Contractually required contributions	↔	197,347 \$	197,347 \$ 201,119 \$ 197,093 \$ 195,402 \$ 230,787 \$ 248,091 \$ 240,309	197,093	<b>⋄</b>	195,402 \$	230,78	\$ ^	248,091	\$	240,309
Contributions in relation to the contractually required contribution		(197,347)	(201,119) (197,093)	(197,093)		(195,402)	(230,787)	2	(248,091)		(240,309)
Contribution deficiency (excess)	٠	\$ -	\$ -	1	Ş	\$ -		\$	'	φ.	1
Hospital's covered-employee payroll	❖	2,488,852 \$	2,488,852 \$ 2,342,332 \$ 2,641,806 \$ 3,056,319 \$ 3,175,059 \$ 3,370,543 \$ 3,599,149	2,641,806	٠٠,	\$,056,319 \$	3,175,059	\$	3,370,543	\$ 3,5	599,149
Contributions as a percentage of covered-employee payroll		7.93%	8.59%	7.46%		6.39%	7.27%	%	7.36%		%89.9

## Note to schedule:

The amounts presented for each fiscal year for the FRS and HIS were determined as of the measurement date, which was June 30th of the current fiscal year.

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

September 30,	7	2020		2019		2018		2017		2016		2015	2014
Hospital's proportion of the net pension liability (asset)		0.0063%		0.0073%		0.0081%		0.0091%		0.0110%		0.0113%	0.0125%
Hospital's proportionate share of the net pension liability (asset)	₩.	765,316 \$	❖	811,217 \$	↔	\$ 52,785 \$	❖	974,570	❖	974,570 \$ 1,281,958 \$	<>	1,154,331	1,154,331 \$ 1,166,072
Hospital's covered - employee payroll	\$ 2,4	452,566	\$	2,452,566 \$ 2,411,062 \$ 2,641,806 \$ 3,056,319 \$ 3,175,059	\$ 2,	,641,806	↔	3,056,319	↔	3,175,059	\$	3,370,543	\$ 3,370,543 \$ 3,599,149
Hospital's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll		31.20%		33.65%		32.47%		31.89%		40.38%		34.25%	32.40%
HIS Plan fiduciary net position as a percentage of the total pension liability		3.00%		2.63%		2.15%		1.64%		0.97%		0.50%	0.99%

Note: Data was unavailable prior to 2013

## Note to schedule:

The amounts presented for each fiscal year for the FRS and HIS were determined as of the measurement date, which was June 30<sup>th</sup> of the current fiscal year.

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

Years ended September 30,		2020	2019	2018		2017	2016	16	2015	7.	2014
Contractually required contributions	❖	36,120 \$	36,120 \$ 40,259 \$ 43,951 \$	, 43,951	Ŷ	48,237 \$		\$ 086'99		13,267	43,267 \$ 42,722
Contributions in relation to the contractually required contribution		(36,120)	(40,259)	(43,951)		(48,237)		(56,380)	4)	(43,267)	(42,722)
Contribution deficiency (excess)	❖	'	\$ -	1	❖	'		1	10	'	10
Hospital's covered-employee payroll	❖	2,488,852	\$ 2,488,852 \$ 2,342,332 \$ 2,641,806 \$ 3,056,319 \$ 3,175,059 \$ 3,370,543 \$ 3,599,149	2,641,806	❖	3,056,319	3,17	,5,059	\$ 3,37	0,543	\$ 3,599,149
Contributions as a percentage of covered-employee payroll		1.45%	1.72%	1.66%		1.58%		1.78%		1.28%	1.19%

## Note to schedule:

The amounts presented for each fiscal year for the FRS and HIS were determined as of the measurement date, which was June 30th of the current fiscal year.





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

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, 2020 and 2019. 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, 2020 and 2019.

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

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

March 29, 2021



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' 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, 2020 and 2019, 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 March 29, 2021.

#### **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.

Board of Trustees Jackson County Hospital District Page Two

#### PRIOR YEAR FINDINGS AND RECOMMENDATIONS

#### 2019-001 - Bank Account Reconciliation - RESOLVED

**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.

**STATUS:** This was resolved in the current year.

#### **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.

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

Marianna, Florida March 29, 2021



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, 2020, and 2019 and have issued our report thereon dated March 29, 2021.

#### **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. The recommendation made in the preceding financial audit report was resolved during the year.

Board of Trustees
Jackson County Hospital District

#### 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.

#### **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.

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

Marianna, Florida March 29, 2021