



Jackson County Hospital District and Affiliates

Consolidated Financial Statements and Supplemental Information

September 30, 2021 and 2020

Jackson County Hospital District and Affiliates
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September 30, 2021 and 2020



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REPORT

INDEPENDENT AUDITORS' REPORT

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 Affiliates as of and for the years ended September 30, 2021 and 2020, 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.

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 Affiliates, as of September 30, 2021 and 2020, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2022, 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.

Carr, Riggs & Ingram, L.L.C.

Marianna, Florida
May 25, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

Jackson County Hospital District and Affiliates Management's Discussion & Analysis

JACKSON COUNTY HOSPITAL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS Year ended September 30, 2021

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, 2021. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- As presented in Table 1, Fiscal Year 2021's total assets improved to \$111,098,665, or 13.51% when compared to fiscal year 2020. Jackson Hospital's total assets and deferred outflows increased by \$12.9 million or 13.03% for the fiscal year ended September 30, 2021. The improvement is a result of market gains in investments and the recognition of a note receivable through the New Market Tax Credit Program that closed in the fiscal year.
- The Hospital's total liabilities increased by \$5.6 million, or 18.03%, when matched to fiscal year 2020, as represented in table 2. This increase is a direct result of COVID 19 legislation requiring repayment of Medicare Advanced payments and the recognition of a long-term debt payable through the New Market Tax Credit Program.
- As displayed in Table 3, the Hospital's operations saw an operating loss of \$2,181,547 in the current fiscal year in contrast to a loss of \$1,525,117 in the prior fiscal year. Expensive nursing agency costs, related to the lack of steady employees during the COVID pandemic, were the primary driver of the loss. Salaries and Benefits decreased by \$689,984 or -1.89% during the current fiscal year. Supplies, Contract Services and fees increased by \$12,216,199 or 50.29% for the same period. In addition to agency costs, COVID-related drugs and supplies increased overall expenses. Other operating expense increased by \$923 or .04% for the year. The impact of COVID 19 was recognized throughout operating expenses during the fiscal year 2021 with an overall increase of \$11,550,812, or 17.24%.
- Continued consideration must be given to the impact that COVID 19 has had on the healthcare industry. The performance of the investments resulted in non-operating investment income of \$320,581 in addition to growth in the value of the securities of \$3,000,477 during the current fiscal year. These results, combined with the recognition of a substantial part of the remaining CARES Act funds, resulted in \$8,003,776 of non-operating revenue. Together, the operating and non-operating returns provided Jackson Hospital with a positive change in net position of \$5,822,229 in fiscal year 2021. This compares to the change of \$6,571,425 that was experienced in fiscal year 2020.

Jackson County Hospital District and Affiliates Management's Discussion & Analysis

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.

Jackson County Hospital District and Affiliates Management's Discussion & Analysis

TABLE 1
Condensed Statements of Net Position
September 30, 2021 and 2020

	2021	2020	Dollar Change	Percent Change
Total current assets	\$ 54,153,718	\$ 55,360,524	\$ (1,206,806)	-2.18%
Capital assets - net	38,993,509	37,381,860	1,611,649	4.31%
Other assets	17,951,438	5,130,826	12,820,612	249.87%
Total assets	111,098,665	97,873,210	13,225,455	13.51%
Deferred outflows of resources - pensions	534,388	893,629	(359,241)	-40.20%
Total assets and deferred outflows of resources	\$ 111,633,053	\$ 98,766,839	\$ 12,866,214	13.03%
Current liabilities	\$ 18,585,132	\$ 23,668,030	\$ (5,082,898)	-21.48%
Long-term liabilities	18,289,098	7,573,335	10,715,763	141.49%
Total liabilities	36,874,230	31,241,365	5,632,865	18.03%
Deferred inflows of resources - pensions	2,155,581	744,461	1,411,120	189.55%
Investments in capital assets, (net of related debt)	38,632,924	36,330,200	2,302,724	6.34%
Unappropriated net assets	31,096,319	30,376,299	720,020	2.37%
Restricted net assets	2,873,999	74,514	2,799,485	3756.99%
Total net position	72,603,242	66,781,013	5,822,229	8.72%
Total liabilities, deferred inflows and net position	\$ 111,633,053	\$ 98,766,839	\$ 12,866,214	13.03%

As shown in Table 1, total assets and deferred outflows of resources grew by \$12,866,214 during the current fiscal year. This represented a balance of \$111,633,053 as of September 30, 2021. For the same period, total liabilities and deferred inflows of resources increased by \$7,043,985, adjusting the total to \$39,029,811.

Jackson County Hospital District and Affiliates Management's Discussion & Analysis

TABLE 2
Condensed Statements of Net Position
September 30, 2020 and 2019

	2020	2019	Dollar Change	Percent Change
Total current assets	\$ 55,360,524	\$ 33,485,769	\$ 21,874,755	65.33%
Capital assets - net	37,381,860	37,843,161	(461,301)	-1.22%
Other assets	5,130,826	4,079,906	1,050,920	25.76%
Total assets	97,873,210	75,408,836	22,464,374	29.79%
Deferred outflows of resources - pensions	893,629	1,020,912	(127,283)	-12.47%
Total assets and deferred outflow of resources	\$ 98,766,839	\$ 76,429,748	\$ 22,337,091	29.23%
Current liabilities	\$ 23,668,030	\$ 8,047,765	\$ 15,620,265	194.09%
Long-term liabilities	7,573,335	11,758,580	(4,185,245)	-35.59%
Total liabilities	31,241,365	19,806,345	11,435,020	57.73%
Deferred inflows of resources - pensions	744,461	993,545	(249,084)	-25.07%
Investments in capital assets, (net of related debt)	36,330,200	35,310,429	1,019,771	2.89%
Unappropriated net assets	30,376,299	20,245,660	10,130,639	50.04%
Restricted net assets	74,514	73,769	745	1.01%
Total net position	66,781,013	55,629,858	11,151,155	20.05%
Total liabilities and net position	\$ 98,766,839	\$ 76,429,748	\$ 22,337,091	29.23%

As indicated in Table 2, total assets and deferred outflows of resources improved by \$22,337,091 during fiscal year 2020. 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 \$11,185,936 to a balance of \$20,799,890.

Jackson County Hospital District and Affiliates Management's Discussion & Analysis

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, 2021 and 2020.

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

	2021	2020	Dollar Change	Percent Change
Revenue:				
Net patient service revenue	\$ 75,273,497	\$ 64,570,679	\$ 10,702,818	16.58%
Other	1,109,773	918,209	191,564	20.86%
Net revenue	76,383,270	65,488,888	10,894,382	16.64%
Expenses:				
Salaries and employee benefits	35,812,140	36,502,124	(689,984)	-1.89%
Supplies, contract services and fees	36,509,753	24,293,554	12,216,199	50.29%
Other Operating expense	2,232,791	2,231,868	923	0.04%
Depreciation	3,711,232	3,710,564	668	0.02%
Interest	298,901	275,895	23,006	8.34%
Total operating expenses	78,564,817	67,014,005	11,550,812	17.24%
Gain (loss) from operations	(2,181,547)	(1,525,117)	(656,430)	43.04%
Non-operating revenue	8,003,776	8,096,542	(92,766)	-1.15%
Excess of revenue Over expenses	5,822,229	6,571,425	(749,196)	-11.40%
Beginning net position	66,781,013	60,209,588	6,571,425	10.91%
Ending net position	\$ 72,603,242	\$ 66,781,013	\$ 5,822,229	8.72%

Jackson County Hospital District and Affiliates Management's Discussion & Analysis

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

	2020	2019	Dollar Change	Percent Change
Revenue:				
Net patient service revenue	\$ 64,379,115	\$ 61,470,545	\$ 2,908,570	4.73%
Other	1,109,773	918,209	191,564	20.86%
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 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%

Jackson County Hospital District and Affiliates Management's Discussion & Analysis

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, 2021 and 2020. The Hospital experienced a decrease in Medicare, Medicaid and Blue Cross Blue Shield, a significant increase in Commercial/Managed Care and a slight increase in Self-Pay.

TABLE 5
Payor Mix by Percentage
September 30, 2021 and 2020

	2021	2020
Medicare	30.9%	32.7%
Blue Cross Blue Shield	17.4%	18.2%
Medicaid	16.29%	16.7%
Commercial/Managed Care	30.9%	26.8%
Self-pay	6.71%	5.6%
Total patient revenues	102.2%	100.0%

Operating and Financial Performance

The following summarizes the Hospital's statements of revenue, expenses and changes in net position between fiscal year 2021 and fiscal year 2020:

Jackson Hospital's inpatient admissions increased by 6.0% during 2021 in comparison to 2020 while the overall length of stay was 5.3 days per admission in the current fiscal year. This combination produced an increase in patient days by 17.5% days, for the year.

The hospital's outpatient services trended more toward back-to-normal with outpatient visits increasing by 18.6%, Jackson Hospital experienced an increase in Emergency Room visits of 1.3%, outpatient surgeries of 31.1% and Quick Care visits of 30.8%.

Net patient service revenue improved by 16.64% year over year. This represented an increase of \$10,894,382 in fiscal year 2021 compared to fiscal year 2020. More detailed information about the Hospital's net revenue calculations are presented in the notes to the consolidated financial statements.

Jackson County Hospital District and Affiliates Management's Discussion & Analysis

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 59.4% of gross patient revenue in 2021 and 59.6% in fiscal year 2020. 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 increased considerably to 6.71% of patient revenue in 2021, the Hospital's total charity care and bad debts adjustments experienced a negative impact. The ratio of gross patient revenue in fiscal year 2021 was 4.7% compared to 4.05% in fiscal year 2020.

Salaries and employee benefits, at \$35,812,140, fell by 1.89% in 2021 with the decrease attributed to difficulties recruiting and retaining clinical staff due to COVID.

Other expenses, such as supplies, contract services and fees, reflect Jackson Hospital's drastic increase in the use of agency staff attributed to COVID 19 surges and lack of permanent employees. Along with the staffing crisis, COVID 19 continues to present 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 \$8,003,776 in fiscal year 2021 represents a combination of these sources of revenue. This figure represented a 1.15% decrease over the previous fiscal year. \$4,404,196 of the non-operating incomes 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 \$5,822,229 in fiscal year 2021 in comparison to \$6,571,425 in fiscal year 2020.

Jackson County Hospital District and Affiliates Management's Discussion & Analysis

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, 2021 and 2020

	2021	2020	Dollar Change	Percent Change
Building and improvements	\$ 52,673,940	\$ 50,094,096	\$ 2,579,844	5.15%
Equipment	36,001,745	35,296,904	704,841	2.00%
Capital leases and leasehold improvements	255,472	255,472	-	0.00%
Construction in progress	2,080,303	1,205,543	874,760	72.56%
Subtotal	91,011,460	86,852,015	4,159,445	4.79%
Less accumulated depreciation	(54,241,682)	(51,458,661)	(2,783,021)	5.41%
Land and land improvements	2,223,731	1,988,506	235,225	11.83%
Net property, plant, and equipment	\$ 38,993,509	\$ 37,381,860	\$ 1,611,649	4.31%

Net property, plant and equipment increased by \$1,611,649, or 4.31%, due to the addition of the Golson property and ongoing construction renovations.

Jackson County Hospital District and Affiliates Management's Discussion & Analysis

TABLE 7
Capital Assets
September 30, 2020 and 2019

	2020	2019	Dollar Change	Percent 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.

Long-Term Liabilities

At our current year-end, Jackson Hospital had \$18,289,098 in long-term liabilities compared to \$7,573,335 at September 30, 2020. This increase of \$10,715,763 during the current fiscal year represents the addition of New Market Tax Credit debt and a reduction in capital lease obligations and debt payments.

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.



CONSOLIDATED FINANCIAL STATEMENTS

Jackson County Hospital District and Affiliates
Consolidated Statements of Net Position

<i>September 30,</i>	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 21,491,354	\$ 29,246,691
Investments	19,885,491	16,501,804
Accounts receivable – net	9,894,464	6,724,970
Other receivables	254,989	466,782
Inventory	1,528,987	1,365,719
Prepaid expenses	1,098,433	1,054,558
Total current assets	54,153,718	55,360,524
Land, buildings and equipment – net	38,993,509	37,381,860
Other assets		
Restricted cash	2,873,999	74,514
Investment in life insurance policies in deferred compensation plan	4,010,167	3,876,735
Notes receivable	11,022,351	1,150,591
Other assets	44,921	28,986
Total other assets	17,951,438	5,130,826
Total assets	111,098,665	97,873,210
Deferred outflows of resources		
Pension	534,388	893,629
Total deferred outflows of resources	534,388	893,629
Total assets and deferred outflows of resources	\$ 111,633,053	\$ 98,766,839

The accompanying notes are an integral part of these financial statements

Jackson County Hospital District and Affiliates
Consolidated Statements of Net Position (Continued)

<i>September 30,</i>	2021	2020
Liabilities and net position		
Current liabilities		
Current portion of obligations		
under capital leases	\$ 228,317	\$ 687,776
Current portion of long-term debt	132,268	128,191
Current portion of compensated absences	706,595	710,105
Accounts payable and accrued expenses	6,311,468	5,948,492
Estimated liability for malpractice claims	300,000	500,000
Accounts receivable credit balances	728,015	670,678
Life insurance policy loans	3,232,872	3,143,038
Unearned revenue	-	4,404,196
Due to Medicare/Medicaid	6,945,597	7,475,554
Total current liabilities	18,585,132	23,668,030
Long-term liabilities		
Long-term portion of obligations		
under capital leases	-	235,693
Long-term debt, less current portion	15,659,064	2,291,332
Net pension liability	1,111,181	3,339,633
Compensated absences, long term portion	706,596	710,166
Deferred compensation liability	812,257	996,511
Total long-term liabilities	18,289,098	7,573,335
Total liabilities	36,874,230	31,241,365
Deferred inflows of resources		
Pension	2,155,581	744,461
Total deferred inflows of resources	2,155,581	744,461
Net position		
Investment in capital assets, net of related debt	38,632,924	36,330,200
Unrestricted	31,096,319	30,376,299
Restricted for debt service	2,873,999	74,514
Total net position	72,603,242	66,781,013
Total liabilities, deferred inflows and net position	\$ 111,633,053	\$ 98,766,839

The accompanying notes are an integral part of these financial statements

Jackson County Hospital District and Affiliates

Consolidated Statements of Revenue, Expenses and Changes in Net Position

<i>For the years ended September 30,</i>	2021	2020
Operating revenue		
Net operating revenue, pledged as collateral for revenue notes (net of provision for bad debts of \$8,754,345 in 2021 and \$6,456,923 in 2020)	\$ 76,383,270	\$ 65,488,888
Operating expenses		
Salaries and wages	29,824,147	30,548,638
Supplies and expenses	19,069,627	14,193,259
Employee benefits	5,987,993	5,953,486
Physician fees	884,893	877,218
Other fees	16,555,233	9,223,077
Utilities	1,581,805	1,494,525
Insurance and risk management	650,986	737,343
Interest	298,901	275,895
Depreciation and amortization	3,711,232	3,710,564
Total operating expenses	78,564,817	67,014,005
Loss from operations	(2,181,547)	(1,525,117)
Nonoperating revenue (expense)		
Miscellaneous income and contributions	4,753,471	6,664,123
Contributed capital - Golson School property	775,000	-
Miscellaneous expenses	(33,711)	(33,890)
Debt issuance costs	(796,185)	-
Hurricane insurance proceeds and expenses	70,979	68,393
(Loss) Gain on disposition of assets	(86,836)	2,199
Realized/unrealized gain on securities	3,000,477	1,121,689
Investment income	320,581	274,028
Total nonoperating revenue (expense)	8,003,776	8,096,542
Change in net position	5,822,229	6,571,425
Beginning net position	66,781,013	60,209,588
Ending net position	\$ 72,603,242	\$ 66,781,013

The accompanying notes are an integral part of these financial statements

Jackson County Hospital District and Affiliates

Consolidated Statements of Cash Flows

<i>For the years ended September 30,</i>	2021	2020
Cash flows from operating activities:		
Receipts from patient services	\$ 72,741,156	\$ 75,433,889
Payments to suppliers	(38,125,782)	(26,192,179)
Payments to employees	(37,187,172)	(36,718,131)
Other (payments) receipts	163,896	794,998
Net cash provided by (used in) operating activities	(2,407,902)	13,318,577
Cash flows from noncapital financing activities:		
Miscellaneous revenue and contributions	476,377	11,102,822
Cash flows from capital and related financing activities:		
Purchases of capital assets	(5,109,717)	(3,611,254)
Proceeds from sale of fixed assets	475,000	2,199
Proceeds from capital debt	2,928,695	510,386
Principal paid on capital debt	(823,343)	(970,600)
Interest paid on capital debt	(298,901)	(275,896)
Net cash provided by (used in) capital and related financing	(2,828,266)	(4,345,165)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	3,977,562	460,575
Purchases of investments	(4,218,535)	(1,481,000)
Interest and dividends	44,912	25,365
Net cash provided by (used in) investing activities	(196,061)	(995,060)
Net increase (decrease) in cash and cash equivalents	(4,955,852)	19,081,174
Balance – beginning of the year	29,321,205	10,240,031
Balance – end of the year	\$ 24,365,353	\$ 29,321,205
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and cash equivalents	\$ 21,491,354	\$ 29,246,691
Restricted cash in other assets	2,873,999	74,514
Total cash and cash equivalents	\$ 24,365,353	\$ 29,321,205

The accompanying notes are an integral part of these financial statements

Jackson County Hospital District and Affiliates
Consolidated Statements of Cash Flows (Continued)

For the years ended September 30, **2021** **2020**

**Reconciliation of operating income (loss) to net cash
provided by (used in) operating activities**

Loss from operations	\$ (2,181,547)	\$ (1,525,117)
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**Adjustments to reconcile income (loss) from operations to
net cash provided by (used in) operating activities**

Depreciation and amortization	3,711,232	3,710,564
Amortization – notes receivable	64,778	-
Provision for bad debts	8,754,345	6,456,923
Interest expense included in income (loss) from operations	298,901	275,895
Non-cash compensation expense due to deferred compensation plan	(64,778)	-

Changes in:

Patient accounts receivable	(11,866,502)	(4,825,068)
Inventory and prepaid expense, other receivables and other assets	(11,185)	267,139
Notes receivable	(96,740)	1,645
Deferred outflows	359,241	(25,409)
Accounts payable, accrued expenses and other current liabilities	(24,848)	520,256
Net pension liability	(2,228,452)	294,664
Deferred inflows	1,411,120	(146,061)
Estimated third-party payor settlements	(529,957)	8,313,146

Net cash provided by (used in) operating activities	\$ (2,404,392)	\$ 13,318,577
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Supplemental disclosure of non-cash activities:

Acquisition of Golson School property through contribution	\$ 775,000	\$ -
Promisory Note receivable from JH Marianna Investment	\$ 9,768,600	\$ -
Promisory Note A payable to RCG 17, LLC	\$ (9,768,600)	\$ -
Unrealized gain on investments	\$ 1,150,633	\$ 1,874,496
Forgiveness of Notes Receivable from medical students	\$ 64,778	\$ 34,778

The accompanying notes are an integral part of these financial statements

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

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; Jackson Hospital Foundation, Inc., a not-for-profit organization created and operated exclusively for the purpose of soliciting and managing gifts, grants, and contributions for the Hospital; and Jackson Hospital QALICB, Inc., a not-for-profit organization created solely to benefit the Hospital through the use of New Markets Tax Credits (the Affiliates). All significant inter-activity accounts and transactions have been eliminated. The Affiliates are included in the consolidated financial statements as blended component units 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/or 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 without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was approximately \$5,376,820 and \$6,140,503 for the years ended September 30, 2021 and 2020, respectively, and estimated costs and expenses incurred to provide charity care totaled

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charity Care (continued)

approximately \$1,800,000 and \$2,056,000, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

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 has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payers.

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 or as years are no longer subject to such audits, reviews, and investigations.

The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program, and in recent years there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor ("RAC") and Medicaid Integrity Contractor ("MIC") programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue 'improper' (in their judgment) payments with a three year look back from the date the claim was paid.

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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable – Net (continued)

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.

The Hospital’s allowance for uncollectible accounts and contractual adjustments was approximately 64% and 67%, respectively, of gross patient receivables at September 30, 2021 and 2020. The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2021. The Hospital recorded a nonrecurring write-off totaling approximately \$292,000 from third party payers in fiscal year 2021.

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.

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. 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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$21,469,946 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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$72,637 and \$68,959 for the years ended September 30, 2021 and 2020, respectively.

Net Position

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.

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

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 regarding workers compensation insurance.

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.

The activity for health insurance is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim Payments	Balance at fiscal year-end
\$ 131,091	\$ 3,307,662	\$ 3,141,124	\$ 297,629

The activity for malpractice claims is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim Payments	Balance at fiscal year-end
\$ 500,000	\$ -	\$ 200,000	\$ 300,000

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

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 was effective for the fiscal years beginning after December 15, 2019. The implementation of this statement had no impact on the financial statements.

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.

Accounting Pronouncements Recently Issued But Not Yet Effective

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.

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Recently Issued But Not Yet Effective (continued)

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.

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 probable, (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

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Recently Issued But Not Yet Effective (continued)

third parties; (2) the transferor determines or has the ability to modify or approve which services 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.

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.

In October 2021, the GASB issued GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

The Hospital is evaluating the requirements of the above statements and the impact on reporting.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, May 25, 2022. See Note 23 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

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 are 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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 3: CASH AND INVESTMENTS (Continued)

Carrying values of investments were as follows:

<i>September 30</i>	2021 Market Value	2020 Market Value
Cash and cash equivalents	\$ 1,099,950	\$ 571,978
Certificates of deposit	617,675	645,616
Fixed income securities	4,442,784	5,048,116
Domestic equities & mutual funds	12,374,938	8,903,988
Foreign equities	1,350,144	1,332,106
 Total investments	 \$ 19,885,491	 \$ 16,501,804

The total realized gains on the sale/redemption of investments were \$1,849,844 and \$168,190 for the years ended September 30, 2021 and 2020, respectively. There were total unrealized gains of \$1,150,633 and \$953,498 on investments as of the years ended September 30, 2021 and 2020, 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, 2021 and 2020, 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.

Jackson County Hospital District and Affiliates
Notes to Consolidated Financial Statements

Note 3: CASH AND INVESTMENTS (Continued)

Investment	Rating*	Maturities	Fair Value at 9/30/21
<u>US Treasury Bond Notes</u>	AAA	11/15/20-02/15/22	\$ 130,657
<u>Corporate Bonds</u>			
Qualcomm Inc	A2/A-	5/20/2022	50,855
Comenity Cap BK Utah	N/A	5/31/2022	229,550
Morgan Stanley BK N A Utah	N/A	5/31/2022	229,585
Exxon Mobil Corp	AA2/AA-	3/1/2023	206,040
Berkshire Hathaway Fin Corp	AA2/AA	3/15/2023	206,254
Discover BK CD 2.3	N/A	12/14/2023	104,122
Synchrony BK Retail CD 2.7	N/A	2/23/2024	184,495
Chevron Corp	AA2/AA-	3/3/2024	105,433
American Express Co	A3/BBB+	7/30/2024	105,102
Amazon Com Inc	A1/AA	12/5/2024	240,139
JPMorgan Chase & Co	A2/A-	1/23/2025	111,570
Merck & Co Inc	A1/A+	2/10/2025	211,736
Oracle Corp	BAA2/BBB+	5/15/2025	106,098
McDonalds Corp	BAA1/BBB+	5/26/2025	96,814
Automatic Data Processing Inc	AA3/AA-	9/15/2025	108,901
Citibank National Association	N/A	1/6/2026	105,695
Proctor & Gamble Co	AA3/AA-	2/2/2026	106,789
Berkshire Hathaway Fin Corp	AA2/AA	3/15/2026	108,485
Wells Fargo & Co New	A3/BBB	6/3/2026	222,622
Pfizer Inc	A2/A+	12/25/2026	81,946
Gilead Sciences Inc	A3/BBB+	3/1/2027	322,275
Johnson & Johnson	AAA/AAA	3/3/2027	212,449
Apple Inc	AA1/AA+	6/20/2027	273,550
3M Company	A1/A+	10/15/2027	119,074
Oracle Corp	BAA2/BBB+	11/15/2027	216,894
Johnson & Johnson	AAA/AAA	1/15/2028	107,947
Bank New York Mellon Corp	A1/A	1/29/2028	110,097
Goldman Sachs BK USA	N/A	5/15/2029	223,362
Walmart Inc	AA2/AA	9/24/2029	211,340
Anheuser-Bush INBEV Worldwide	BAA1/BBB+	6/1/2030	109,623
Wells Fargo BK N A Sioux Falls	N/A	2/28/2033	100,960
Total Fixed Income Securities			\$ 5,060,459

*Rated by Standard & Poor's and Moody Investor Services.

Jackson County Hospital District and Affiliates
Notes to Consolidated Financial Statements

Note 3: CASH AND INVESTMENTS (Continued)

Investment	Rating*	Maturities	Fair Value at 9/30/20
<u>US Treasury Bond Notes</u>	AAA	11/15/20-02/15/22	\$ 257,195
<u>Corporate Bonds</u>			
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+	6/1/2030	113,773
Wells Fargo BK N A Sioux Falls	N/A	2/28/2033	103,224
Total Fixed Income Securities			\$ 5,693,732

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

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 \$1,350,143 and \$1,332,106 in various foreign equities that account for approximately 6.58% and 8.07% of the Hospital's total investments as of September 30, 2021 and 2020, 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, 2021 and 2020, respectively:

- U.S. Government obligations of \$130,657 and \$257,195 using quoted market prices (Level 1 inputs).
- Corporate bonds and CD's of \$4,929,802 and \$5,436,537 using quoted market prices (Level 1 inputs).
- Domestic equities and mutual funds of \$10,467,426 and \$8,903,988 using quoted market prices (Level 1 inputs).
- Foreign equities of \$1,350,143 and \$1,332,106 using quotes market prices (Level 1 inputs).
- Money market funds of \$1,099,950 and \$571,978 using quoted market prices (Level 1 inputs).

NOTE 4: ACCOUNTS RECEIVABLE - NET

An analysis of accounts receivable as of September 30 follows:

<i>September 30,</i>	2021	2020
Accounts receivable – patients	\$ 27,392,925	\$ 20,220,723
Allowances for uncollectible accounts and contractual adjustments	(17,498,461)	(13,495,753)
Accounts receivable – net	\$ 9,894,464	\$ 6,724,970

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

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, 2021 and 2020, was as follows:

<i>September 30,</i>	2021	2020
Medicare	33%	34%
Medicaid	8%	11%
Blue Cross	8%	9%
Commercial/HMO/PPO	18%	18%
Self-Pay	33%	28%
Total	100%	100%

Note 5: INVENTORY

Inventory consisted of the following:

<i>September 30,</i>	2021	2020
General Supplies	\$ 497,990	\$ 464,351
Pharmacy	1,030,997	901,368
Total	\$ 1,528,987	\$ 1,365,719

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 6: LAND, BUILDINGS AND EQUIPMENT - NET

Land, buildings and equipment additions, retirements, and balances for the year ended September 30, 2021 were as follows:

	Estimated Useful Lives	Balance October 1, 2020	Additions	Retirements	Balance September 30, 2021
Land	N/A	\$ 782,090	\$ 220,000	\$ -	\$ 1,002,090
Land improvements	10-20 years	1,206,416	15,225	-	1,221,641
Buildings	10-40 years	50,094,096	2,579,844	-	52,673,940
Fixed equipment	2-20 years	4,642,661	475,000	475,000	4,642,661
Major moveable equipment	5-20 years	30,654,243	1,719,875	1,015,034	31,359,084
Leasehold improvements	10-20 years	255,472	-	-	255,472
Construction-in-progress	N/A	1,205,543	2,997,324	2,122,564	2,080,303
Total cost		88,840,521	8,007,268	3,612,598	93,235,191
Less accumulated depreciation for:					
Land improvements		1,192,978	1,776	-	1,194,754
Buildings		21,765,303	1,777,688	-	23,542,991
Fixed equipment		4,301,177	3,485	-	4,304,662
Major moveable equipment		24,051,692	1,885,947	928,211	25,009,428
Leasehold improvements		147,511	42,336	-	189,847
Total accumulated depreciation		51,458,661	3,711,232	928,211	54,241,682
Land, buildings, and equipment - net		\$ 37,381,860	\$ 4,296,036	\$ 2,684,387	\$ 38,993,509

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

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

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

	Estimated Useful Lives	Balance October 1, 2019	Additions	Retirements	Balance September 30, 2020
Land	N/A	\$ 782,090	\$ -	\$ -	\$ 782,090
Land improvements	10-20 years	1,206,416	-	-	1,206,416
Buildings	10-40 years	48,974,904	1,119,192	-	50,094,096
Fixed equipment	2-20 years	4,648,100	-	5,439	4,642,661
Major moveable equipment	5-20 years	29,487,512	1,419,325	252,594	30,654,243
Leasehold improvements	10-20 years	255,472	-	-	255,472
Construction-in-progress	N/A	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 7: NOTES RECEIVABLE - NET

Notes receivable consists of the following:

<i>September 30,</i>	2021	2020
Notes receivable – medical students	\$ 1,239,091	\$ 1,119,341
Notes receivable – nurse scholarships	14,660	31,250
Note receivable – JH Marianna Investment Fund	9,768,600	-
Total	11,022,351	1,150,591
Less allowance for uncollectible amounts	-	-
Notes receivable – net	\$ 11,022,351	\$ 1,150,591

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

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 2030 and are projected to total approximately \$446,000. Any amounts forgiven under these agreements are recognized as an expense in the year of forgiveness. Such amounts are included in Employee benefits expense and totaled \$67,778 and \$34,778 for the years ended September 30, 2021 and 2020, respectively.

Note receivable from JH Marianna Investment Fund is related to the Jackson Hospital QALICB New Market Tax Credits transaction which is further described at Note 14. It bears interest at 1%, payable quarterly beginning September 2021, principal payable quarterly in 276 installments ranging from \$58,946 to \$172,432 beginning September 2028 through maturity in June 2051.

Note 8: LEASING ARRANGEMENTS

The Hospital is the lessor of buildings as included in Note 6 under operating leases expiring in various years through 2027. Minimum future rentals to be received on non-cancelable leases as of September 30, 2021 for each of the next 5 years and in the aggregate are:

2022	\$	184,077
2023		103,122
2024		66,960
2025		66,960
2026		66,960
Thereafter		20,985
Total minimum future rentals	\$	509,064

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

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:

2022	\$ 122,400
2023	124,848
2024	127,345
2025	129,892
2026	132,490
Thereafter	24,325,917
Total minimum future rentals	<u>\$ 24,962,892</u>

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 \$1,497,900. 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, were as follows:

	2021	2020
Land	\$ 6,600	\$ 6,600
Land improvement	6,582	6,582
Buildings	4,488,408	4,529,389
Fixed equipment	820,109	818,643
Property on or held for lease	5,321,699	5,361,214
Accumulated depreciation	(3,118,193)	(2,941,920)
Property on or held for lease - net	<u>\$ 2,203,506</u>	<u>\$ 2,419,294</u>

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 9: LONG-TERM LIABILITIES

Schedule of changes in long-term debt for 2021:

	Balance October 1, 2020	Additions	Payments	Balance September 30, 2021	Amounts Due within One Year
Truist Bank	\$ 2,419,523	\$ -	\$ 128,191	\$ 2,291,332	\$ 132,268
RGC 17, LLC	-	13,500,000	-	13,500,000	-
Capital Lease Obligations	923,469	-	695,152	228,317	228,317
Total notes payable and capital leases	3,342,992	13,500,000	823,343	16,019,649	360,585
Compensated absences	1,420,271	2,232,906	2,239,986	1,413,191	706,595
Total	\$ 4,763,263	\$ 15,732,906	\$ 3,063,329	\$ 17,432,840	\$ 1,067,180

Schedule of changes in long-term liabilities for 2020:

	Balance October 1, 2019	Additions	Payments	Balance September 30, 2020	Amounts Due within One Year
Truist (formerly 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 and capital leases	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

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 9: LONG-TERM LIABILITIES (Continued)

Long-term liabilities consisted of the following:

<i>September 30,</i>	2021	2020
Truist (formerly SunTrust) Bank - Note Payable, interest and principal payable semi-annually at 3.18%, maturing July 2035, collateralized by Hospital net operating revenues.	\$ 2,291,332	\$ 2,419,523
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.	228,317	923,469
RGC 17, LLC, Note A - Note Payable from Jackson Hospital QALICB, Inc., interest at 1.4737% payable quarterly beginning September 2021, 276 principal payments ranging from \$58,946 to \$172,432 payable quarterly beginning June 2028 through maturity in June 2051, secured by the assignment of rights under Ground Lease between the QALICB and the Hospital.	9,768,600	-
RGC 17, LLC, Note B - Note Payable from Jackson Hospital QALICB, Inc., interest at 1.4737% payable quarterly beginning September 2021, 276 principal payments ranging from \$21,701 to \$135,000 payable quarterly beginning June 2028 through maturity in June 2051, secured by the assignment of rights under Ground Lease between the QALICB and the Hospital.	3,731,400	-
Compensated absences	1,413,191	1,420,271
Total	17,432,840	4,763,263
Current portion	1,067,180	815,967
Long-term debt, less current portion	\$ 16,365,660	\$ 3,947,296

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
2022	\$ 360,585	\$ 287,588
2023	136,474	282,620
2024	140,814	277,460
2025	143,110	272,100
2026	148,641	266,533
2027-2031	2,172,629	1,213,571
2032-2036	2,871,135	900,152
2037-2041	2,699,413	652,542
2042-2046	3,445,209	429,402
2047-2051	3,901,639	145,026
Total	\$ 16,019,649	\$ 4,726,994

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 9: LONG-TERM LIABILITIES (Continued)

Total interest expense for the years ended September 30, 2021 and 2020 was \$298,901 and \$275,895, respectively. Interest paid during the years ended September 30, 2021 and 2020 was \$266,878 and \$274,254, respectively. There was no interest capitalized for the years ended September 30, 2021 and 2020, respectively.

Note 10: NET PATIENT SERVICE 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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 10: NET PATIENT SERVICE 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:

<i>For the years ended September 30,</i>	2021	2020
Patient revenue	\$ 186,376,146	\$ 159,524,708
Other operating revenue	788,323	1,094,901
Total gross revenue	187,164,469	160,619,609
Less: Contractual adjustment -		
Medicare, Medicaid and others	99,668,509	87,312,430
Less: Administrative discounts	2,358,345	1,361,368
Less: Provision for bad debts	8,754,345	6,456,923
Total adjustments to revenue	110,781,199	95,130,721
Net operating revenue	\$ 76,383,270	\$ 65,488,888

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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 11: CONTINGENCIES (Continued)

Revenue from the Medicare and Medicaid programs accounted for approximately 28 percent and 17 percent, respectively, of the Hospital's net patient revenue for the year ended 2021. 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. 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.

Myers & Stauffer LC, on behalf of AHCA, conducted an examination of Florida's fiscal 2018 DSH year to comply with the federal regulations. The results of the examination indicate Jackson Hospital was overpaid based on existing federal guidance. The overpayment was calculated as \$858,252. Jackson Hospital is currently engaging an outside expert to validate the examination results. The Hospital has received no request for repayments from this year (or any previous or subsequent DSH years), nor any indication that future DSH payments would be withheld. The Hospital has recorded a payable of \$1.2 million at September 30, 2021, included in due to / from third party payors on the accompanying statement of net assets, for the 2018 amount and the potential 2019 DSH exposure.

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 are included in "Other Fees" under expenses and were \$325,000 and \$340,510 for the years ended September 30, 2021 and 2020, 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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 13: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY

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

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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

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, 2021 and 2020, were as follows:

	FRS	HIS
September 30, 2021		
Florida Retirement System:		
Regular	9.16%	1.66%
Special Risk	24.23%	1.66%
County Elected Officials	49.76%	1.66%
Senior Management Service Class	27.35%	1.66%
DROP	16.68%	1.66%
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%

The Hospital's contributions to the FRS for the years ended September 30, 2021, 2020, and 2019 were \$240,477, \$197,347, and \$204,303, respectively. The Hospital's contributions to the HIS for the years ended September 30, 2021, 2020, and 2019 were \$33,739, \$36,120, and \$40,017, respectively.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2021 and 2020, 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, 2021 and 2020. 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.

Jackson County Hospital District and Affiliates
Notes to Consolidated Financial Statements

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

	FRS	HIS
September 30, 2021		
Net Pension Liability	\$ 440,918	\$ 670,263
Proportion at:		
Current measurement date	0.0000584	0.0000546
Prior measurement date	0.0000594	0.0000627
Pension expense (benefit)	\$ (128,321)	\$ (55,551)
September 30, 2020		
Net Pension Liability	\$ 2,574,317	\$ 765,316
Proportion at:		
Current measurement date	0.0000594	0.0000627
Prior measurement date	0.0000649	0.0000725
Pension expense (benefit)	\$ 401,603	\$ (41,057)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

September 30, 2021	FRS		HIS	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 75,574	\$ -	\$ 22,429	\$ (281)
Change of assumption	301,698	-	52,668	(27,617)
Net difference between projected and actual earnings on pension plan investments		(1,538,253)	699	-
Changes in proportion and differences between hospital contributions and proportional share of contributions	-	(276,575)	-	(312,855)
Hospital contributions subsequent to the measurement date	71,935	-	9,385	-
Total	\$ 449,207	\$ (1,814,828)	\$ 85,181	\$ (340,753)

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

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

September 30, 2020	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Description				
Differences between expected and actual experience	\$ 98,524	\$ -	\$ 31,306	\$ (590)
Change of assumption	466,033	-	82,293	(44,500)
Net difference between projected and 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)

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:

<i>For the fiscal years ending June 30,</i>	FRS	HIS
2022	\$ (321,846)	\$ (74,455)
2023	(310,355)	(77,340)
2024	(362,795)	(51,574)
2025	(438,620)	(32,174)
2026	(3,939)	(22,357)
Thereafter	-	(7,056)
Total	\$ (1,437,555)	\$ (264,956)

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

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

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2021. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2021. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2020. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
September 30, 2021		
Inflation	2.40%	2.40%
Salary increases	3.25%	3.25%
Investment rate of return	6.80%	N/A
Discount rate	6.80%	2.16%
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%

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 2021:

FRS:

- The maximum amortization period was decreased to 20 years for all current and future amortization bases.

HIS:

- The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 2.21% to 2.16%.

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

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

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, 2021 and 2020, 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, 2021

Asset Class	Target Allocation (1)	Annual Arithmetic Return *	Compound Annual (Geometric) Return
Cash	1.0%	2.1%	2.1%
Fixed income	20.0%	3.8%	3.7%
Global equity	54.2%	8.2%	6.7%
Real estate	10.3%	7.1%	6.2%
Private equity	10.8%	11.7%	8.5%
Strategic investments	3.7%	5.7%	5.4%
Total	100.0%		

September 30, 2020

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

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

* Includes assumed rate of inflation of 2.4% for September 30, 2021 and 2019.

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

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

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.80%. 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 and the depletion date is considered to be immediate, a municipal bond rate of 2.16% was used to determine the total pension liability for the program. The Bond Buyer General Obligation 20-Year 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, 2021

FRS Net Pension Liability			HIS Net Pension Liability		
Current			Current		
1% Decrease	Discount Rate	1% Increase	1% Decrease	Discount Rate	1% Increase
5.80%	6.80%	7.80%	1.16%	2.16%	3.16%
\$ 1,971,815	\$ 440,918	\$ (838,740)	\$ 774,889	\$ 670,263	\$ 584,545

September 30, 2020

FRS Net Pension Liability			HIS Net Pension Liability		
Current			Current		
1% Decrease	Discount Rate	1% Increase	1% Decrease	Discount Rate	1% Increase
5.80%	6.80%	7.80%	1.21%	2.21%	3.21%
\$ 4,110,752	\$ 2,574,317	\$ 1,291,080	\$ 884,671	\$ 765,316	\$ 667,624

Pension Plans' Fiduciary Net Position

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

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

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

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, 2021 and 2020, totaled \$293,070 and \$276,678, respectively.

Note 14: BLENDED COMPONENT UNITS

Jackson Hospital Foundation, Inc.

Jackson Hospital Foundation, Inc. (the Foundation) 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:

	2021	2020
Assets, principally cash and cash equivalent investments	\$ 843,740	\$ 712,735
Liabilities	\$ -	\$ -
Net Position	\$ 843,740	\$ 712,735
Total liabilities and net position	\$ 843,740	\$ 712,735
Support and revenue	\$ 245,715	\$ 176,029
Expenses		
Distributions to/for Jackson County Hospital	\$ 81,000	\$ 154,104
Other	33,710	33,891
Total expenses	114,710	187,995
Excess of support and revenue over (under) expenses	131,005	(11,966)
Net position, beginning of year	712,735	724,701
Net position, end of year	\$ 843,740	\$ 712,735
	2021	2,020
Donated assets	\$ 81,000	\$ 154,104

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 14: BLENDED COMPONENT UNITS (Continued)

For the years ended September 30, 2021 and 2020, \$81,000 and \$154,104, respectively, of operating expenses represents cash donations from 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.

Jackson Hospital QALICB, Inc.

In 2021, the Jackson Hospital QALICB, Inc. (the QALICB) was established as an unrelated 501(C)(3) Supporting Organization to serve as the Qualified Active Low Income Community Business (QALICB) entity. The QALICB's sole purpose is to be an exclusive supporting organization for the Hospital and for the NMTC transaction described below.

Jackson County Hospital District signed an agreement in 2021 for a 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 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, for \$1,000.

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.

Jackson County Hospital District and Affiliates
Notes to Consolidated Financial Statements

Note 14: BLENDED COMPONENT UNITS (Continued)

Jackson Hospital QALICB, Inc.

	2021	2020
Cash and cash equivalents - unrestricted	\$ 96,000	\$ -
Cash and cash equivalents - restricted	2,799,407	
Receivable from Jackson Hospital	9,782,097	-
Total assets	\$ 12,677,504	\$ -
Liabilities, debt to RGC 17, LLC and related accrued interest expense	\$ 13,500,000	\$ -
Net Position	(822,496)	-
Total liabilities and net position	\$ 12,677,504	\$ -
Support and revenue - Rent from Hospital	\$ 39,000	\$ -
Expenses		
Interest Expense	\$ 65,211	\$ -
Other - NMTC Issuance Costs	796,285	-
Total expenses	861,496	-
Excess of support and revenue over (under) expenses	(822,496)	-
Net position, beginning of year	-	-
Net position, end of year	\$ (822,496)	\$ -

For the years ended September 30, 2021 and 2020, \$39,000 and \$-0-, respectively, of operating support and revenue presented above represents rent paid from the Hospital to the QALICB. Such amounts have been eliminated against rent expense on the accompanying consolidated statements of revenues, expenses and changes in net position. The receivable from Jackson Hospital totaling \$9,814,120 reported by the QALICB above has been eliminated against a payable in the same amount reported by the Hospital in the accompanying consolidated statements of net position for 2021.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 15: RELATED PARTY TRANSACTIONS AND SALE-LEASEBACK

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 \$-0- and \$6,455 for the years ended September 30, 2021 and 2020, respectively.

Transactions between the Hospital and the Foundation are described in Note 14 above.

Transactions between the Hospital and the QALICB are described in Note 14 above. These two entities engaged in a sale-leaseback transaction in 2021, accounted for as a financing arrangement under generally accepted accounting principles. The agreement calls for quarterly payments from the Hospital to the QALICB under a 'triple net lease' for a period of up to thirty years. It is expected that this agreement will be terminated by mutual agreement of all parties at the end of seven years upon the completion of requirements related to the New Markets Tax Credits. Future net minimum lease payments from the Hospital to the QALICB as of September 30, 2021 and future are described below:

2022	\$ 122,400
2023	124,848
2024	127,345
2025	129,892
2026	132,490
Thereafter	24,325,917
Total minimum future rentals	<u>\$ 24,962,892</u>

Note 16: WORKERS' COMPENSATION INSURANCE

The Hospital is currently insured for workers compensation with AmTrust North America 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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

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, 2021 to December 31, 2021 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 \$2,139,237 and \$1,603,848 for the years ended September 30, 2021 and 2020, respectively, including claim payments and insurance premiums.

The claim liability at September 30, 2021 and 2020 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 2% of covered payroll. The Hospital can amend or terminate the plan anytime at its sole discretion. Pension expense related to the plan was \$632,261 and \$577,283 for the years ended September 30, 2021 and 2020, respectively.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 20: DEFERRED COMPENSATION PLAN

The Hospital established a physician call plan 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 \$547,293 and \$699,664 for the years ended September 30, 2021 and 2020, respectively.

Note 21: UNCERTAINTIES

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: CARES ACT FUNDING

Additional funding for the Public Health and Social Services Emergency Fund ("Relief Fund") was among the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was signed into law on March 27, 2020, and other legislation. In the year ended September 30, 2020, the Hospital received cash payments of approximately \$10,817,000 from the Relief Fund and state grant programs, which is reported as non-operating revenues in accompanying statement of revenues, expenses and changes in net position.

Payments from the Relief Fund are not loans therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions. Including, among other things, that the funds are being used for lost operating revenues and COVID-related costs, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider. The Hospital recognizes grant payments as income when there is reasonable assurance of compliance with the conditions associated with the grant. The Hospital's estimates could change materially in the future based on the Hospital's operating performance or COVID-19 activities, as well as the evolving grant compliance guidance provided by the government.

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 22: CARES ACT FUNDING (Continued)

The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation. The CARES Act and the PPP and Health Care Enhancement Act, which was signed into law on April 24, 2020, authorized up to \$2 trillion in government spending to mitigate the economic effects of the COVID-19 pandemic. Below is a brief overview of certain provisions of the CARES Act and related legislation that have impacted and expect will continue to impact the Hospital's business. Please note that this summary is not exhaustive, and additional legislative action and regulatory developments may evolve rapidly. There is no assurance that the Hospital will continue to receive or remain eligible for funding or assistance under the CARES Act or similar measures.

Public Health and Social Services Emergency Fund. To address the fiscal burdens on healthcare providers created by the COVID-19 public health emergency, the CARES Act and the PPP authorized \$175 billion for the Relief Fund.

The U.S. Department of Health and Human Services (HHS) has indicated that it will be closely monitoring and, along with the Office of Inspector General, auditing providers to ensure that recipients comply with the terms and conditions of relief programs and to prevent fraud and abuse. All providers will be subject to civil and criminal penalties for any deliberate omissions, misrepresentations or falsifications of any information given to HHS. The Hospital has formally accepted the terms and conditions associated with the receipt of its Relief Fund payments.

During the years ended September 30, 2021 and 2020, the Hospital recognized approximately \$4.4 million and \$6.4 million of Relief Fund income, respectively, included as non-operating income, associated with lost operating revenue and COVID-related costs.

Medicare and Medicaid Payment Policy Changes. The CARES Act also alleviates some of the financial strain on hospitals, physicians, and other healthcare providers and states through a series Medicare and Medicaid payment policies that temporarily increase Medicare and Medicaid reimbursement and allow for added flexibility, as described below.

- Effective May 1, 2020, the 2% sequestration reduction on Medicare FFS and Medicare Advantage payments to hospitals, physicians and other providers authorized by the Sequestration Transparency Act of 2020 is suspended and will resume at a future date.
- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency as declared by the Secretary of HHS.
- The scheduled reduction of \$4 billion in federal Medicaid DSH allotments in FFY 2020, as mandated by the Affordable Care Act, is suspended until December 1, 2020. Also, the federal DSH allotment reduction for FFY 2021 will be reduced from \$8 billion to \$4 billion. Notwithstanding these adjustments, the ACA-mandated reduction is not expected to be extended past its original termination in FFY 2025.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 22: CARES ACT FUNDING (Continued)

- The CARES Act expanded the Medicare accelerated payment program, which provides prepayment of claims to providers in certain circumstances, such as national emergencies or natural disasters. Under this measure, providers could request accelerated payments that may be retained for 120 days during which time providers continue to receive payments for services. At the end of the 120-period, the accelerated payment will be repaid via a 100% offset of payments on claims that would otherwise be paid. The repayment period for hospitals and other providers is one year and 210 days, respectively, from the date of receipt of the accelerated payment, after which interest is assessed on the unpaid balance. During the fiscal year ended September 30, 2020, the Hospital received accelerated payments totaling approximately \$8.5 million, which was included in estimated third party settlements on the accompanying balance sheet at September 30 2020. As anticipated, the Medicare Administrative Contractor began withholding payments during fiscal year 2021 to repay this balance, and the total outstanding amount at September 30, 2021 was approximately \$6.3 million, included in estimated third party settlements on the accompanying statements of net position.
- A 6.2% increase in the Federal Medical Assistance Percentage (“FMAP”) matching funds was instituted to help states respond to the COVID-19 pandemic. The additional funds are available to states from January 1, 2020 through the quarter in which the public health emergency period ends, provided that states meet certain conditions. An increase in states’ FMAP leverages Medicaid’s existing financing structure, which allows federal funds to be provided to states more quickly and efficiently than establishing a new program or allocating money from a new funding stream. Increased federal matching funds support states in responding to the increased need for services, such as testing and treatment during the COVID-19 public health emergency, as well as increased enrollment as more people lose income and qualify for Medicaid during the economic downturn.

Because of the uncertainty associated with various factors that may influence Hospital’s future Medicare and Medicaid payments, including future legislative, legal or regulatory actions, or changes in volumes and case mix, there is a risk that Hospital’s estimates of the impact of the aforementioned payment and policy changes will be incorrect and that actual payments received under, or the ultimate impact of, these programs may differ materially from Hospital’s expectations.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 23: SUBSEQUENT EVENTS

Subsequent to year end, Jackson Hospital received \$2,682,076 for the Hospital and \$275,719 for the CSMS clinics under the ARP Rural Fund distributions. They also received \$758,802 in the PRF Round 4 distribution.

In December 2021, Jackson Hospital submitted \$591,016 for their percentage portion of the Region 2 IGTs for the SFY 2021-22 Direct Payment Program (a federal Medicaid matching program administered by the state). They also submitted \$65,437 for Madison County as their public hospital sold to a for-profit and the county refused to submit their share. This was done in order to ensure the Region's cost share was fully funded. Jackson Hospital submitted the 2nd draw down of NMTC funds for the completed portion of the Nuclear Medicine renovation in the amount of \$549,098.

On or about January 9, 2022, an unknown entity unlawfully accessed a portion of the Hospital's Information Systems. Since that time, the Hospital has been working with State and Federal Agencies, in conjunction with its Cyber Security Insurer, to assess the impact of this unlawful data breach and to determine the degree of public disclosure and/or remediation required. On January 18th, the Hospital posted a preliminary public notice of the data breach and the ongoing investigation. The formal investigation continues, and once resolved, the Hospital intends to make whatever notifications required and follow regulatory guidance to mitigate any specific findings noted.

In early 2022, the board of directors voted to proceed with the Golson Property projects of a MOB, ASC, and outpatient Imaging center. They also voted to retain QHR as the development and management partner for the projects. The MOB is estimated to cost \$13.12 million with Jackson Hospital as a 100% owner. The ASC is estimated to cost \$6.03 million with Jackson Hospital as a 51% owner. The Outpatient Imaging is estimated to cost \$4.11 million with Jackson Hospital as a 51% owner.

Also, in early 2022, Jackson Hospital received a total of \$1,750,996 from the various Medicaid Managed Care providers with patients served by the hospital. Jackson Hospital submitted the 3rd draw down of NMTC funds for the completed portion of the Nuclear Medicine renovation in the amount of \$1,069,968.



REQUIRED COMMUNICATIONS

Jackson County Hospital District and Affiliates
Schedule of Proportional Share of Net Pension Liability
Florida Retirement System (Last 8 fiscal years)

<i>September 30,</i>	2021	2020	2019	2018	2017	2016	2015	2014
Hospital's proportion of the net pension liability (asset)	0.0058%	0.0059%	0.0065%	0.0069%	0.0075%	0.0095%	0.0102%	0.0110%
Hospital's proportionate share of the net pension liability (asset)	\$ 440,918	\$ 2,574,317	\$ 2,233,752	\$ 2,083,059	\$ 2,220,254	\$ 2,389,585	\$ 1,314,323	\$ 669,385
Hospital's covered - employee payroll	\$ 2,411,509	\$ 2,452,566	\$ 2,411,062	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 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	18.28%	104.96%	92.65%	78.85%	72.64%	75.26%	38.99%	18.60%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

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 Affiliates
Schedule of Contributions
Florida Retirement System (Last 8 fiscal years)

<i>For the years ended September 30,</i>	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 222,364	\$ 197,347	\$ 201,119	\$ 197,093	\$ 195,402	\$ 230,787	\$ 248,091	\$ 240,309
Contributions in relation to the contractually required contribution	(222,364)	(197,347)	(201,119)	(197,093)	(195,402)	(230,787)	(248,091)	(240,309)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered-employee payroll	\$ 2,411,509	\$ 2,488,852	\$ 2,342,332	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 3,370,543	\$ 3,599,149
Contributions as a percentage of covered-employee payroll	9.22%	7.93%	8.59%	7.46%	6.39%	7.27%	7.36%	6.68%

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 Affiliates
Schedule of Proportional Share of Net Pension Liability
Health Insurance Subsidy (Last 8 fiscal years)

<i>September 30,</i>	2021	2020	2019	2018	2017	2016	2015	2014
Hospital's proportion of the net pension liability (asset)	0.0055%	0.0063%	0.0073%	0.0081%	0.0091%	0.0110%	0.0113%	0.0125%
Hospital's proportionate share of the net pension liability (asset)	\$ 670,263	\$ 765,316	\$ 811,217	\$ 857,785	\$ 974,570	\$ 1,281,958	\$ 1,154,331	\$ 1,166,072
Hospital's covered - employee payroll	\$ 2,411,509	\$ 2,452,566	\$ 2,411,062	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 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	27.79%	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	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

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 Affiliates
Schedule of Contributions
Health Insurance Subsidy (Last 8 fiscal years)

<i>For the years ended September 30,</i>	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 32,118	\$ 36,120	\$ 40,259	\$ 43,951	\$ 48,237	\$ 56,380	\$ 43,267	\$ 42,722
Contributions in relation to the contractually required contribution	(32,118)	(36,120)	(40,259)	(43,951)	(48,237)	(56,380)	(43,267)	(42,722)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered-employee payroll	\$ 2,411,509	\$ 2,488,852	\$ 2,342,332	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 3,370,543	\$ 3,599,149
Contributions as a percentage of covered-employee payroll	1.33%	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.

The page features a decorative design with horizontal bars at the top and bottom. The top bar is split into a dark blue segment on the left and a medium blue segment on the right. The bottom bar is split into a medium blue segment on the left and a dark blue segment on the right. A large, solid yellow rectangular area occupies the center of the page, containing the text 'COMPLIANCE SECTION'. On the left side of this yellow area, there is a faint, stylized graphic of overlapping geometric shapes, including triangles and parallelograms, in a light yellow or gold color.

COMPLIANCE SECTION



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

Mailing Address:
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Marianna, FL 32447

(850) 526-3207
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**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, 2021 and 2020. 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, 2021 and 2020.

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.

Carr, Riggs & Ingram, L.L.C.

Marianna, Florida
May 25, 2022

**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 Affiliates, as of and for the years ended September 30, 2021 and 2020, and the related notes to the consolidated financial statements, which collectively comprise Jackson County Hospital District's consolidated financial statements and have issued our report thereon dated May 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County Hospital District's internal control over financial reporting in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jackson County Hospital District's internal control.

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

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

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2021-001 - Bank Account Reconciliation

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

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

CAUSE: The hospital experienced the loss of the staff accountant responsible for bank reconciliations shortly after the fiscal year end. Subsequent efforts to replace that position were unsuccessful until four months after year end.

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.

VIEW OF RESPONSIBLE OFFICIALS:

See Management's Response and Corrective Action Plan beginning on page 60.

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.

Carr, Riggs & Ingram, L.L.C.

Marianna, Florida
May 25, 2022

**INDEPENDENT AUDITORS' MANAGEMENT LETTER
REQUIRED BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Board of Trustees
Jackson County Hospital District
Marianna, Florida

Report on the Financial Statements

We have audited the consolidated financial statements of the Jackson County Hospital District and Affiliates as of and for the years ended September 30, 2021, and 2020 and have issued our report thereon dated May 25, 2022.

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 25, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

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

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.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Jackson County Hospital District reported:

- a) The total number of district employees compensated in the last pay period of the district's fiscal year as 515.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 59.

- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$32,246,089.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$2,218,082.
- e) There were no construction projects with a total cost of at least \$65,000 approved by the district that were scheduled to begin on or after October 1 of the fiscal year being reported.
- f) A budget variance report based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes. The district did not amend their budget, this is not applicable.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings other than finding 2021-001.

Purpose of this Letter

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

Carr, Riggs & Ingram, L.L.C.

Marianna, Florida
May 25, 2022

**Jackson County Hospital District and Affiliates
Management's Response**



April 1, 2022

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

To Whom It May Concern,

In response to the Independent Auditors' Management Letter Comments for Jackson Hospital for the fiscal year ended September 30, 2021 presented by Carr, Riggs and Ingram, please accept the following:

2022-001 – BANK ACCOUNT RECONCILIATION - The hospital experienced the loss of the staff accountant responsible for bank reconciliations shortly after the fiscal year end. Subsequent efforts to replace that position were unsuccessful until 4 months after year end. Therefore, the operating bank account was not reconciled timely. We anticipate that all significant balances will be reconciled each month, including these bank accounts. We will review all reconciling items for proper recording.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly Connolly", is written over a horizontal line.

Kelly Connolly
Senior Vice President/CFO
Office: 850-718-2623

cc: B. Donaldson, CEO
Board of Trustees



Jackson County Hospital District and Affiliates

Schedule of Expenditures of Federal Awards

September 30, 2021



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UNIFORM GUIDANCE COMPLIANCE REPORT





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CRIcpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Jackson County Hospital District and Affiliates

Report on Compliance for the Major Federal Program

We have audited Jackson County Hospital District and Affiliates (the Hospital) compliance with the type of compliance requirement described in the *OMB Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended September 30, 2021. The Hospital's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

The Jackson County Hospital District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Jackson County Hospital District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Jackson County Hospital District and Affiliates as of and for the year ended September 30, 2021, and have issued our report thereon dated May 25, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

Carr, Riggs & Ingram, L.L.C.

Marianna, Florida
June 30, 2022

**Jackson County Hospital District and Affiliates
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures (\$)	Amount Passed through to Subrecipient	Total Federal Expenditures (\$)
Department of Health and Human Services					
Direct Program:					
COVID-19 Provider Relief Fund	93.498	n/a	\$ 10,767,660	\$ -	\$ 10,767,660
<i>Total Direct Program</i>				-	\$ 10,767,660
Total Expenditures of Federal Awards					\$ 10,767,660

See independent auditors' report.

Jackson County Hospital District and Affiliates
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – This schedule includes the activity of Jackson County Hospital District and Affiliates (the Hospital) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2: INDIRECT COST RATE

The Hospital has not elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 3: LOAN

The Hospital did not expend federal awards related to loans or loan guarantees during the year.

Note 4: FEDERALLY FUNDED INSURANCE

The Hospital has no federally funded insurance.

Note 5: NONCASH ASSISTANCE

The Hospital did not receive any federal noncash assistance for the fiscal year ended September 30, 2021.

Note 6: PROVIDER RELIEF FUND

Under terms and conditions of the Provider Relief Funds (PRF) under the Coronavirus Aids, Relief, and Economic Security (CARES) Act, the Hospital is required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received and used by the Hospital in accordance with the PRF terms and conditions.

The Hospital received PRF of approximately \$10.8 million in the year ended September 30, 2020, and it received no significant amounts of PRF in fiscal year 2021. The Authority recognized approximately \$4.4 million and \$6.4 million, respectively, as other nonoperating revenue in its September 30, 2020

Jackson County Hospital District and Affiliates
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Note 6: PROVIDER RELIEF FUND (Continued)

and 2021 consolidated statements of revenues, expenses and changes in net position, as the terms and conditions of the PRF grant were satisfied during these respective fiscal years. Under the HHS requirements, the schedule of expenditures of federal awards includes PRF of approximately \$10.8 million, which was received by the Hospital prior to September 30, 2020.

Note 7: DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During the emergency period of the COVID-19 pandemic, federal agencies and recipients can donate personal protective equipment purchased with federal assistance funds to various entities for the COVID-19 response. During the year ended September 30, 2021, the estimated fair market value for donated personal protective equipment received by the Hospital was \$39,898.

Jackson County Hospital District and Affiliates
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(es) identified? X yes none noted

Noncompliance material to consolidated financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(es) identified? yes X none noted

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)? X yes none noted

Identification of major federal programs:

Federal CFDA Number	Federal Program or Cluster
93.498	Provider Relief Fund

Dollar threshold used to distinguish between type A and B programs was \$750,000 for major federal programs.

Auditee qualified as a low-risk auditee for federal purposes? yes X no

Jackson County Hospital District and Affiliates
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021
(Continued)

Section II – Consolidated Financial Statement Findings

2021-001 - Bank Account Reconciliation

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

Condition: The operating account bank reconciliation was not completed timely.

Cause: The hospital experienced the loss of the staff accountant responsible for bank reconciliations shortly after the fiscal year end. Subsequent efforts to replace that position were unsuccessful until four months after year end.

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.

View of Responsible Officials: See Management's Response and Corrective Action Plan beginning on page 9.

Section III – Federal Award Findings and Questioned Costs

Finding 2021-002 - Provider Relief Funds – Assistance Listing Number 93.498; Department of Health and Human Services Grant period – year ended September 30, 2021

Condition: The Hospital's Period 1 PRF report submission to the PRF reporting portal overstated the actual total amount of expenditures.

Criteria: The program requires the reporting of total expenditures and/or lost revenues from the period 1 PRF report submission to the PRF reporting portal.

Effect: The overstated costs may be required to be paid back to the federal agency.

Context: Hospital management provided a schedule of actual costs and discovered an error within the calculation of nursing contract labor included in payroll which resulted in an overstatement of \$77,707.

Questioned costs: The overstatement of \$77,707 relates to an error by management regarding the calculation of nursing contract labor. The amount of the overstatement was calculated by review of general ledger detail for the applicable time period and comparison to the amount reported on the Hospital's submission.

Recommendation: Hospital management should notify the Health Resources & Services Administration (HRSA) regarding the overstatement. Moving forward, Hospital management should simplify the calculation of the nursing contract labor to better enable accurate reporting of the costs.

Views of Responsible Officials and Planned Corrective Action: See management's response and Corrective Action Plan on page 10.

Jackson County Hospital District and Affiliates
Corrective Action Plan – Finding 2021-001
For the Year Ended September 30, 2021



April 1, 2022

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

To Whom It May Concern,

In response to the Independent Auditors' Management Letter Comments for Jackson Hospital for the fiscal year ended September 30, 2021 presented by Carr, Riggs and Ingram, please accept the following:

2022-001 – BANK ACCOUNT RECONCILIATION - The hospital experienced the loss of the staff accountant responsible for bank reconciliations shortly after the fiscal year end. Subsequent efforts to replace that position were unsuccessful until 4 months after year end. Therefore, the operating bank account was not reconciled timely. We anticipate that all significant balances will be reconciled each month, including these bank accounts. We will review all reconciling items for proper recording.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly Connolly", is written over a horizontal line.

Kelly Connolly
Senior Vice President/CFO
Office: 850-718-2623

cc: B. Donaldson, CEO
Board of Trustees

**Jackson County Hospital District and Affiliates
Corrective Action Plan – Finding 2021-002
For the Year Ended September 30, 2021**



June 30, 2022

HRSA

To Whom It May Concern,

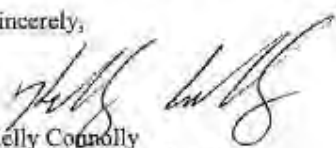
In response to the Independent Auditors' Management Letter Comments for Jackson Hospital for the fiscal year ended September 30, 2021 presented by Carr, Riggs and Ingram, please accept the following:

OVERSTATEMENT OF ACTUAL EXPENDITURES – Internal secondary record keeping of contract labor expense was not directly tied back to the general ledger in 2019 and 2020. These files were initially used to identify nursing contract labor expenses. Upon further review, there were slight discrepancies that resulted in an overstatement of \$77,707, bringing the total nursing contract labor costs down to \$5,180,117.01 versus \$5,257,824.01 that was originally reported.

In November, 2020 the internal reporting process changed to tie to the general ledger monthly and at the detail invoice level.

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

Sincerely,


Kelly Connolly
Senior Vice President/CFO
Office: 850-718-2623

cc: B. Donaldson, CEO
Board of Trustees