



Jackson County Hospital District and Affiliates

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022 and 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Jackson County Hospital District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Jackson County Hospital District and Affiliates (collectively, the "Hospital") as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's consolidated financial statements as listed in the table of contents.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of September 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Hospital adopted Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*, which required certain balances in the fiscal year 2021 consolidated financial statements to be restated. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards *and Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

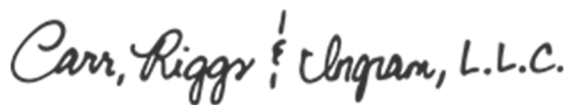
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4.12 and other required supplementary information, as listed in the table of contents, be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not a part of the consolidated financial statements, is required by the GASB, 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 March 17, 2023, on our consideration of the Hospital'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.

Enterprise, Alabama
March 17, 2023

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

Jackson County Hospital District and Affiliate's (collectively, the "Hospital") management's discussion and analysis provides an overview of the Hospital's financial activities for the year ended September 30, 2022.

Financial Highlights

- As presented in Table 2, fiscal year 2022's total assets decreased to \$103,055,564, or 9.95% when compared to fiscal year 2021 (restated). Jackson Hospital's total assets and deferred outflows decreased by \$11.3 million or 9.8% for the fiscal year ended September 30, 2022. The reduction is a result of a reduction in net accounts receivable, market losses in investments, and the repayment of the COVID-19 legislated Medicare Advanced payments.
- The Hospital's total liabilities decreased by \$4.8 million, or 12.28%, when matched to fiscal year 2021 (restated), as represented in Table 2. This decrease is a direct result of the repayment of Medicare Advanced payments.
- As displayed in Table 5, the Hospital's operations saw an operating loss of \$5,472,773 in the current fiscal year in contrast to a loss of \$2,181,547 in the prior fiscal year. Salaries and benefits increased by \$670,283 or 1.87% during the current fiscal year. Continued reliance on expensive nursing agency costs were again a primary driver of the loss. The high level of supplies, contract services and fees in the previous fiscal year continued to increase by \$2,033,752 or 5.67% for the current period. In addition to agency costs, COVID-related drugs and supplies increased overall expenses. Other operating expense increased by \$684,502 or 30.66% for the year. The impact of the COVID-19 pandemic environment was recognized throughout the additional increases in operating expenses during fiscal year 2022. The overall increase in operating expenses was \$3,595,146 or 4.58%.
- Continued consideration must be given to the impact that COVID-19 has had on the healthcare industry as well as the volatility in the financial markets. The performance of the investments resulted in non-operating investment income of \$397,401 against a substantial reduction in the value of the securities of \$3,484,435 during the current fiscal year. These results, combined with the recognition of the remaining CARES Act funds, resulted in \$747,287 of non-operating revenue. Together, the operating and non-operating returns provided the Hospital with a negative change in net position of \$4,725,486 in fiscal year 2022. This compares to the positive change of \$5,822,229 that was experienced in fiscal year 2021.

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 consolidated 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. The consolidated statement of revenue, expenses and changes in net position includes all of the Hospital's operating and nonoperating revenues and expenses. 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 consolidated 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 consolidated 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.

Summary of Net Position

Restatement of Prior Year Net Position

The previously issued financial statements for the year ended September 30, 2021, issued May 25, 2022, have been restated for a change in accounting principle related to the recognition of leases and right-of-use assets (GASB Statement No. 87).

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

The net position as of September 30, 2021 was affected by the restatement as follows:

TABLE 1
Restatement of Prior Year Net Position

<i>September 30, 2021</i>	As Previously Reported	Increase (Decrease)	As Restated
Assets			
Current portion of lease receivable	\$ -	\$ 137,927	\$ 137,927
Capital assets, net	\$ 38,993,509	\$ 2,445,187	\$ 41,438,696
Lease receivable, less current portion	\$ -	\$ 755,175	\$ 755,175
Liabilities			
Current portion of lease liability	\$ -	\$ 767,926	\$ 767,926
Current portion of obligations under capital leases	\$ 228,317	\$ (228,317)	\$ -
Lease liability, less current portion	\$ -	\$ 1,986,509	\$ 1,986,509
Deferred inflows of resources - leases	\$ -	\$ 812,171	\$ 812,171
Net Position			
Investment in capital assets, net	\$ 38,632,924	\$ (80,931)	\$ 38,551,993
Unrestricted	\$ 31,096,319	\$ 80,931	\$ 31,177,250

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

TABLE 2
Condensed Consolidated Statements of Net Position
September 30, 2022 and 2021

	2022	Restated 2021	Dollar Change	Percent Change
Current assets	\$ 45,063,896	\$ 54,291,645	\$ (9,227,749)	-17.00%
Capital assets - net	41,234,952	41,438,696	(203,744)	-0.49%
Other assets	16,756,716	18,706,613	(1,949,897)	-10.42%
Total assets	103,055,564	114,436,954	(11,381,390)	-9.95%
Deferred outflows of resources - pensions	620,516	534,388	86,128	16.12%
Total assets and deferred outflows of resources	\$ 103,676,080	\$ 114,971,342	\$ (11,295,262)	-9.82%
Current liabilities	\$ 13,375,758	\$ 19,124,741	\$ (5,748,983)	-30.06%
Long-term liabilities	21,187,473	20,275,607	911,866	4.50%
Total liabilities	34,563,231	39,400,348	(4,837,117)	-12.28%
Deferred inflows of resources	1,235,093	2,967,752	(1,732,659)	-58.38%
Investments in capital assets, net of related debt	39,063,494	38,551,993	511,501	1.33%
Unrestricted net assets	27,945,312	31,177,250	(3,231,938)	-10.37%
Restricted net assets	868,950	2,873,999	(2,005,049)	-69.77%
Total net position	67,877,756	72,603,242	(4,725,486)	-6.51%
Total liabilities, deferred inflows inflows of resources and net position	\$ 103,676,080	\$ 114,971,342	\$ (11,295,262)	-9.82%

As shown in Table 2, total assets and deferred outflows of resources was reduced by \$11,295,262 during the current fiscal year. This represented a balance of \$103,676,080 as of September 30, 2022. For the same period, total liabilities and deferred inflows of resources decreased by \$6,569,776, adjusting the total to \$35,798,324.

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

TABLE 3
Condensed Consolidated Statements of Net Position
September 30, 2021 and 2020

	Restated 2021	2020	Dollar Change	Percent Change
Current assets	\$ 54,291,645	\$ 55,360,524	\$ (1,068,879)	-1.93%
Capital assets - net	41,438,696	37,381,860	4,056,836	10.85%
Other assets	18,706,613	5,130,826	13,575,787	264.59%
Total assets	114,436,954	97,873,210	16,563,744	16.92%
Deferred outflows of resources - pensions	534,388	893,629	(359,241)	-40.20%
Total assets and deferred outflows of resources	\$ 114,971,342	\$ 98,766,839	\$ 16,204,503	16.41%
Current liabilities	\$ 19,124,741	\$ 23,668,030	\$ (4,543,289)	-19.20%
Long-term liabilities	20,275,607	7,573,335	12,702,272	167.72%
Total liabilities	39,400,348	31,241,365	8,158,983	26.12%
Deferred inflows of resources	2,967,752	744,461	2,223,291	298.64%
Investments in capital assets, net of related debt	38,551,993	36,330,200	2,221,793	6.12%
Unappropriated net assets	31,177,250	30,376,299	800,951	2.64%
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 inflows of resources and net position	\$ 114,971,342	\$ 98,766,839	\$ 16,204,503	16.41%

As shown in Table 3, total assets and deferred outflows of resources grew by \$16,204,503 during fiscal year 2021 (restated). This represented a balance of \$114,971,342 as of September 30, 2021. For the same period, total liabilities and deferred inflows of resources increased by \$10,382,274, adjusting the total to \$42,368,100.

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

Summary of Revenue, Expenses and Changes in Net Position

Restatement of Prior Year Net Position

The previously issued financial statements for the year ended September 30, 2021, issued May 25, 2022, have been restated for a change in accounting principle related to the recognition of leases and right of-use assets (GASB Statement No. 87).

The change in net position as of September 30, 2021 was affected by the restatement as follows:

TABLE 4
Restatement of Prior Year Change in Net Position

<i>September 30, 2021</i>	As Previously Reported	Increase (Decrease)	As Restated
Operating Expenses			
Supplies and expenses	\$ 19,069,627	\$ (619,257)	\$ 18,450,370
Depreciation and amortization	\$ 3,711,232	\$ 535,815	\$ 4,247,047
Interest	\$ 298,901	\$ 83,442	\$ 382,343

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, 2022 and 2021.

TABLE 5
Condensed Consolidated Statements of Revenue, Expenses and Changes in Net Position

	2022	Restated 2021	Dollar Change	Percent Change
Revenue:				
Net operating revenue	\$ 76,687,190	\$ 76,383,270	\$ 303,920	0.40%
Expenses:				
Salaries and employee benefits	36,482,423	35,812,140	670,283	1.87%
Supplies, contract services and fees	37,924,248	35,890,496	2,033,752	5.67%
Other Operating expense	2,917,293	2,232,791	684,502	30.66%
Depreciation and amortization	4,304,197	4,247,047	57,150	1.35%
Interest	531,802	382,343	149,459	39.09%
Total operating expenses	82,159,963	78,564,817	3,595,146	4.58%
Loss from operations	(5,472,773)	(2,181,547)	(3,291,226)	150.87%
Nonoperating revenue	747,287	8,003,776	(7,256,489)	-90.66%
Excess of revenue over expenses	(4,725,486)	5,822,229	(10,547,715)	-181.16%
Beginning net position	72,603,242	66,781,013	5,822,229	8.72%
Ending net position	\$ 67,877,756	\$ 72,603,242	\$ (4,725,486)	-6.51%

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, 2021 and 2020.

TABLE 6
Condensed Consolidated Statements of Revenue, Expenses and Changes in Net Position

	Restated 2021	2020	Dollar Change	Percent Change
Revenue:				
Net operating 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	35,890,496	24,293,554	11,596,942	47.74%
Other operating expense	2,232,791	2,231,868	923	0.04%
Depreciation and amortization	4,247,047	3,710,564	536,483	14.46%
Interest	382,343	275,895	106,448	38.58%
Total operating expenses	78,564,817	67,014,005	11,550,812	17.24%
Loss from operations	(2,181,547)	(1,525,117)	(656,430)	43.04%
Nonoperating 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

Sources of Revenue

Operating Revenue

During the current fiscal year, the Hospital derived roughly 99% 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 7 presents the relative percentages of gross charges billed for patient services by payer for the fiscal years ended September 30, 2022 and 2021. The Hospital experienced a decrease in traditional Medicare and Blue Cross Blue Shield, a significant increase in Medicare Managed Care and remained fairly constant with Medicaid, commercial, and self-pay.

TABLE 7
Payor Mix by Percentage
September 30, 2022 and 2021

	2022	2021
Medicare	26%	28%
Medicare Advantage	23%	21%
Blue Cross Blue Shield	16%	17%
Medicaid	18%	17%
Commercial/Managed Care	11%	12%
Self-pay	6%	5%
Total patient revenues	100%	100%

Operating and Financial Performance

The following summarizes the Hospital's consolidated statements of revenue, expenses and changes in net position between fiscal year 2022 and fiscal year 2021:

The Hospital's inpatient admissions decreased by 15.80% during 2022 in comparison to 2021 while the overall length of stay was 5.0 days per admission in the current fiscal year. This combination produced a decrease in patient days by 21.37% for the year.

The Hospital's outpatient services continued to increase with outpatient visits increasing by 0.08%. The Hospital experienced an increase in emergency room visits of 8.77%, outpatient surgeries of 13.9% and quick care visits of 16.0%.

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

Net patient service revenue improved slightly; by 0.40%, year over year. This represented an increase of \$303,920 in fiscal year 2022 compared to fiscal year 2021. More detailed information about the Hospital's net revenue calculations are presented in the notes to the consolidated financial statements.

The Hospital, similar to each hospital in the United States, customarily produces adjustments to revenue, including but not limited to, contractual allowances and charity write offs. These adjustments represented 61.8% of gross patient revenue in 2022 and 59.4% in fiscal year 2021. These ratios are impacted by the changes in reimbursement from payers as well as payer mix.

Private pay revenue remained constant at 6.4% of patient revenue in 2022, while the Hospital's total charity care and bad debts adjustments experienced a slightly negative impact. The ratio of gross patient revenue in fiscal year 2022 was 4.9% compared to 4.7% in fiscal year 2021.

Salaries and employee benefits, at \$36,482,423, increased by 1.87% in 2022 resulting from an increase in employee health care costs and a normal yearly wage increase for a smaller than normal labor force due to continued hiring difficulties in the healthcare industry.

Other expenses, such as supplies, contract services and fees, reflect the Hospital's continued 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 from both supply chain issues and general inflationary costs.

Non-operating revenue contains income from donations, grants, interest income, realized and unrealized losses on securities and miscellaneous income/expense. The Hospital's non-operating income of \$747,287 in fiscal year 2022 represents a combination of these sources of revenue and losses. This figure represented a 90.66% decrease over the previous fiscal year. \$3,440,879 of the non-operating income is attributed to the recognition of the CARES Act funds and \$3,484,435 is attributed to an unrealized market loss on Hospital investments.

As a result of the combination of these operating and non-operating yields, the Hospital recognized an excess of expenses over revenues of \$4,725,486 in fiscal year 2022 in comparison to an excess of revenues over expenses of \$5,822,229 in fiscal year 2021.

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 8 below:

TABLE 8
Capital Assets
September 30, 2022 and 2021

	2022	Restated 2021	Dollar Change	Percent Change
Building and improvements	\$ 55,890,738	\$ 52,673,940	\$ 3,216,798	6.11%
Equipment	34,616,633	32,791,916	1,824,717	5.56%
Right of use asset	6,678,447	6,641,515	36,932	0.56%
Leasehold improvements	255,472	255,472	-	0.00%
Construction in progress	356,525	2,080,303	(1,723,778)	-82.86%
	97,797,815	94,443,146	3,354,669	3.55%
Less accumulated depreciation	(59,443,658)	(55,228,181)	(4,215,477)	7.63%
Land and land improvements	2,880,795	2,223,731	657,064	29.55%
Capital assets, net	\$ 41,234,952	\$ 41,438,696	\$ (203,744)	-0.49%

Capital assets, net decreased by \$203,744, or -0.49%, as increases in capital assets lagged behind recognized depreciation for the year. This lag was in deference to the Hospital's decreasing cash position and careful study of all expenses.

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

TABLE 9
Capital Assets
September 30, 2021 and 2020

	Restated 2021	2020	Dollar Change	Percent Change
Building and improvements	\$ 52,673,940	\$ 50,094,096	\$ 2,579,844	5.15%
Equipment	32,791,916	35,296,904	(2,504,988)	-7.10%
Right of use asset	6,641,515	-	6,641,515	
Leasehold improvements	255,472	255,472	-	0.00%
Construction in progress	2,080,303	1,205,543	874,760	72.56%
	94,443,146	86,852,015	7,591,131	8.74%
Less accumulated depreciation	(55,228,181)	(51,458,661)	(3,769,520)	7.33%
Land and land improvements	2,223,731	1,988,506	235,225	11.83%
Capital assets, net	\$ 41,438,696	\$ 37,381,860	\$ 4,056,836	10.85%

Capital assets, net increased by \$4,056,836, or 10.85%, due to the GASB 87 adjustment to Hospital lease agreements.

Long-Term Liabilities

At our current year-end, the Hospital had \$21,187,473 in long-term liabilities compared to \$20,275,607 at September 30, 2021. This increase of \$911,866 during the current fiscal year represents an increase in net pension liability.

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

Contacting the Hospital's Financial Manager

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

Jackson County Hospital District and Affiliates
Consolidated Statements of Net Position

<i>September 30,</i>	2022	Restated 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 15,642,570	\$ 21,491,354
Investments	17,817,364	19,885,491
Accounts receivable – net	7,355,094	9,894,464
Other receivables	750,117	254,989
Inventory	1,563,674	1,528,987
Prepaid expenses	1,792,955	1,098,433
Current portion of lease receivable	142,122	137,927
Total current assets	45,063,896	54,291,645
Capital assets, net	41,234,952	41,438,696
Other assets		
Restricted cash	868,950	2,873,999
Investment in life insurance policies in deferred compensation plan	4,027,606	4,010,167
Notes receivable	11,202,186	11,022,351
Lease receivable, less current portion	613,053	755,175
Other assets	44,921	44,921
Total other assets	16,756,716	18,706,613
Total assets	103,055,564	114,436,954
Deferred outflows of resources		
Deferred outflows of resources related to pensions	620,516	534,388
Total assets and deferred outflows of resources	\$ 103,676,080	\$ 114,971,342

The accompanying notes are an integral part of these consolidated financial statements.

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

<i>September 30,</i>	2022	Restated 2021
Liabilities, deferred inflows of resources and net position		
Current liabilities		
Current portion of long-term debt	\$ 132,658	\$ 132,268
Current portion of compensated absences	728,890	706,595
Accounts payable and accrued expenses	5,677,338	6,311,468
Estimated liability for malpractice claims	550,000	300,000
Accounts receivable credit balances	648,327	728,015
Life insurance policy loans	3,325,257	3,232,872
Unearned revenue	275,720	-
Current portion of lease liability	566,527	767,926
Estimated third party payor settlements	1,471,041	6,945,597
Total current liabilities	13,375,758	19,124,741
Long-term liabilities		
Long-term debt, less current portion	15,526,406	15,659,064
Lease liability, less current portion	1,472,273	1,986,509
Net pension liability	2,696,830	1,111,181
Compensated absences, long term portion	728,891	706,596
Deferred compensation liability	763,073	812,257
Total long-term liabilities	21,187,473	20,275,607
Total liabilities	34,563,231	39,400,348
Deferred inflows of resources		
Deferred inflows of resources related to pensions	515,211	2,155,581
Deferred inflows of resources related to leases	719,882	812,171
Total deferred inflows of resources	1,235,093	2,967,752
Net position		
Investment in capital assets, net of related debt	39,063,494	38,551,993
Unrestricted	27,945,312	31,177,250
Restricted for debt service	868,950	2,873,999
Total net position	67,877,756	72,603,242
Total liabilities, deferred inflows of resources and net position	\$ 103,676,080	\$ 114,971,342

The accompanying notes are an integral part of these consolidated 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>	2022	Restated 2021
Operating revenue		
Net operating revenue, pledged as collateral for revenue notes (net of provision for bad debts of \$9,819,670 in 2022 and \$8,754,345 in 2021)	\$ 76,687,190	\$ 76,383,270
Operating expenses		
Salaries and wages	29,734,883	29,824,147
Supplies and expenses	19,442,680	18,450,370
Employee benefits	6,747,540	5,987,993
Physician fees	1,026,839	884,893
Other fees	17,454,729	16,555,233
Utilities	1,777,581	1,581,805
Insurance and risk management	1,139,712	650,986
Interest	531,802	382,343
Depreciation and amortization	4,304,197	4,247,047
Total operating expenses	82,159,963	78,564,817
Loss from operations	(5,472,773)	(2,181,547)
Nonoperating revenue (expense)		
CARES PRF, miscellaneous income and contributions	3,875,604	4,753,471
Contributed capital - Golson School property	-	775,000
Miscellaneous expenses	(51,283)	(33,711)
Debt issuance costs	-	(796,185)
Hurricane insurance proceeds and expenses	-	70,979
(Loss) gain on disposition of assets	10,000	(86,836)
Realized/unrealized loss on securities	(3,484,435)	3,000,477
Investment income	397,401	320,581
Total nonoperating revenue (expense)	747,287	8,003,776
Net increase (decrease) in net position	(4,725,486)	5,822,229
Net position - beginning of year	72,603,242	66,781,013
Net position - end of year	\$ 67,877,756	\$ 72,603,242

The accompanying notes are an integral part of these consolidated financial statements.

Jackson County Hospital District and Affiliates Consolidated Statements of Cash Flows

<i>For the years ended September 30,</i>	2022	Restated 2021
Operating Activities		
Receipts from patient services	\$ 73,672,316	\$ 72,741,156
Payments to suppliers	(41,955,128)	(37,503,015)
Payments to employees	(36,773,552)	(37,187,172)
Other (payments) receipts	(537,036)	163,896
Net cash provided by (used in) operating activities	(5,593,400)	(1,785,135)
Noncapital Financing Activities		
Miscellaneous revenue and contributions	3,456,216	476,377
Capital and Related Financing Activities		
Purchases of capital assets	(4,055,389)	(5,109,717)
Proceeds from sale of fixed assets	98,722	475,000
Payment of principal on lease liability	(539,609)	(508,277)
Proceeds from capital debt, net	-	2,651,371
Principal paid on capital debt	(356,039)	(823,343)
Interest paid on capital debt	(389,182)	(298,901)
Principal received from lease receivable	137,927	133,856
Interest received from lease receivable	24,907	28,978
Net cash provided by (used in) capital and related financing activities	(5,078,663)	(3,451,033)
Investing Activities		
Proceeds from sales and maturities of investments	455,977	3,977,562
Purchases of investments	(1,491,364)	(4,218,535)
Interest and dividends	397,401	44,912
Net cash provided by (used in) investing activities	(637,986)	(196,061)
Net increase (decrease) in cash and cash equivalents	(7,853,833)	(4,955,852)
Cash and cash equivalents - beginning of year	24,365,353	29,321,205
Cash and cash equivalents - end of year	\$ 16,511,520	\$ 24,365,353
Reconciliation of Cash to the Consolidated Statements of Net Position		
Cash and cash equivalents	\$ 15,642,570	\$ 21,491,354
Restricted cash in other assets	868,950	2,873,999
Cash and cash equivalents - end of year	\$ 16,511,520	\$ 24,365,353

The accompanying notes are an integral part of these consolidated financial statements.

Jackson County Hospital District and Affiliates

Consolidated Statements of Cash Flows (Continued)

<i>For the years ended September 30,</i>	2022	Restated 2021
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities		
Loss from operations	\$ (5,472,773)	\$ (2,181,547)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities		
Depreciation and amortization	4,304,197	4,247,047
Amortization – notes receivable	-	64,778
Provision for bad debts	9,819,670	8,754,345
Interest expense included in income (loss) from operations	531,802	382,343
Non-cash compensation expense due to deferred compensation plan	-	(64,778)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources		
Increase (decrease) in assets and deferred outflows of resources		
Patient accounts receivable	(7,280,300)	(11,866,502)
Inventory and prepaid expense, other receivables and other assets	(1,224,337)	(11,185)
Notes receivable	(179,835)	(96,740)
Deferred outflows of resources related to pensions	(86,128)	359,241
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable, accrued expenses and other current liabilities	(634,130)	(24,848)
Net pension liability	1,835,649	(2,228,452)
Deferred inflows of resources related to pensions/ leases	(1,732,659)	1,411,120
Estimated third-party payor settlements	(5,474,556)	(529,957)
Net cash provided by (used in) operating activities	\$ (5,593,400)	\$ (1,785,135)

Supplemental Disclosure of Non-Cash Activities

Acquisition of Golson School property through contribution	\$ -	\$ 775,000
Promissory note receivable from JH Marianna Investment Fund	\$ -	\$ 9,768,600
Promissory Note A payable to RCG 17, LLC	\$ -	\$ (9,768,600)
Unrealized gain (loss) on investments	\$ (4,131,581)	\$ 1,150,633
Forgiveness of notes receivable from medical students	\$ 77,287	\$ 64,778

The accompanying notes are an integral part of these consolidated 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 consolidated 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.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (continued)

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.

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 15 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
\$ 297,629	\$ 3,814,242	\$ 3,905,394	\$ 206,477

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
\$ 300,000	\$ 250,000	\$ -	\$ 550,000

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restatement of Prior Year Consolidated Financial Statements

The previously issued consolidated financial statements for the year ended September 30, 2021, issued May 25, 2022, have been restated for a change in accounting principle related to the recognition of GASB Statement No. 87 (GASB 87) for leases and right-of-use assets. The implementation of this statement requires the restatement of the net position in the consolidated statement of net position, consolidated statement of revenue, expenses and changes in net position, and the consolidated statement of cash flows to record the cumulative effect of recording the original basis of the leased assets less accumulated depreciation, net of the respective lease liability as of September 30, 2022.

The consolidated financial statements as of September 30, 2021 were restated as follows:

<i>September 30, 2021</i>	As Previously Reported	Increase (Decrease)	As Restated
<i>Consolidated Statement of Net Position:</i>			
Assets			
Current assets			
Current portion of lease receivable	\$ -	\$ 137,927	\$ 137,927
Land, buildings and equipment – net	38,993,509	2,445,187	41,438,696
Other assets			
Lease receivable, less current portion	-	755,175	755,175
Liabilities, deferred inflows of resources and net position			
Current liabilities			
Current portion of obligations under capital leases	228,317	(228,317)	-
Current portion of lease liability	-	767,926	767,926
Long-term liabilities			
Lease liability, less current portion	-	1,986,509	1,986,509
Deferred inflows of resources			
Deferred inflows of resources related to leases	-	812,171	812,171
Net position			
Investment in capital assets, net of related debt	38,632,924	(80,931)	38,551,993
Unrestricted	31,096,319	80,931	31,177,250

<i>For the year ended September 30, 2021</i>	As Previously Reported	Increase (Decrease)	As Restated
<i>Consolidated Statement of Revenue, Expenses and Change in Net Position:</i>			
Operating expenses			
Supplies and expenses	\$ 19,069,627	\$ (619,257)	\$ 18,450,370
Interest	298,901	83,442	382,343
Depreciation and amortization	3,711,232	535,815	4,247,047

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restatement of Prior Year Consolidated Financial Statements (continued)

<i>For the year ended September 30, 2021</i>	As Previously Reported	Increase (Decrease)	As Restated
Consolidated Statement of Cash Flows:			
Operating Activities			
Payments to suppliers	\$ (38,125,782)	\$ 622,767	\$ (37,503,015)
Net cash provided by (used in) operating activities	(2,407,902)	622,767	(1,785,135)
Capital and Related Financing Activities			
Payment of principal on lease liability	-	(508,277)	(508,277)
Principal received from lease receivable	-	133,856	133,856
Proceeds from capital debt, net	2,928,695	(277,324)	2,651,371
Interest received from lease receivable	-	28,978	28,978
Net cash provided by (used in) capital and related financing activities	(2,828,266)	(622,767)	(3,451,033)
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Adjustments:			
Depreciation and amortization	3,711,232	535,815	4,247,047
Interest expense included in income (loss) from operations	298,901	83,442	382,343
Net cash provided by (used in) operating activities	(2,404,392)	619,257	(1,785,135)

The consolidated financial statements as of and for the year ended September 30, 2020 were not restated, as this was deemed impractical.

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 \$15,591,227 and the bank balance was \$18,102,749. 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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Patient Accounts Receivable - Net

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

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

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

The Hospital's allowance for uncollectible accounts and contractual adjustments was approximately 71% and 64%, respectively, of gross patient receivables at September 30, 2022 and 2021. The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2022.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Receivable

The Hospital's lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Hospital may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

Inventory

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

Prepaid Expenses

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

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.

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.

Cost of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs incurred in connection with the obtaining of financing are deferred and amortized over the period the obligation is outstanding using the interest method. Premiums or discounts incurred in connection with the issuance of bonds and indentures are amortized over the life of the obligations on the interest method, and the unamortized amount is included in the balance of the outstanding debt.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the years ended September 30, 2022 and 2021.

Pension

The Florida Retirement System Pension Plan (FRS) and the Retiree Health Insurance Subsidy Program (HIS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the GASB. Under these requirements, FRS and HIS are considered component units of the State of Florida and is included in the State's Annual Comprehensive Financial Report.

Deferred Inflows & Outflows of Resources

In addition to assets, the consolidated statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

The Hospital has one item that qualifies as deferred outflows of resources, the deferred outflows of resources related to pensions. The deferred outflows of resources related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows of resources related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the consolidated statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows & Outflows of Resources (continued)

The Hospital has two items that qualify as deferred inflows of resources, the deferred inflows of resources related to pensions and the deferred inflows related to leases.

The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. Deferred inflows of resources primarily consist of lease payments due from lessees for future periods.

Compensated Absences

The Hospital's policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. A portion of the Hospital's estimated accrual for accumulated vacation leave is recorded as a current liability on the accompanying consolidated statements of net position, and a portion of the Hospital's estimated accrual for accumulated vacation leave is recorded as a long-term liability on the accompanying consolidated statements of net position.

Lease Liability

GASB 87 was adopted October 1, 2021, retroactive to October 1, 2020. Under this new guidance, all contracts allowing for the Hospital to use another entity's asset for a period greater than 12 months must be recorded as both a right-of-use (ROU) asset and a lease liability. The liability is measured using the present value of expected payments over the lease term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. Depreciation of the ROU asset flows through depreciation expense monthly using straight-line basis over the life of the lease.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Liability (continued)

Lease contracts that provide the Hospital with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

The Hospital implemented a materiality threshold of \$200 thousand total lease value for ROU asset adoption (for any lease amount, individually or in the aggregate). Any contract not meeting the materiality threshold or the 12-month period requirement are recognized as rental expense. The leases not meeting the threshold are tracked and reviewed regularly to ensure the aggregate balance does not pose a material misstatement.

The Hospital uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Hospital uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease plus any expected renewals. Lease payments included in the measurement of lease liability are composed of fixed payments and term options that the Hospital is reasonably certain to exercise. The Hospital monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leased assets are reported with capital assets and lease liabilities are reported on the consolidated statements of net position.

Categories and Classification of Net Position

Net position flow assumption – Sometimes the Hospital will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Hospital's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net position of the Hospital is classified in three components, as follows:

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Categories and Classification of Net Position (continued)

Net investment in capital assets – This component of net position consists of the historical cost of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should also be included in this component of net position.

Restricted – This component of net position consists of assets that are restricted by debt covenants, contributors, contractual provisions, or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets. The Hospital's restricted net position as reported in the statement of net position consists of cash and investments.

Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Hospital first applies restricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Revenues and Expenses

The Hospital's statements of revenue, expenses and changes in net position distinguish between operating and nonoperating revenue and expenses. 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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue (continued)

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.

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 \$4,178,082 and \$5,376,820 for the years ended September 30, 2022 and 2021, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$1,490,000 and \$1,800,000, 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.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$89,168 and \$72,637 for the years ended September 30, 2022 and 2021, respectively.

Recently Issued and Implemented Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. All leases with a term greater than 12 months are recognized as a lease liability and an intangible

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 (continued)

right-of-use lease asset by the lessee. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Hospital adopted Statement No. 87 for the year ended September 30, 2022. For more information on the effects of the adoption of Statement No. 87, see Notes 2, 6, and 8.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). 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. GASB 89 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. The Hospital adopted GASB 89 for the year ended September 30, 2022, and GASB 89 did not have a significant impact on the financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports,
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan,
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits,
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements,
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition,
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers,
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and

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 (continued)

- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements No. 73 and No. 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The Hospital adopted GASB 92 for the year ended September 30, 2022, and GASB 92 did not have a significant impact on the financial statements.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93). The objectives of GASB 93 are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by 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 and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement No. 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The Hospital adopted GASB 93 for the year ended September 30, 2022, and GASB 93 did not have a significant impact on the financial statements.

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 (continued)

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (GASB 97). 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 OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of GASB 97 that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The Hospital adopted GASB 97 for the year ended September 30, 2022, and GASB 97 did not have a significant impact on the financial statements.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98). GASB 98 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 GAAP 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 GASB 98 are effective for fiscal years ending after December 15, 2021, with early application permitted. The Hospital adopted GASB 98 for the year ended September 30, 2022, and GASB 98 did not have a significant impact on the financial statements.

The GASB has issued statements that will become effective in future years. These statements are as follows:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and

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 (continued)

eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

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

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement 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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be

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 (continued)

recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement seeks to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to the determination of the PPP term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
Accounting for distribution of benefits of the Supplemental Nutrition Assistance Program.
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement No. 53 to refer to resource flows statements.

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 (continued)

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100). GASB 100 prescribes accounting and financial reporting for (1) each category of accounting change and (2) error corrections. GASB 100 also addresses how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information and supplementary information. The requirements of GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Healthcare Environment (continued)

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, March 17, 2023. See Note 22 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Note 3: DEPOSITS 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: DEPOSITS AND INVESTMENTS (Continued)

The total realized gains on the sale/redemption of investments were \$725,583 and \$1,849,844 for the years ended September 30, 2022 and 2021, respectively. There were total unrealized losses of \$4,131,581 and unrealized gains of \$1,150,633 on investments as of the years ended September 30, 2022 and 2021, 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, 2022 and 2021, 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.

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 \$937,095 and \$1,350,143 in various foreign equities that account for approximately 5.26% and 6.58% of the Hospital's total investments as of September 30, 2022 and 2021, respectively.

GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Level 2 (L2): Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Hospital's assets at fair value as of year-end:

	Fair Value	Level 1	Level 2	Level 3
<i>September 30, 2022</i>				
Fixed income				
Corporate securities	\$ 3,322,488	\$ 3,322,488	\$ -	\$ -
Total fixed income	3,322,488	3,322,488	-	-
Certificates of deposit	545,066	-	545,066	-
Domestic equities and mutual funds	9,911,360	9,911,360	-	-
Foreign equities	937,095	937,095	-	-
		<u>\$ 14,170,943</u>	<u>\$ 545,066</u>	<u>\$ -</u>
Cash and equivalents	3,101,355			
Total investments, at fair value	<u>\$ 17,817,364</u>			

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

	Fair Value	Level 1	Level 2	Level 3
<i>September 30, 2021</i>				
Fixed income				
United States Treasury notes	\$ 130,657	\$ 130,657	\$ -	\$ -
Corporate securities	4,312,127	4,312,127	-	-
Total fixed income	4,442,784	4,442,784	-	-
Certificates of deposit	617,675	-	617,675	-
Domestic equities and mutual funds	12,374,938	12,374,938	-	-
Foreign equities	1,350,144	1,350,144	-	-
		<u>\$ 18,167,866</u>	<u>\$ 617,675</u>	<u>\$ -</u>
Cash and equivalents	1,099,950			
Total investments, at fair value	<u>\$ 19,885,491</u>			

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2022 and 2021.

United States Treasury notes – The fair value for United States Treasury notes is determined by quoted market prices, if available (Level 1).

Corporate securities – The fair value for corporate securities is determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2).

Certificates of Deposit – certificates of deposit classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those securities. Certificates of deposit classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique based on the price or yield of similar debt securities.

Domestic and foreign equity securities – domestic and foreign securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those securities.

Mutual Funds – Mutual funds classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those investments. Mutual funds classified in Level 2 of the fair value hierarchy, while underlying securities have observable Level 1 pricing inputs or observable Level 2 significant other pricing inputs, are not publicly quoted and are based on market-corroborated data.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At September 30, 2022 and 2021, the Hospital's investments consisted of the following maturity dates:

	Fair Value	Investment Maturity		
		Less Than 1 Year	1-5 Years	5-10 Years
<i>September 30, 2022</i>				
Fixed income				
Corporate securities	\$ 3,322,488	\$ 478,548	\$ 2,122,455	\$ 721,485
Total fixed income	3,322,488	\$ 478,548	\$ 2,122,455	\$ 721,485
Certificates of deposit	545,066			
Domestic equities and mutual funds	9,911,360			
Foreign equities	937,095			
Cash and equivalents	3,101,355			
Total investments, at fair value	\$ 17,817,364			

	Fair Value	Investment Maturity		
		Less Than 1 Year	1-5 Years	5-10 Years
<i>September 30, 2021</i>				
Fixed income				
United States Treasury notes	\$ 130,657	\$ 130,657	\$ -	\$ -
Corporate securities	4,312,127	509,990	2,036,943	1,765,194
Total fixed income	4,442,784	\$ 640,647	\$ 2,036,943	\$ 1,765,194
Certificates of deposit	617,675			
Domestic equities and mutual funds	12,374,938			
Foreign equities	1,350,144			
Cash and equivalents	1,099,950			
Total investments, at fair value	\$ 19,885,491			

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2022 and 2021, the Hospital's investments consisted of the following investment ratings:

	Fair Value	Investment Rating			
		AAA	AA	A	Less than A
<i>September 30, 2022</i>					
Fixed income					
Corporate securities	\$ 3,322,488	\$ 274,751	\$ 1,406,072	\$ 553,244	\$ 1,088,421
Total fixed income	3,322,488	\$ 274,751	\$ 1,406,072	\$ 553,244	\$ 1,088,421
Certificates of deposit	545,066				
Domestic equities and mutual funds	9,911,360				
Foreign equities	937,095				
Cash and equivalents	3,101,355				
Total investments, at fair value	\$ 17,817,364				

	Fair Value	Investment Rating			
		AAA	AA	A	Less than A
<i>September 30, 2021</i>					
Fixed income					
United States Treasury notes	\$ 130,657	\$ 130,657	\$ -	\$ -	\$ -
Corporate securities	4,312,127	320,396	1,566,931	685,278	1,739,522
Total fixed income	4,442,784	<u>\$ 451,053</u>	<u>\$ 1,566,931</u>	<u>\$ 685,278</u>	<u>\$ 1,739,522</u>
Certificates of deposit	617,675				
Domestic equities and mutual funds	12,374,938				
Foreign equities	1,350,144				
Cash and equivalents	1,099,950				
Total investments, at fair value	\$ 19,885,491				

Jackson County Hospital District and Affiliates
Notes to Consolidated Financial Statements

NOTE 4: ACCOUNTS RECEIVABLE - NET

An analysis of accounts receivable as of September 30 follows:

<i>September 30,</i>	2022	2021
Accounts receivable – patients	\$ 25,664,710	\$ 27,392,925
Allowances for uncollectible accounts and contractual adjustments	(18,309,616)	(17,498,461)
Accounts receivable – net	\$ 7,355,094	\$ 9,894,464

The Hospital grants credit without collateral to its patients, most of whom 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, 2022 and 2021, was as follows:

<i>September 30,</i>	2022	2021
Medicare	13%	14%
Medicare Advantage	22%	21%
Medicaid	10%	8%
Blue Cross	7%	9%
Commercial/HMO/PPO	13%	20%
Self-Pay	35%	28%
Total	100%	100%

Note 5: INVENTORY

Inventory consisted of the following:

<i>September 30,</i>	2022	2021
General supplies	\$ 546,305	\$ 497,990
Pharmacy	1,017,369	1,030,997
Total	\$ 1,563,674	\$ 1,528,987

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 6: LAND, BUILDINGS AND EQUIPMENT - NET

Capital asset additions, retirements, and balances for the year ended September 30, 2022 were as follows:

	Estimated Useful Lives	Restated Balance October 1, 2021	Additions	Retirements	Balance September 30, 2022
Capital assets, not being depreciated					
Land	N/A	\$ 1,002,090	\$ 200,273	\$ -	\$ 1,202,363
Construction-in-progress	N/A	2,080,303	2,412,212	4,135,990	356,525
Capital assets, not being depreciated/amortized		3,082,393	2,612,485	4,135,990	1,558,888
Capital assets, being depreciated/amortized					
Land improvements	10-20 years	1,221,641	456,791	-	1,678,432
Buildings	10-40 years	52,673,940	3,225,922	9,124	55,890,738
Right-of-use assets	5-40 years	6,641,515	36,932	-	6,678,447
Fixed equipment	2-20 years	4,642,661	-	-	4,642,661
Major moveable equipment	5-20 years	28,149,255	1,933,600	108,883	29,973,972
Leasehold improvements	10-20 years	255,472	-	-	255,472
Capital assets, being depreciated/amortized		93,584,484	5,653,245	118,007	99,119,722
Less accumulated depreciation/amortization for:					
Land improvements		1,194,754	3,045	-	1,197,799
Buildings		23,542,991	1,947,768	-	25,490,759
Right-of-use assets		2,654,968	852,911	-	3,507,879
Fixed equipment		4,304,662	3,485	-	4,308,147
Major moveable equipment		23,340,959	1,485,790	88,721	24,738,028
Leasehold improvements		189,847	11,199	-	201,046
Total accumulated depreciation/amortization		55,228,181	4,304,198	88,721	59,443,658
Total capital assets being depreciated/amortized, net		38,356,303	1,349,047	29,286	39,676,064
Total capital assets, net		\$ 41,438,696	\$ 3,961,532	\$ 4,165,276	\$ 41,234,952

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 6: LAND, BUILDINGS AND EQUIPMENT - NET

Capital asset additions, retirements, and balances for the year ended September 30, 2021 were as follows:

	Estimated Useful Lives	Balance October 1, 2020	Additions	Retirements	Restated Balance September 30, 2021
Capital assets, not being depreciated					
Land	N/A	\$ 782,090	\$ 220,000	\$ -	\$ 1,002,090
Construction-in-progress	N/A	1,205,543	2,997,324	2,122,564	2,080,303
Capital assets, not being depreciated/amortized		1,987,633	3,217,324	2,122,564	3,082,393
Capital assets, being depreciated/amortized					
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
Right-of-use assets	5-40 years	6,589,470	52,045		6,641,515
Fixed equipment	2-20 years	4,642,661	475,000	475,000	4,642,661
Major moveable equipment	5-20 years	27,444,414	1,719,875	1,015,034	28,149,255
Leasehold improvements	10-20 years	255,472	-	-	255,472
Capital assets, being depreciated/amortized		90,232,529	4,841,989	1,490,034	93,584,484
Less accumulated depreciation/amortization for:					
Land improvements		1,192,978	1,776	-	1,194,754
Buildings		21,765,303	1,777,688	-	23,542,991
Right-of-use assets		1,756,283	898,685		2,654,968
Fixed equipment		4,301,177	3,485	-	4,304,662
Major moveable equipment		22,746,093	1,523,077	928,211	23,340,959
Leasehold improvements		147,511	42,336	-	189,847
Total accumulated depreciation/amortization		51,909,345	4,247,047	928,211	55,228,181
Total capital assets being depreciated/amortized, net		38,323,184	594,942	561,823	38,356,303
Total capital assets, net		\$ 40,310,817	\$ 3,812,266	\$ 2,684,387	\$ 41,438,696

Depreciation expense, which includes amortization of ROU assets, totaled approximately \$4,304,000 and \$4,247,000, as restated, for the years ended September 30, 2022 and 2021, respectively. There were no significant asset impairments for the years ended September 30, 2022 and 2021.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 7: NOTES RECEIVABLE

Notes receivable consists of the following:

<i>September 30,</i>	2022	2021
Notes receivable – medical students	\$ 1,401,600	\$ 1,239,091
Notes receivable – nurse scholarships	31,986	14,660
Note receivable – JH Marianna Investment Fund	9,768,600	9,768,600
Notes receivable	\$ 11,202,186	\$ 11,022,351

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 \$77,287 and \$67,778 for the years ended September 30, 2022 and 2021, 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.

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 8: LONG-TERM LIABILITIES

The Hospital's long-term debt consisted of the following:

<i>September 30,</i>	2022	2021
Truist (formerly SunTrust) Bank - Note Payable, interest and principal payable semi-annually at 3.18%, maturing July 2035, collateralized by Hospital net operating revenues.	\$ 2,159,064	\$ 2,291,332
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	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	3,731,400
	15,659,064	15,791,332
Less: current portion	(132,658)	(132,268)
Total	\$ 15,526,406	\$ 15,659,064

A summary of changes in the Hospital's long-term debt for the years ended September 30, 2022 and 2021 follows:

	Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022	Due within One Year
Truist Bank	\$ 2,291,332	\$ -	\$ 132,268	\$ 2,159,064	\$ 132,658
RGC 17, LLC	13,500,000	-	-	13,500,000	-
Total long-term debt	\$ 15,791,332	\$ -	\$ 132,268	\$ 15,659,064	\$ 132,658

	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021	Due within One Year
Truist (formerly SunTrust) Bank	\$ 2,419,523	\$ -	\$ 128,191	\$ 2,291,332	\$ 132,268
RGC 17, LLC	-	13,500,000	-	13,500,000	-
Total long-term debt	\$ 2,419,523	\$ 13,500,000	\$ 128,191	\$ 15,791,332	\$ 132,268

The Hospital classifies half of its compensated absences as a long-term liability. For the year ended September 30, 2022, the Hospital had \$1,890,117 additions and made \$1,845,527 in payments for compensated absences. For the year ended September 30, 2021, the Hospital had \$2,232,906 additions and made \$2,239,986 in payments for compensated absences.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 8: LONG-TERM LIABILITIES (Continued)

Total interest expense for the years ended September 30, 2022 and 2021 was \$531,802 and \$382,343, respectively. Interest paid during the years ended September 30, 2022 and 2021 was \$304,096 and \$266,878, respectively. There was no interest capitalized for the years ended September 30, 2022 and 2021, respectively.

All of the Hospital's debt are direct borrowings for the years ended September 30, 2022 and 2021.

Notes payable

The Hospital's notes payable are included in long-term debt on the accompanying consolidated statements of net position. The following is a summary of notes payable for the year ended September 30, 2022:

For the year ending September 30,	Truist Bank Note		RGC 17, LLC Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 132,658	\$ 84,526	\$ -	\$ 198,950	\$ 132,658	\$ 283,476
2024	137,785	79,399	-	198,950	137,785	278,349
2025	143,110	74,074	-	198,950	143,110	273,024
2026	148,641	68,543	-	198,950	148,641	267,493
2027	154,386	62,798	-	198,950	154,386	261,748
2028-2032	866,182	219,738	1,721,452	937,717	2,587,634	1,157,455
2033-2037	576,302	47,298	2,220,815	793,564	2,797,117	840,862
2038-2042	-	-	2,834,383	609,383	2,834,383	609,383
2043-2047	-	-	3,617,470	374,319	3,617,470	374,319
2048-2052	-	-	3,105,880	87,790	3,105,880	87,790
Total	2,159,064	636,376	13,500,000	3,797,523	15,659,064	4,433,899
Current portion	(132,658)	(84,526)	-	(198,950)	(132,658)	(283,476)
Payable after one year	\$ 2,026,406	\$ 551,850	\$ 13,500,000	\$ 3,598,573	\$ 15,526,406	\$ 4,150,423

Leases - Lessee

GASB 87 was adopted for periods beginning October 1, 2020. Under this new guidance, nearly all contracts allowing for the Hospital to use another entity's asset for a period greater than 12 months must be recorded as both a right-of-use (ROU) asset and a lease liability. The liability is measured using the present value of expected payments over the lease term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. Depreciation of the ROU asset flows through depreciation expense monthly using straight-line basis over the life of the lease.

The Hospital's right-of-use assets and related lease liabilities largely involve the following:

- Building leases
 - Outpatient clinical services locations in Marianna and the surrounding areas
 - Administrative office suites located off the main Hospital campus
 - Building leases range from 48 to 84 months (often with one year renewal periods)

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 8: LONG-TERM LIABILITIES (Continued)

Leases - Lessee (continued)

- Equipment
 - Specialized medical equipment, including a mobile CT machine
 - Office equipment
 - Equipment leases range from 24 to 60 months (often with one year renewal periods)

With the implementation of GASB 87, the initial lease liability was recorded in the amount of approximately \$2,998,000 (October 1, 2020). As of September 30, 2022, the value of lease liability was approximately \$2,039,000. The Hospital is required to make monthly principal and interest payments totaling approximately \$46,000. The leases have interest rates of 3%.

As of September 30, 2022, leased assets (right of use) totaled \$6,678,447, comprised of buildings of \$2,812,812 and equipment of \$3,865,636. Accumulated amortization totaled \$3,507,879.

As of September 30, 2021, leased assets (right of use) totaled \$6,641,515, comprised of buildings of \$2,812,812 and equipment of \$3,828,703. Accumulated amortization totaled \$2,654,968.

The following is a schedule of minimum future lease payments from lease agreements as of September 30:

<i>For the years ending September 30,</i>	Principal	Interest	Total
2023	\$ 566,527	\$ 53,490	\$ 620,017
2024	368,172	39,217	407,389
2025	362,739	28,304	391,043
2026	368,740	17,352	386,092
2027	372,622	6,148	378,770
Total	\$ 2,038,800	\$ 144,511	\$ 2,183,311

Leases - Lessor

Under GASB 87, all noncancelable contracts allowing another entity to use a Hospital asset for a period greater than 12 months must be recorded as both a deferred inflow of resources and a lease receivable. The receivable is measured using the present value of expected payments over the lease term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the interest amortization to interest revenue and the principal payment in the reduction of the outstanding receivable. Lease revenue is amortized monthly using the straight-line basis, reducing the deferred inflow of resources balance.

The Hospital accounts for leases in accordance with GASB 87. The Hospital's operations consist of agreements for use buildings under leases expiring in various years through 2027. The Hospital recognized \$137,927 and \$133,856 of lease revenue principal and \$24,907 and \$28,978 of lease interest for the years ended September 30, 2022 and 2021, respectively.

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 8: LONG-TERM LIABILITIES (Continued)

Leases - Lessor (continued)

The Hospital implemented a materiality threshold of \$200 thousand total lease value (individual lease, or in the aggregate) for lease receivable adoption. Any contract not meeting that materiality threshold or the 12-month period requirement are recognized as rental revenue. The leases not meeting the threshold are tracked and reviewed regularly to ensure the aggregate balance does not pose a material misstatement. The Hospital currently has lease receivables ranging from 16 to 60 months recorded under GASB 87 guidance.

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30:

<i>For the years ending September 30,</i>	Total
2023	\$ 162,834
2024	162,834
2025	162,834
2026	162,834
2027	162,834
Total	\$ 814,170

The effective interest rate on the lease is 3% as of September 30, 2022 and 2021.

As of September 30, 2022 and 2021, the components of the lease receivable are as follows:

<i>September 30,</i>	2022	Restated 2021
Lease payments due	\$ 814,170	\$ 977,004
Less amounts representing interest	(58,995)	(83,902)
Principal payments due	755,175	893,102
Less current portion	(142,122)	(137,927)
Lease receivable, less current portion	\$ 613,053	\$ 755,175

Note 9: 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:

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 9: NET PATIENT SERVICE REVENUE (Continued)

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.

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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 9: NET PATIENT SERVICE REVENUE (Continued)

Net operating revenue consisted of the following:

<i>For the years ended September 30,</i>	2022	2021
Patient revenue	\$ 198,633,674	\$ 186,376,146
Other operating revenue	904,034	788,323
Total gross revenue	199,537,708	187,164,469
Less: Contractual adjustment - Medicare, Medicaid and others	112,001,529	99,668,509
Less: Administrative discounts	1,029,319	2,358,345
Less: Provision for bad debts	9,819,670	8,754,345
Total adjustments to revenue	122,850,518	110,781,199
Net operating revenue	\$ 76,687,190	\$ 76,383,270

Note 10: 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.

Revenue from the Medicare and Medicaid programs accounted for approximately 27 percent and 17 percent, respectively, of the Hospital's net patient revenue for the year ended 2022. Revenue from the Medicare and Medicaid programs accounted for approximately 30 percent and 16 percent, respectively, of the Hospital's net patient revenue for the year ended 2021. 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 and 2019 DSH years to comply with the federal regulations. The results of the examination indicate the Hospital was overpaid based on existing federal guidance. The Hospital has received no request for repayments from these years (or any previous or subsequent DSH years); however, it is likely that future DSH payments

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 10: CONTINGENCIES (Continued)

will be reduced, as a result of this situation. The Hospital has recorded a payable of approximately \$2.1M and \$1.2 million at September 30, 2022 and 2021, respectively, included in due to / from third party payors on the accompanying statement of net assets, for the 2018 and 2019 amounts and potential DSH exposures for 2020 and forward.

Note 11: 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 \$328,226 and \$325,000 for the years ended September 30, 2022 and 2021, respectively.

Contracts

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

Litigation

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

Note 12: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITIES

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).

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 12: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITIES (Continued)

The 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 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.

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.

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 12: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITIES (Continued)

The employer's contribution rates as of September 30, 2022 and 2021, were as follows:

<i>September 30, 2022</i>	FRS	HIS
Florida Retirement System:		
Regular	9.10%	1.66%
Special Risk	24.17%	1.66%
Senior Management Service Class	27.29%	1.66%
DROP	16.68%	1.66%
<i>September 30, 2021</i>	FRS	HIS
Florida Retirement System:		
Regular	9.16%	1.66%
Special Risk	24.23%	1.66%
Senior Management Service Class	27.35%	1.66%
DROP	16.68%	1.66%

The Hospital's contributions to the FRS for the years ended September 30, 2022, 2021, and 2020 were \$230,668, \$240,477, and \$197,347, respectively. The Hospital's contributions to the HIS for the years ended September 30, 2022, 2021, and 2020 were \$30,370, \$33,739, and \$36,120, respectively.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2022 and 2021, 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, 2022 and 2021. 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 12: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITIES (Continued)

<i>September 30, 2022</i>	FRS		HIS	
Net Pension Liability	\$	2,131,941	\$	564,889
Proportion at:				
Current measurement date		0.0000573		0.0000533
Prior measurement date		0.0000584		0.0000546
Pension expense (benefit)	\$	181,161	\$	(60,970)
<i>September 30, 2021</i>	FRS		HIS	
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)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2022 and 2021, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<i>September 30, 2022</i>	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	\$ 101,255	\$ -	\$ 17,146	\$ (2,486)
Change of assumption	262,558	-	32,380	(87,388)
Net difference between projected and actual earnings on pension plan investments	140,772	-	818	-
Changes in proportion and differences between hospital contributions and proportional share of contributions	-	(187,777)	-	(237,560)
Hospital contributions subsequent to the measurement date	58,103	-	7,484	-
Total	\$ 562,688	\$ (187,777)	\$ 57,828	\$ (327,434)

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 12: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITIES (Continued)

September 30, 2021

Description	FRS		HIS	
	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)

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:

For the years ending September 30,	FRS	HIS
2023	\$ 38,517	\$ (93,446)
2024	(8,633)	(67,629)
2025	(78,836)	(48,332)
2026	349,261	(38,474)
2027	16,498	(22,813)
Thereafter	-	(6,396)
Total	\$ 316,807	\$ (277,090)

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 12: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITIES (Continued)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2022. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated June 30, 2022. For the HIS Program, the total pension liability was determined by an actuarial valuation dated June 30, 2022. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

<u>September 30, 2022</u>	FRS	HIS
Inflation	2.40%	2.40%
Salary increases	3.25%	3.25%
Investment rate of return	6.70%	N/A
Discount rate	6.70%	3.54%
 <u>September 30, 2021</u>	 FRS	 HIS
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%

Mortality assumptions for both plans were based on the PUB-2010 base tables.

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 2022:

FRS:

- The long-term expected rate of return was decreased from 6.8% to 6.7%

HIS:

- The municipal bond index rate and the discount rate used to determine the total pension liability increased from 2.16% to 3.54%.
- The demographic assumptions for the Special Risk class were update to reflect plan changes due to HB5007, HB689, and SB838.
- The election assumption for vested terminated members was updated from 20% to 50% to reflect recent experience.

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 12: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITIES (Continued)

Actuarial Assumptions (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% for both 2022 and 2021.

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

September 30, 2022

Asset Class	Target Allocation (1)	Annual Arithmetic Return *	Compound Annual (Geometric) Return
Cash	1.0%	2.6%	2.6%
Fixed income	19.8%	4.4%	4.4%
Global equity	54.0%	8.8%	7.3%
Real estate	10.3%	7.4%	6.3%
Private equity	11.1%	12.0%	8.9%
Strategic investments	3.8%	6.2%	5.9%
Total	100.0%		

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 (Property)	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%		

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

* Includes assumed rate of inflation of 2.4% for 2022 and 2021.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 12: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITIES (Continued)

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.7% and 6.8% for 2022 and 2021, respectively. 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 3.54% and 2.16% was used for 2022 and 2021, respectively, 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, 2022

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%
\$ 3,687,045	\$ 2,131,941	\$ 831,689	\$ 646,279	\$ 564,889	\$ 497,540

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

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 12: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITIES (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, 2022 and 2021, totaled \$293,965 and \$293,070, respectively.

Note 13: 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:

	2022	2021
Assets, principally cash and cash equivalent investments	\$ 866,939	\$ 843,740
Liabilities	\$ -	\$ -
Net Position	\$ 866,939	\$ 843,740
Total liabilities and net position	\$ 866,939	\$ 843,740
Support and revenue	\$ 276,931	\$ 245,715
Expenses		
Distributions to/for Jackson County Hospital	\$ 75,000	\$ 81,000
Other	178,732	33,710
Total expenses	253,732	114,710
Excess of support and revenue over (under) expenses	23,199	131,005
Net position, beginning of year	843,740	712,735
Net position, end of year	\$ 866,939	\$ 843,740
	2022	2021
Donated assets	\$ 75,000	\$ 81,000

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 13: BLENDED COMPONENT UNITS (Continued)

Jackson Hospital Foundation, Inc. continued)

For the years ended September 30, 2022 and 2021, \$75,000 and \$81,000, 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 13: BLENDED COMPONENT UNITS (Continued)

Jackson Hospital QALICB, Inc. (continued)

	2022	2021
Cash and cash equivalents - unrestricted	\$ 126,980	\$ 96,000
Cash and cash equivalents - restricted	793,313	2,799,407
Receivable from Jackson Hospital	9,775,821	9,782,097
Total assets	\$ 10,696,114	\$ 12,677,504
Liabilities, debt to RGC 17, LLC and related accrued interest expense	\$ 13,500,000	\$ 13,500,000
Net Position	(2,803,886)	(822,496)
Total liabilities and net position	\$ 10,696,114	\$ 12,677,504
Support and revenue - Rent from Hospital	\$ 122,400	\$ 39,000
Expenses		
Other operating expenses	\$ 1,904,942	\$ -
Interest Expense	198,848	65,211
Other - NMTC Issuance Costs	-	796,285
Total expenses	2,103,790	861,496
Excess of support and revenue over (under) expenses	(1,981,390)	(822,496)
Net position, beginning of year	(822,496)	-
Net position, end of year	\$ (2,803,886)	\$ (822,496)

For the years ended September 30, 2022 and 2021, \$122,400 and \$39,000, 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 \$9,775,821 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 2022.

Note 14: 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 were not material in either fiscal years 2022 or 2021.

Transactions between the Hospital and the Foundation are described in Note 13 above.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 14: RELATED PARTY TRANSACTIONS AND SALE-LEASEBACK (Continued)

Transactions between the Hospital and the QALICB are described in Note 13 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, 2022 and future are described below:

2023	\$	124,848
2024		127,345
2025		129,892
2026		132,490
2027		135,139
Thereafter		19,027,709
Total minimum future rentals	\$	19,677,423

Note 15: 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.

Note 16: 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, 2022 to December 31, 2022 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 \$2,706,382 and \$2,139,237 for the years ended September 30, 2022 and 2021, respectively, including claim payments and insurance premiums.

The claim liability at September 30, 2022 and 2021 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.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 17: 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 18: 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 \$616,819 and \$632,261 for the years ended September 30, 2022 and 2021, respectively.

Note 19: 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 \$454,267 and \$547,293 for the years ended September 30, 2022 and 2021, respectively.

Note 20: 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 21: 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

Jackson County Hospital District and Affiliates Notes to Consolidated Financial Statements

Note 21: CARES ACT FUNDING (Continued)

September 30, 2020, the Hospital received cash payments of approximately \$10,817,000 from the Relief Fund and state grant programs, and the Hospital received approximately \$0 and \$3,716,000 in the fiscal years ended September 30, 2021 and 2022, respectively. These amounts are reported as non-operating revenues in accompanying statement of revenues, expenses and changes in net position, as the monies are “spent” and reported based on qualifying criteria established by the federal government.

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.

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, 2022 and 2021, the Hospital recognized approximately \$3.4 million and \$4.4 million of Relief Fund income, respectively, included as non-operating income, associated with lost operating revenue and COVID-related costs.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 21: CARES ACT FUNDING (Continued)

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 was suspended and resumed in April 2022.
- 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.
- 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. This balance at September 30, 2022 was approximately \$126 thousand.

Jackson County Hospital District and Affiliates

Notes to Consolidated Financial Statements

Note 21: CARES ACT FUNDING (Continued)

- 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.

Note 22: SUBSEQUENT EVENTS

In July 2022, the Hospital paid \$285,738 in additional IGTs for the Q3 and Q4 Medicaid FFS and Q1-Q4 SFY 2021-22 Medicaid Managed Care patients cared for under the PHP program. In September 2022, the Hospital received \$663,264 of the program funds. In October 2022 – November 2022, the Hospital received the remaining \$203,385 from Medicaid and the various Medicaid Managed Care providers with patients served by the Hospital.

**Required Supplementary
Information**

Jackson County Hospital District and Affiliates
Schedule of Proportional Share of Net Pension Liability
Florida Retirement System (Last 10 fiscal years)

<i>September 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Hospital's proportion of the net pension liability (asset)	0.0057%	0.0058%	0.0059%	0.0065%	0.0069%	0.0075%	0.0095%	0.0102%	0.0110%	0.0113%
Hospital's proportionate share of the net pension liability (asset)	\$ 2,131,941	\$ 440,918	\$ 2,574,317	\$ 2,233,752	\$ 2,083,059	\$ 2,220,254	\$ 2,389,585	\$ 1,314,323	\$ 669,385	\$ 1,943,806
Hospital's covered - employee payroll	\$ 1,635,518	\$ 2,411,509	\$ 2,452,566	\$ 2,411,062	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 3,370,543	\$ 3,599,149	\$ 3,357,368
Hospital's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	130.35%	18.28%	104.96%	92.65%	78.85%	72.64%	75.26%	38.99%	18.60%	57.90%
FRS Plan fiduciary net position as a percentage of the total pension liability	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	N/A

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 10 fiscal years)

<i>For the years ended September 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 244,500	\$ 222,364	\$ 197,347	\$ 201,119	\$ 197,093	\$ 195,402	\$ 230,787	\$ 248,091	\$ 240,309	\$ 151,952
Contributions in relation to the contractually required contribution	(244,500)	(222,364)	(197,347)	(201,119)	(197,093)	(195,402)	(230,787)	(248,091)	(240,309)	(151,952)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered-employee payroll	\$ 1,635,518	\$ 2,411,509	\$ 2,488,852	\$ 2,342,332	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 3,370,543	\$ 3,599,149	\$ 3,357,368
Contributions as a percentage of covered-employee payroll	14.95%	9.22%	7.93%	8.59%	7.46%	6.39%	7.27%	7.36%	6.68%	4.53%

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 10 fiscal years)**

<i>September 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Hospital's proportion of the net pension liability (asset)	0.0053%	0.0055%	0.0063%	0.0073%	0.0081%	0.0091%	0.0110%	0.0113%	0.0125%	0.0140%
Hospital's proportionate share of the net pension liability (asset)	\$ 564,889	\$ 670,263	\$ 765,316	\$ 811,217	\$ 857,785	\$ 974,570	\$ 1,281,958	\$ 1,154,331	\$ 1,166,072	\$ 1,219,591
Hospital's covered - employee payroll	\$ 1,635,518	\$ 2,411,509	\$ 2,452,566	\$ 2,411,062	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 3,370,543	\$ 3,599,149	\$ 3,357,368
Hospital's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	34.54%	27.79%	31.20%	33.65%	32.47%	31.89%	40.38%	34.25%	32.40%	36.33%
HIS Plan fiduciary net position as a percentage of the total pension liability	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	N/A

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 10 fiscal years)

<i>For the years ended September 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 31,171	\$ 32,118	\$ 36,120	\$ 40,259	\$ 43,951	\$ 48,237	\$ 56,380	\$ 43,267	\$ 42,722	\$ 45,887
Contributions in relation to the contractually required contribution	(32,271)	(32,118)	(36,120)	(40,259)	(43,951)	(48,237)	(56,380)	(43,267)	(42,722)	(45,887)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered-employee payroll	\$ 1,635,518	\$ 2,411,509	\$ 2,488,852	\$ 2,342,332	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 3,370,543	\$ 3,599,149	\$ 3,357,368
Contributions as a percentage of covered-employee payroll	1.91%	1.33%	1.45%	1.72%	1.66%	1.58%	1.78%	1.28%	1.19%	1.37%

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.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH
LOCAL GOVERNMENT INVESTMENT POLICIES**

To Board of Trustees
Jackson County Hospital District

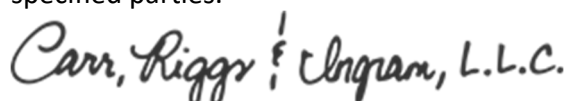
We have examined Jackson County Hospital District and Affiliates' (collectively, the "Hospital") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the years ended September 30, 2022 and 2021. Management of Jackson County Hospital District is responsible for the Hospital's compliance with those requirements. Our responsibility is to express an opinion on the Hospital's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Hospital complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Hospital complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Hospital's compliance with specified requirements.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Hospital complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the years ended September 30, 2022 and 2021.

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, LLC.

Enterprise, Alabama
March 17, 2023

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 (the "Hospital") and Affiliates, as of and for the years ended September 30, 2022 and 2021, and the related notes to the consolidated financial statements, which collectively comprise the Hospital's consolidated financial statements and have issued our report thereon dated March 17, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital'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 the 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 financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

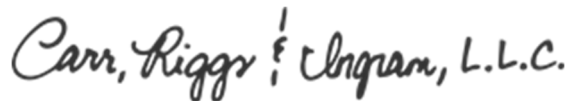
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital'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 the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

CARR, RIGGS & INGRAM, LLC.

Enterprise, Alabama

March 17, 2023



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MANAGEMENT LETTER

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 (the "Hospital") and Affiliates as of and for the years ended September 30, 2022, and 2021 and have issued our report thereon dated March 17, 2023.

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 March 17, 2023, 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. Corrective actions have been taken to address findings and 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 Hospital's consolidated 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 the Hospital. It is management's responsibility to monitor the Hospital'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 Hospital reported:

- a) The total number of district employees compensated in the last pay period of the district's fiscal year was 559.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year was 42.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was \$32,102,885.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency was \$8,402,430.

e) Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:

- A former elementary school property was donated to the Hospital in fiscal year 2021, and the Hospital spent \$165,523 in that fiscal year for surveying and preparation for demolition.

In fiscal year 2022, the Hospital demolished the original school, conducted basic repairs to the remaining school buildings, purchased a second adjoining property and demolished the building on that site. The capital spend on these efforts was \$509,744. Plans are currently for a Medical Office Building that will house clinic space, and Ambulatory Surgery Center, and an Outpatient Imaging Center. The Hospital spent an additional \$161,789 on those efforts in fiscal year 2022.

- In fiscal year 2023, the Hospital expects to begin construction on several large, grant-funded projects, including equipping outlying clinics with generators and developing an existing water well into a backup water supply system. These grants are for \$3,332,484 and \$1,847,248, respectively. Jackson County partnered with the Hospital on an approved grant for \$1,727,400 to renovate the Hospital's entire 3rd floor HVAC system so that all patient rooms can be both positively and negatively pressurized. The ultimate timing and outlay of costs (specifically in fiscal year 2023) is not currently known.
- Other approved capital construction projects for fiscal year 2023 include renovation/repair of the front entrance (\$254,000) and further development of the Golson property (partial FEMA funding plus Hospital funds, totaling \$1,700,000), renovation of an existing building into administrative space (\$1,000,000), and roofing repairs to existing buildings (\$80,000). The development of a MOB/ASC/Imaging building also continues with \$301,733 spent to date in fiscal year 2023.

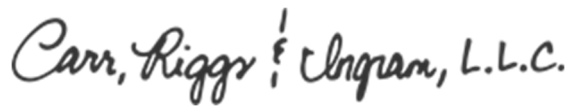
f) A budget variance report based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes. As the district did not amend their budget, this is not 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.

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.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

CARR, RIGGS & INGRAM, LLC.

Enterprise, Alabama

March 17, 2023