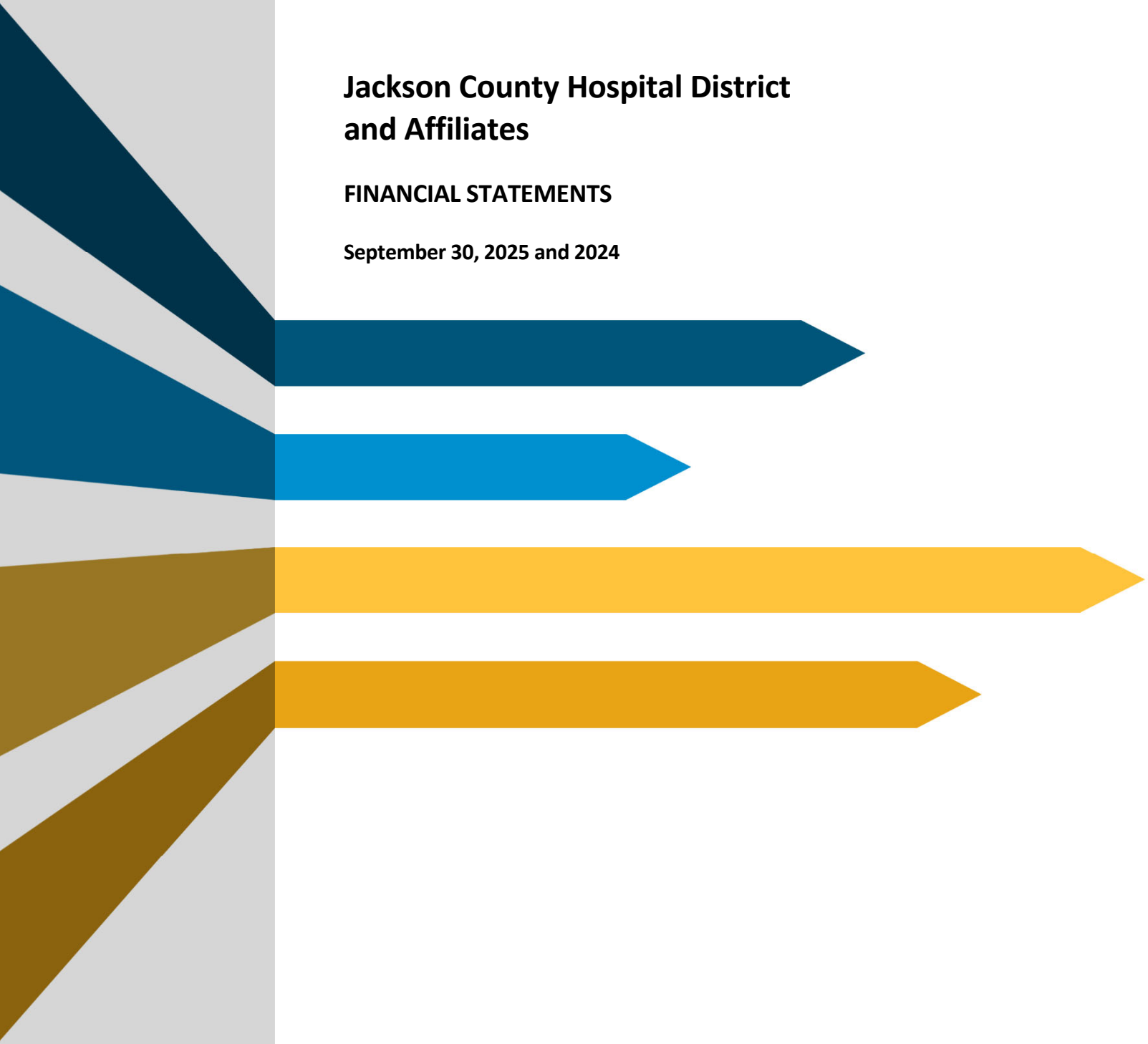
Jackson County Hospital District and Affiliates

FINANCIAL STATEMENTS

September 30, 2025 and 2024



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Jackson County Hospital District

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Jackson County Hospital District and Affiliates (collectively, the "Hospital") as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of September 30, 2025 and 2024, 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 Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 4.11 and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial

statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Hospital's 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.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 29, 2026

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, 2025.

Financial Highlights

- As presented in Table 1, fiscal year 2025's total assets increased to $105,579,539, up 4.74% when compared to fiscal year 2024. Jackson Hospital's total assets and deferred outflows increased by $4,675,953 or 4.62% for the fiscal year ended September 30, 2025. The increase is a result of increases in investments and receivables, offset by a decrease in operating cash.

- The Hospital's total liabilities increased by $3,957,896, or 10.37%, when compared to fiscal year 2024, as represented in Table 1. This increase is related to the inception of new leases under GASB 87.

- As displayed in Table 3, the Hospital's operations saw an operating loss of $3,494,631 in the current fiscal year in contrast to a loss of $4,982,310 in the prior fiscal year. Salaries and benefits increased by $2,960,922 or 6.71% during the current fiscal year. Supplies, contract services and fees decreased by $501,423 or 1.38% for the current period while other operating expenses decreased by $50,550 or 1.65%. Physician fees were up over prior year with increased use of locums and expenses related to the physician call plan. The overall increase in operating expenses was $2,393,932 or 2.71%.

- The performance of the investments resulted in nonoperating investment income of $860,870 and an increase in the value of the securities of $1,352,686 during the current fiscal year. Grants and contributions totaled $2,634,822. These were offset by interest and miscellaneous expense of $460,215 and resulted in $4,388,163 of nonoperating revenue. Together, the operating and nonoperating returns provided the Hospital with a positive change in net position of $893,532 in fiscal year 2025.

Required Financial Statements

The financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital, assessing the liquidity and financial flexibility of the Hospital. The 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 statements of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Hospital as a Whole

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

TABLE 1
Condensed Statements of Net Position
September 30, 2025 and 2024

	2025	2024	Dollar Change	Percent Change
Current assets	**$ 48,496,001**	$ 45,484,944	$ 3,011,057	6.62%
Capital assets, net	**40,106,625**	38,468,039	1,638,586	4.26%
Other assets	**16,976,913**	16,849,090	127,823	0.76%
Total assets	**105,579,539**	100,802,073	4,777,466	4.74%
Deferred outflows of resources - pensions	**394,875**	496,388	(101,513)	-20.45%
Total assets and deferred outflows of resources	**$ 105,974,414**	$ 101,298,461	$ 4,675,953	4.62%
Current liabilities	**$ 16,617,473**	$ 12,832,989	$ 3,784,484	29.49%
Long-term liabilities	**25,509,275**	25,335,863	173,412	0.68%
Total liabilities	**42,126,748**	38,168,852	3,957,896	10.37%
Deferred inflows of resources	**1,001,326**	1,176,801	(175,475)	-14.91%
Investments in capital assets, net of related debt	**36,482,054**	36,734,600	(252,546)	-0.69%
Unrestricted net position	**25,822,142**	24,568,466	1,253,676	5.10%
Restricted net position	**542,144**	649,742	(107,598)	-16.56%
Total net position	**62,846,340**	61,952,808	893,532	1.44%
Total liabilities, deferred inflows of resources and net position	**$ 105,974,414**	$ 101,298,461	$ 4,675,953	4.62%

As shown in Table 1, total assets and deferred outflows of resources increased by $4,675,953 during the current fiscal year. This represented a balance of $105,974,414 as of September 30, 2025. For the same period, total liabilities and deferred inflows of resources increased by $3,782,421, adjusting the total to $43,128,074.

TABLE 2
Condensed Statements of Net Position
September 30, 2024 and 2023

	2024	2023	Dollar Change	Percent Change
Current assets	$ 45,484,944	$ 42,204,586	$ 3,280,358	7.77%
Capital assets, net	38,468,039	40,148,773	(1,680,734)	-4.19%
Other assets	16,849,090	16,718,408	130,682	0.78%
Total assets	100,802,073	99,071,767	1,730,306	1.75%
Deferred outflows of resources - pensions	496,388	447,524	48,864	10.92%
Total assets and deferred outflows of resources	$ 101,298,461	$ 99,519,291	$ 1,779,170	1.79%
Current liabilities	$ 12,832,989	$ 11,017,553	$ 1,815,436	16.48%
Long-term liabilities	25,335,863	24,085,746	1,250,117	5.19%
Total liabilities	38,168,852	35,103,299	3,065,553	8.73%
Deferred inflows of resources	1,176,801	1,312,703	(135,902)	-10.35%
Investments in capital assets, net of related debt	36,734,600	38,632,756	(1,898,156)	-4.91%
Unrestricted net position	24,568,466	23,712,003	856,463	3.61%
Restricted net position	649,742	758,530	(108,788)	-14.34%
Total net position	61,952,808	63,103,289	(1,150,481)	-1.82%
Total liabilities, deferred inflows of resources and net position	$ 101,298,461	$ 99,519,291	$ 1,779,170	1.79%

As shown in Table 2, total assets and deferred outflows of resources increased by $1,779,170 during the prior fiscal year. This represented a balance of $101,298,461 as of September 30, 2024. For the same period, total liabilities and deferred inflows of resources increased by $2,929,651, adjusting the total to $39,345,653.

Summary of Revenue, Expenses and Changes in Net Position

The following table presents a summary of the Hospital's historical revenue and expenses for the fiscal years ended September 30, 2025 and 2024.

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

	2025	2024	Dollar Change	Percent Change
Revenue:				
Net operating revenue	**$ 87,207,257**	$ 83,325,646	$ 3,881,611	4.66%
Expenses:				
Salaries and employee benefits	**47,083,568**	44,122,646	2,960,922	6.71%
Supplies, contract services and fees	**35,806,685**	36,308,108	(501,423)	-1.38%
Other operating expense	**3,016,966**	3,067,516	(50,550)	-1.65%
Depreciation and amortization	**4,794,669**	4,809,686	(15,017)	-0.31%
Total operating expenses	**90,701,888**	88,307,956	2,393,932	2.71%
Loss from operations	**(3,494,631)**	(4,982,310)	1,487,679	-29.86%
Nonoperating revenue	**4,388,163**	3,831,829	556,334	14.52%
Excess (deficiency) of revenues over expenses	**893,532**	(1,150,481)	2,044,013	-177.67%
Beginning net position	**61,952,808**	63,103,289	(1,150,481)	-1.82%
Ending net position	**$ 62,846,340**	$ 61,952,808	$ 893,532	1.44%

The following table presents a summary of the Hospital's historical revenue and expenses for the fiscal years ended September 30, 2024 and 2023.

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

	2024	2023	Dollar Change	Percent Change
Revenue:				
Net operating revenue	$ 83,325,646	$ 75,194,702	$ 8,130,944	10.81%
Expenses:				
Salaries and employee benefits	44,122,646	39,573,779	4,548,867	11.49%
Supplies, contract services and fees	36,308,108	34,367,737	1,940,371	5.65%
Other operating expense	3,067,516	3,323,937	(256,421)	-7.71%
Depreciation and amortization	4,809,686	4,932,384	(122,698)	-2.49%
Total operating expenses	88,307,956	82,197,837	6,110,119	7.43%
Loss from operations	(4,982,310)	(7,003,135)	2,020,825	-28.86%
Nonoperating revenue	3,831,829	2,234,789	1,597,040	71.46%
Excess (deficiency) of revenues over expenses	(1,150,481)	(4,768,346)	3,617,865	-75.87%
Beginning net position	63,103,289	67,871,635	(4,768,346)	-7.03%
Ending net position	$ 61,952,808	$ 63,103,289	$ (1,150,481)	-1.82%

Sources of Revenue

Operating Revenue

During the current fiscal year, the Hospital derived roughly 97.3% of its net revenue from patient care. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payers, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes cafeteria sales, rental income, as well as other miscellaneous services.

Table 5 presents the relative percentages of gross charges billed for patient services by payer for the fiscal years ended September 30, 2025 and 2024. The Hospital experienced a slight increase in Commercial/Managed Care during the year. All other payors remained fairly constant.

TABLE 5
Payor Mix by Percentage
September 30, 2025 and 2024

Payor Mix by Percentage

	2025	2024
Medicare	**23%**	24%
Medicare Advantage	**27%**	27%
Blue Cross Blue Shield	**14%**	15%
Medicaid	**13%**	14%
Commercial/Managed Care	**19%**	15%
Self-pay	**4%**	5%
Total patient revenues	**100%**	100%

Operating and Financial Performance

The following summarizes the Hospital's statements of revenue, expenses and changes in net position between fiscal year 2025 and fiscal year 2024:

The Hospital's inpatient admissions increased by 3.6% during 2025 in comparison to 2024 while the overall length of stay was 4.5 days per admission in the current fiscal year. As a result, inpatient days were also down by 3.1% for fiscal year 2025 as compared to fiscal year 2024.

The Hospital experienced decreases in outpatient visits of 2.4% and decreases in emergency room visits of 2.6% in fiscal year 2025 as compared to 2024.

Net patient service revenue increased by approximately 3.2%, year over year. This represented an increase of approximately $2,554,679 in fiscal year 2025 compared to fiscal year 2024. More detailed information about the Hospital's net revenue calculations are presented in the notes to the 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 60.6% of gross patient revenue in 2025 and 60.1% in fiscal year 2024. These ratios are impacted by the changes in reimbursement from payers as well as payer mix.

Private pay revenue decreased slightly to 4% of patient revenue in 2025, while the Hospital's total bad debts adjustments experienced a slightly negative impact. The ratio of gross patient revenue in fiscal year 2025 was 5.5% compared to 4.7% in fiscal year 2024.

Salaries and employee benefits, at $47,083,568, increased by 6.71% in 2025 resulting from an increase in employee health care costs and a normal yearly wage increase. The Hospital continues to work to recruit employees in efforts to eliminate the use of agency staff.

Other operating expense including supplies, contract services and fees, reflect the Hospital's continued efforts to reduce costs and eliminate agency staffing resulting in a decrease of $551,973 or 1.4% during fiscal year 2025.

Nonoperating revenue contains income from donations, grants, interest income, realized and unrealized losses on securities and miscellaneous income/expense. The Hospital's nonoperating income of $4,388,163 in fiscal year 2025 represents a combination of these sources of revenue and losses. This figure represented a 14.52% increase from previous fiscal year of which $1,352,686 is attributed to a market gain on Hospital investments.

As a result of the combination of these operating and non-operating yields, the Hospital recognized an excess of revenues over expenses of $893,532 in fiscal year 2025 in comparison to an excess of expenses over revenues of $1,150,481 in fiscal year 2024.

Capital Asset and Debt Administration

Capital Assets

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

TABLE 6
Capital Assets
September 30, 2025 and 2024

	2025	2024	Dollar Change	Percent Change
Building and improvements	**$ 57,398,727**	$ 57,014,287	$ 384,440	0.67%
Equipment	**40,917,287**	39,830,814	1,086,473	2.73%
Right of use asset	**6,184,669**	4,059,166	2,125,503	52.36%
Leasehold improvements	**255,472**	255,472	-	0.00%
	104,756,155	101,159,739	3,596,416	3.56%
Less accumulated depreciation	**(72,039,303)**	(67,831,804)	(4,207,499)	6.20%
Land and land improvements	**2,880,795**	2,880,795	-	0.00%
Construction in progress	**4,508,978**	2,259,309	2,249,669	99.57%
Capital assets, net	**$ 40,106,625**	$ 38,468,039	$ 1,638,586	4.26%

Capital assets, net increased by $1,638,586, or 4.26%, as increases in capital asset additions exceeded recognized depreciation for the year. This increase was a result of several capital projects and the recognition of a right-of-use asset related to a lease entered into during the year.

TABLE 7
Capital Assets
September 30, 2024 and 2023

	2024	2023	Dollar Change	Percent Change
Building and improvements	$ 57,014,287	$ 56,428,527	$ 585,760	1.04%
Equipment	39,830,814	39,072,226	758,588	1.94%
Right of use asset	4,059,166	3,962,843	96,323	2.43%
Leasehold improvements	255,472	255,472	-	0.00%
	101,159,739	99,719,068	1,440,671	1.44%
Less accumulated depreciation	(67,831,804)	(63,837,239)	(3,994,565)	6.26%
Land and land improvements	2,880,795	2,880,795	-	0.00%
Construction in progress	2,259,309	1,386,149	873,160	62.99%
Capital assets, net	$ 38,468,039	$ 40,148,773	$ (1,680,734)	-4.19%

Capital assets, net decreased by $1,680,734, or -4.19%, 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.

Long-Term Liabilities

At current year-end, the Hospital had $25,509,275 in long-term liabilities compared to $25,335,863 at September 30, 2024. This increase of $173,412 during the current fiscal year represents an increase in lease liability under GASB87 off by a reduction in net pension liability and due to third party payers.

More detailed information about the Hospital's long-term liabilities is presented in the notes to the 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
Statements of Net Position

September 30,	**2025**	2024
Assets		
Current assets		
Cash and cash equivalents	**$ 504,056**	$ 3,763,677
Investments	**27,273,906**	26,260,961
Patient accounts receivable, net	**10,654,454**	9,014,321
Grant receivable	**1,478,476**	-
Other receivables	**2,147,767**	841,084
Inventory	**1,881,254**	1,737,176
Prepaid expenses	**1,506,436**	1,380,374
Estimated third party settlements	**2,888,377**	2,330,836
Current portion of lease receivable	**161,275**	156,515
Total current assets	**48,496,001**	45,484,944
Capital assets, net	**40,106,625**	38,468,039
Other assets		
Restricted cash	**542,144**	649,742
Investment in life insurance policies in deferred compensation plan	**4,539,758**	4,377,988
Notes receivable	**11,683,609**	11,448,683
Lease receivable, less current portion	**166,181**	327,456
Other assets	**45,221**	45,221
Total other assets	**16,976,913**	16,849,090
Total assets	**105,579,539**	100,802,073
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	**394,875**	496,388
Total assets and deferred outflows of resources	**$ 105,974,414**	$ 101,298,461

(Continued)

September 30,	**2025**	2024
Liabilities		
Current liabilities		
Current portion of long-term debt	**$ 149,644**	$ 145,292
Current portion of compensated absences	**868,130**	826,613
Accounts payable and accrued expenses	**8,276,385**	6,618,257
Estimated liability for malpractice claims	**75,000**	-
Life insurance policy loans	**3,617,815**	3,517,584
Current portion of lease liability	**754,338**	589,037
Current portion of subscription liabilities	**131,569**	152,456
Estimated third party payor settlements	**2,744,592**	983,750
Total current liabilities	**16,617,473**	12,832,989
Long-term liabilities		
Long-term debt, less current portion	**15,044,190**	15,193,834
Lease liability, less current portion	**2,720,589**	999,110
Subscription liability, less current portion	**-**	131,568
Net pension liability	**1,841,273**	2,230,022
Estimated third party payor settlements, less current portion	**3,970,677**	4,766,333
Compensated absences, less current portion	**868,131**	826,614
Deferred compensation liability	**1,064,415**	1,188,382
Total long-term liabilities	**25,509,275**	25,335,863
Total liabilities	**42,126,748**	38,168,852
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	**701,097**	726,458
Deferred inflows of resources related to leases	**300,229**	450,343
Total deferred inflows of resources	**1,001,326**	1,176,801
Net Position		
Investment in capital assets, net of related debt	**36,482,054**	36,734,600
Unrestricted	**25,822,142**	24,568,466
Restricted for debt service	**542,144**	649,742
Total net position	**62,846,340**	61,952,808
Total liabilities, deferred inflows of resources and net position	**$ 105,974,414**	$ 101,298,461

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

Jackson County Hospital District and Affiliates
Statements of Revenue, Expenses and Changes in Net Position

For the years ended September 30,	**2025**	2024
Operating Revenue		
Net operating revenue, net of provision for uncollectible accounts of $13,543,206 in 2025 and $10,760,670 in 2024	**$ 87,207,257**	$ 83,325,646
Operating Expenses		
Salaries and wages	**38,680,139**	36,424,428
Supplies and expenses	**20,446,830**	20,592,817
Other fees	**13,662,992**	14,451,549
Employee benefits	**8,403,429**	7,698,218
Depreciation and amortization	**4,794,669**	4,809,686
Utilities	**1,769,820**	1,884,776
Physician fees	**1,696,863**	1,263,742
Insurance and risk management	**1,247,146**	1,182,740
Total operating expenses	**90,701,888**	88,307,956
Loss from operations	**(3,494,631)**	(4,982,310)
Nonoperating Revenue (Expenses)		
Grants and contributions	**2,634,822**	586,429
Miscellaneous income (expense)	**(88,785)**	(47,998)
Gain (loss) on disposition of assets	**-**	11,500
Realized/unrealized gain on securities	**1,352,686**	2,975,874
Interest expense	**(371,430)**	(436,966)
Investment income	**860,870**	742,990
Total nonoperating revenue (expense)	**4,388,163**	3,831,829
Net increase (decrease) in net position	**893,532**	(1,150,481)
Net position - beginning of year	**61,952,808**	63,103,289
Net position - end of year	**$ 62,846,340**	$ 61,952,808

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

Jackson County Hospital District and Affiliates
Statements of Cash Flows

For the years ended September 30,	**2025**	2024
Operating Activities		
Receipts from patient services	**$ 82,409,726**	$ 81,599,870
Payments to suppliers	**(37,621,593)**	(38,715,666)
Payments to and on behalf of employees	**(47,372,199)**	(44,081,519)
Other (payments) receipts	**2,258,360**	(443,228)
Net cash provided by (used in) operating activities	**(325,706)**	(1,640,543)
Noncapital Financing Activities		
Miscellaneous revenue and contributions	**910,967**	636,002
Capital and Related Financing Activities		
Purchases of capital assets	**(3,933,114)**	(3,352,068)
Payment of principal on lease liability	**(589,622)**	(383,973)
Payment of principal on subscription liability	**(152,455)**	(147,966)
Principal paid on capital debt	**(145,292)**	(140,814)
Interest paid on debt	**(318,187)**	(436,966)
Principal received from lease receivable	**156,515**	146,445
Interest received from lease receivable	**12,379**	15,292
Net cash provided by (used in) capital and related financing activities	**(4,969,777)**	(4,300,050)
Investing Activities		
(Purchases) sales of investments, net	**(1,078,547)**	(1,738,074)
Interest and dividends	**2,095,844**	727,698
Net cash provided by (used in) investing activities	**1,017,297**	(1,010,376)
Net increase (decrease) in cash and cash equivalents	**(3,367,219)**	(6,314,967)
Cash and cash equivalents - beginning of year	**4,413,419**	10,728,386
Cash and cash equivalents - end of year	**$ 1,046,200**	$ 4,413,419
Reconciliation of Cash to the Consolidated Statements of Net Position		
Cash and cash equivalents	**$ 504,056**	$ 3,763,677
Restricted cash in other assets	**542,144**	649,742
Cash and cash equivalents - end of year	**$ 1,046,200**	$ 4,413,419

(Continued)

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

For the years ended September 30,	**2025**	2024
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Loss from operations	**$ (3,494,631)**	$ (4,982,310)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	**4,794,669**	4,809,686
Provision for uncollectible accounts	**13,543,206**	10,760,670
Forgiveness of notes receivable from medical students	**36,691**	71,666
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	**(15,183,339)**	(12,446,836)
Inventory, prepaid expense, other receivables and other assets	**(1,674,850)**	(306,855)
Notes receivable	**(234,926)**	(203,371)
Deferred outflows of resources related to pensions	**101,513**	(48,864)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable, accrued expenses and other current liabilities	**1,792,426**	973,131
Net pension liability	**(388,749)**	(179,162)
Deferred inflows of resources related to pensions	**(25,361)**	(10,340)
Estimated third-party payor settlements	**407,645**	(77,958)
Net cash provided by (used in) operating activities	**$ (325,706)**	$ (1,640,543)
Supplemental Disclosure of Non-Cash Activities		
Unrealized gain (loss) on investments	**$ 261,318**	$ 1,928,550
Leased assets acquired	**$ 2,615,993**	$ 757,441

The accompanying notes are an integral part of these 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements of the Council have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Hospital's financial statements are also prepared based on the provisions of the American Institute of Certified Public Accountants, "Audit and Accounting Guide, Health Care Entities," to the extent that they do not conflict with GASB. The financial statements include the accounts of the Hospital; Jackson Hospital Foundation, Inc., Jackson Hospital Rabbi Trust U/A DTD 02/01/2010, and Jackson Hospital QALICB, Inc. (the "Affiliates"). All significant inter-activity accounts and transactions have been eliminated. The Affiliates are included in the financial statements as blended component units. Blended component units are, in substance, part of the primary government's operations even though they are legally separate entities. In evaluating the Hospital as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the GASB Codification (GASBC).

Blended Component Units

Jackson Hospital Foundation, Inc. is a not-for-profit organization created and operated exclusively for the purpose of soliciting and managing gifts, grants, and contributions for the Hospital. Jackson Hospital QALICB, Inc. is a not-for-profit organization created solely to benefit the Hospital through the use of New Markets Tax Credits. Jackson Hospital Rabbi Trust U/A DTD 02/01/2010 is a trust established by the Hospital to administer a deferred compensation plan for its eligible employees. See Note 13. The Affiliates do not issue separate financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

For financial reporting purposes, the Hospital is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the financial statements have been presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and operating expenses. All other activities are reported as non-operating activities.

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 changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

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 payor 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 claims and the claims paid after year end until the date of this report with service dates prior to year-end. See Note 16 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. Any such liability is recorded to "estimated liability for malpractice claims" on the statements of net position.

The activity for health insurance in 2025 is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim Payments	Balance at fiscal year-end
$ 380,540	**$ 5,662,604**	**$ (5,775,776)**	**$ 267,368**

The activity for malpractice claims in 2025 is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim Payments	Balance at fiscal year-end
$ -	**$ 75,000**	**$ -**	**$ 75,000**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management (continued)

The activity for health insurance in 2024 is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim Payments	Balance at fiscal year-end
$ 306,106	$ 4,490,917	$ (4,416,483)	$ 380,540

The activity for malpractice claims in 2024 is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim Payments	Balance at fiscal year-end
$ 400,000	$ 100,000	$ (500,000)	$ -

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 from the date acquired by the Hospital.

Bank balances are 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 (the "Act"). Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of securities pledged by the defaulting depository are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Investments

The Hospital's policy authorizes the Board of Trustees 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 offers a deferred compensation plan to physicians (both employed and independent contractors), which allows the physician to defer a portion of compensation, as defined by the plan. Physicians may elect to defer their compensation into investment vehicles, which are not assets or liabilities of the Hospital, and are not included on the accompanying financial statements.

The physicians may also defer their compensation for receipt in the future. To fund these liabilities, the Hospital invests in life insurance policies (through contributions to a Rabbi Trust). These financial instruments are carried at the cash surrender value of the policies, which approximates fair value, recorded on the accompanying statements of net position as "Investment in life insurance policies in deferred compensation plan."

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Life Insurance Policies in Deferred Compensation Plan (continued)

The balance of amounts due to participants in this plan are recorded on the accompanying statements of net position as "Deferred compensation liability."

To fund the amounts due under the plan, the Hospital (through the Rabbi Trust) periodically borrows against the life insurance policies, and this liability is recorded on the accompanying statements of net position as "Life insurance policy loans." See further information in Note 13.

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 payor 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 payor 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 payor has not yet paid, or for payors 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 uncollectible accounts 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 72% and 73%, respectively, of gross patient receivables at September 30, 2025 and 2024. The Hospital did not materially alter its accounts receivable and revenue recognition policies during fiscal year 2025.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Assets

Capital assets consisting of land, buildings and equipment is recorded at cost less accumulated depreciation computed using the straight-line method. A half year's depreciation is taken on additions in the year of acquisition and half year's depreciation is taken in the year that the asset is taken out of service. Estimated useful lives range from 2 to 40 years. See Note 6. Donated fixed assets are valued at their acquisition 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

Costs incurred related to obtaining financing are expensed in the period incurred, with the exception of any prepaid insurance costs, which are recorded as an asset and amortized into expense over the corresponding term of the insurance. Premiums or discounts incurred in connection with the issuance of bonds and indentures are amortized over the life of the obligations using the interest method, and the unamortized amount is included in the balance of the outstanding debt.

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 service utility of an asset has declined significantly and unexpectedly. Impaired capital assets that will no longer be used by the Hospital are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the Hospital are measured using the restoration cost approach, service units approach, or deflated depreciated replacement cost approach. Based on management's evaluations, no long-lived asset impairments were recognized during the years ended September 30, 2025 and 2024.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows & Outflows of Resources

In addition to assets, the 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 GASBC 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 statements 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.

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 GASBC 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.

Under GASB Statement No. 87 (GASB 87), *Leases*, 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 earned but unused vacation benefits which are eligible for payment upon separation. Unused vacation benefits is eligible to be used while still employed by the Hospital. The liability for such leave is reported as incurred in the financial statements to the extent that the leave is attributable to employees' services already rendered and is more likely than not to be used and paid for while employed or paid for at the end of employment. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position 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 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 statements of net position.

Lease Liability

Under GASB No. 87, 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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Liability (continued)

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.

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.

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.

Subscription-Based Information Technology Arrangements

Under GASB No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, all contracts allowing for the Hospital to use another entity's information technology software alone or in combination with tangible capital assets (the underlying IT assets) for a period greater than 12 months are recorded as both a ROU asset and a subscription liability. The liability is measured using the present value of total expected payments over the subscription 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. The ROU asset is measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Amortization of the ROU subscription asset flows through amortization expense monthly using the straight-line basis over the life of the subscription.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription-Based Information Technology Arrangements (continued)

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

The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription 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 subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

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:

Net investment in capital assets – This component of net position consists of the historical cost of capital assets, net of accumulated depreciation/amortization, 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 are 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.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Operating expenses consist of expenses related to the core business of the Hospital – providing patient care. All other expenses are considered nonoperating, including grant funding, gains and losses on investment securities, interest expense, and other miscellaneous items.

Net Patient Service Revenue

The Hospital has agreements with third-party payors 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 payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews, and investigations.

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

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 $4,025,424 and $4,589,525 for the years ended September 30, 2025 and 2024, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately $1,148,000 and $1,397,000, 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 $83,922 and $84,426 for the years ended September 30, 2025 and 2024, respectively.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100). This Statement established accounting and financial reporting for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The Hospital applied this guidance beginning October 1, 2023. There were no significant impacts of implementing this Statement.

GASB Statement No. 101, *Compensated Absences* (GASB 101). 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 Hospital applied this guidance beginning October 1, 2024. There were no significant impacts of implementing this Statement.

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102). The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The Hospital applied this guidance beginning October 1, 2024. There were no significant impacts of implementing this Statement.

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

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103). The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. In addition to other items, the Statement:

- Addresses changes to information presented in the MD&A;
- Requires governments to display the inflows and outflows related to unusual or infrequent items separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows;

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

- Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses;
- Requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements;
- Requires governments to present budgetary comparison information using a single method of communication (RSI).

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104). This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale and that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Healthcare Environment (continued)

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

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2026. See Note 20 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these 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.

The total realized gains on the sale/redemption of investments were $1,199,108 and $1,047,324 for the years ended September 30, 2025 and 2024, respectively. There were total unrealized gains of $261,318 and unrealized gains of $1,928,550 on investments as of the years ended September 30, 2025 and 2024, 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, 2025 and 2024, 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 the Hospital's investments in any one issuer with the exception of United States Treasury Notes.

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

Note 3: DEPOSITS AND INVESTMENTS (Continued)

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

Foreign Currency Risk – The Hospital has no material, direct exposure to foreign currency risk. However, the Hospital does hold $1,829,871 and $1,850,648 in various foreign equities that account for approximately 6.71% and 7.05% of the Hospital's total investments as of September 30, 2025 and 2024, respectively.

GASBC 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.

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.

Note 3: DEPOSITS AND INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Hospital's assets at fair value September 30, 2025 and 2024:

	Fair Value	Level 1	Level 2	Level 3
September 30, 2025				
Fixed income				
Corporate securities	**$ 1,337,605**	**$ 1,337,605**	**$ -**	**$ -**
United States Treasury notes	**1,662,242**	**1,662,242**	**-**	**-**
Mortgage backed securities	**1,646,123**	**-**	**1,646,123**	**-**
Total fixed income	**4,645,970**	**2,999,847**	**1,646,123**	**-**
Domestic equities and mutual funds	**13,206,846**	**13,206,846**	**-**	**-**
Foreign equities	**1,829,871**	**1,829,871**	**-**	**-**
Real estate and tangibles	**167,186**	**-**	**167,186**	**-**
Money market securities	**7,424,033**	**7,424,033**	**-**	**-**
Total investments, at fair value	**$ 27,273,906**	**$ 25,460,597**	**$ 1,813,309**	**$ -**

	Fair Value	Level 1	Level 2	Level 3
September 30, 2024				
Fixed income				
Corporate securities	$ 2,791,112	$ 2,791,112	$ -	$ -
Total fixed income	2,791,112	2,791,112	-	-
Certificates of deposit	378,995	-	378,995	-
Domestic equities and mutual funds	14,024,358	14,024,358	-	-
Foreign equities	1,850,648	1,850,648	-	-
Real estate and tangibles	183,716	-	183,716	-
Money market securities	7,032,132	7,032,132	-	-
Total investments, at fair value	$ 26,260,961	$ 25,698,250	$ 562,711	$ -

Note 3: DEPOSITS AND INVESTMENTS (Continued)

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, 2025 and 2024.

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.

Money market securities – Money market securities are primarily comprised of mutual funds, whose holdings are almost exclusively US Treasury Securities. These investments are carried at fair market value using market prices, considered to be Level 1 in the fair value hierarchy; however, due to the nature of the underlying securities, fair market value generally approximates cost plus accrued interest.

Mortgage backed securities – Mortgage backed securities classified in Level 2 of the fair value hierarchy are valued using a published pricing service.

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.

Note 3: DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2025 and 2024, the Hospital's investments consisted of the following maturity dates:

		Investment Maturity			
	Fair Value	Less Than 1 Year	1-5 Years	5-10 Years	10+ Years
September 30, 2025					
Fixed income					
Corporate securities	**$ 1,337,605**	**$ 48,111**	**$ 738,375**	**$ 551,119**	**$ -**
United States Treasury notes	**1,662,242**	**210,902**	**331,006**	**1,120,334**	**-**
Mortgage backed securities	**1,646,123**	**-**	**305,534**	**193,001**	**1,147,588**
Total fixed income	**4,645,970**	**$ 259,013**	**$ 1,374,915**	**$ 1,864,454**	**$ 1,147,588**
Domestic equities and mutual funds	**13,206,846**				
Foreign equities	**1,829,871**				
Real estate and tangibles	**167,186**				
Money market securities	**7,424,033**				
Total investments, at fair value	**$ 27,273,906**				

		Investment Maturity			
	Fair Value	Less Than 1 Year	1-5 Years	5-10 Years	10+ Years
September 30, 2024					
Fixed income					
Corporate securities	$ 2,791,112	$ 809,944	$ 1,884,099	$ 97,069	$ -
Total fixed income	2,791,112	$ 809,944	$ 1,884,099	$ 97,069	$ -
Certificates of deposit	378,995	$ 89,766	$ 289,229	$ -	$ -
Domestic equities and mutual funds	14,024,358				
Foreign equities	1,850,648				
Real estate and tangibles	183,716				
Money market securities	7,032,132				
Total investments, at fair value	$ 26,260,961				

Note 3: DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2025 and 2024, the Hospital's investments consisted of the following investment ratings:

		Investment Rating				
	Fair Value	Not rated	AAA	AA	A	Less than A
September 30, 2025						
Fixed income						
Corporate securities	**$ 1,337,605**	**$ -**	**$ -**	**$ -**	**$ 344,719**	**$ 992,886**
United States Treasury notes	**1,662,242**	**-**	**-**	**1,662,242**	**-**	**-**
Mortgage backed securities	**1,646,123**	**1,265,444**	**380,679**	**-**	**-**	**-**
Total fixed income	**4,645,970**	**$ 1,265,444**	**$ 380,679**	**$ 1,662,242**	**$ 344,719**	**$ 992,886**
Domestic equities and mutual funds	**13,206,846**					
Foreign equities	**1,829,871**					
Real estate and tangibles	**167,186**					
Money market securities	**7,424,033**					
Total investments, at fair value	**$ 27,273,906**					

		Investment Rating				
	Fair Value	Not rated	AAA	AA	A	Less than A
September 30, 2024						
Fixed income						
Corporate securities	$ 2,791,112	$ -	$ 289,370	$ 729,774	$ 791,021	$ 980,947
Total fixed income	2,791,112	$ -	$ 289,370	$ 729,774	$ 791,021	$ 980,947
Certificates of deposit	378,995					
Domestic equities and mutual funds	14,024,358					
Foreign equities	1,850,648					
Real estate and tangibles	183,716					
Money market securities	7,032,132					
Total investments, at fair value	$ 26,260,961					

At both September 30, 2025 and 2024, money market securities represent investments in various money market funds, which, in turn, invest primarily in securities of the U.S. Treasury. These investments are not specifically rated.

Note 4: PATIENT ACCOUNTS RECEIVABLE - NET

An analysis of patient accounts receivable as of September 30 follows:

September 30,	**2025**	2024
Patient accounts receivable	**$ 37,624,360**	$ 33,193,960
Allowances for uncollectible accounts and contractual adjustments	**(26,969,906)**	(24,179,639)
Patient accounts receivable – net	**$ 10,654,454**	$ 9,014,321

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The percentage mix of accounts receivables from patients and major third-party payors at September 30, 2025 and 2024, was as follows:

September 30,	**2025**	2024
Medicare	**16%**	17%
Medicare Advantage	**18%**	21%
Medicaid	**10%**	8%
Blue Cross	**7%**	9%
Commercial/HMO/PPO	**21%**	18%
Self-Pay	**28%**	27%
Total	**100%**	100%

Note 5: INVENTORY

Inventory consisted of the following:

September 30,	**2025**	2024
General supplies	**$ 640,272**	$ 606,937
Pharmacy	**1,240,982**	1,130,239
Total	**$ 1,881,254**	$ 1,737,176

Note 6: LAND, BUILDINGS AND EQUIPMENT – NET

Capital asset additions, retirements, and balances for the year ended September 30, 2025 were as follows:

	Estimated Useful Lives	Balance October 1, 2024	Additions	Retirements	Balance September 30, 2025
Capital assets, not being depreciated					
Land	N/A	$ 1,202,363	$ -	$ -	$ 1,202,363
Construction-in-progress	N/A	2,259,309	2,449,624	(199,955)	4,508,978
Capital assets, not being depreciated/amortized		3,461,672	2,449,624	(199,955)	5,711,341
Capital assets, being depreciated/amortized					
Land improvements	10-20 years	1,678,432	-	-	1,678,432
Buildings	10-40 years	57,014,286	384,440	-	57,398,726
Fixed equipment	2-20 years	4,642,661	-	-	4,642,661
Major moveable equipment	5-20 years	35,188,153	1,099,050	(12,577)	36,274,626
Leasehold improvements	10-20 years	255,472	-	-	255,472
ROU Assets - Buildings	5-40 years	2,605,757	247,771	(490,490)	2,363,038
ROU Assets - Equipment	3-10 years	757,440	2,368,222	-	3,125,662
ROU Assets - SBITA	3-5 years	695,969	-	-	695,969
Capital assets, being depreciated/amortized		102,838,170	4,099,483	(503,067)	106,434,586
Less accumulated depreciation/amortization for:					
Land improvements		1,203,889	3,045	-	1,206,934
Buildings		29,697,162	2,072,360	-	31,769,522
Fixed equipment		4,309,888	-	-	4,309,888
Major moveable equipment		29,981,747	1,893,336	(12,577)	31,862,506
Leasehold improvements		223,443	11,198	-	234,641
ROU Assets - Buildings		1,589,676	356,436	(574,593)	1,371,519
ROU Assets - Equipment		419,980	309,189	-	729,169
ROU Assets - SBITA		406,018	149,105	-	555,123
Total accumulated depreciation/amortization		67,831,803	4,794,669	(587,170)	72,039,302
Total capital assets being depreciated/amortized, net		35,006,367	(695,186)	84,103	34,395,284
Total capital assets, net		$ 38,468,039	$ 1,754,438	$ (115,852)	$ 40,106,625

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

Capital asset additions, retirements, and balances for the year ended September 30, 2024 were as follows:

	Estimated Useful Lives	Balance October 1, 2023	Additions	Retirements	Balance September 30, 2024
Capital assets, not being depreciated					
Land	N/A	$ 1,202,363	$ -	$ -	$ 1,202,363
Construction-in-progress	N/A	1,386,149	900,798	(27,638)	2,259,309
Capital assets, not being depreciated/amortized		2,588,512	900,798	(27,638)	3,461,672
Capital assets, being depreciated/amortized					
Land improvements	10-20 years	1,678,432	-	-	1,678,432
Buildings	10-40 years	56,428,527	585,759	-	57,014,286
Fixed equipment	2-20 years	4,642,661	-	-	4,642,661
Major moveable equipment	5-20 years	34,429,565	1,135,708	(377,120)	35,188,153
Leasehold improvements	10-20 years	255,472	-	-	255,472
ROU Assets - Buildings	5-40 years	2,605,757	-	-	2,605,757
ROU Assets - Equipment	3-10 years	661,117	757,441	(661,118)	757,440
ROU Assets - SBITA	3-5 years	695,969	-	-	695,969
Capital assets, being depreciated/amortized		101,397,500	2,478,908	(1,038,238)	102,838,170
Less accumulated depreciation/amortization for:					
Land improvements		1,200,844	3,045	-	1,203,889
Buildings		27,619,603	2,077,559	-	29,697,162
Fixed equipment		4,309,888	-	-	4,309,888
Major moveable equipment		28,364,684	1,994,183	(377,120)	29,981,747
Leasehold improvements		212,245	11,198	-	223,443
ROU Assets - Buildings		1,238,539	351,137	-	1,589,676
ROU Assets - Equipment		634,523	223,459	(438,002)	419,980
ROU Assets - SBITA		256,913	149,105	-	406,018
Total accumulated depreciation/amortization		63,837,239	4,809,686	(815,122)	67,831,803
Total capital assets being depreciated/amortized, net		37,560,261	(2,330,778)	(223,116)	35,006,367
Total capital assets, net		$ 40,148,773	$ (1,429,980)	$ (250,754)	$ 38,468,039

Depreciation expense, which includes amortization of ROU assets, totaled approximately $4,795,000 and $4,810,000 for the years ended September 30, 2025 and 2024, respectively. There were no significant asset impairments for the years ended September 30, 2025 and 2024. See Note 20 related to construction in progress funded by Jackson County, Florida.

Note 7: NOTES RECEIVABLE

Notes receivable consists of the following:

September 30,	**2025**	2024
Notes receivable – medical students	**$ 1,794,626**	$ 1,620,398
Notes receivable – nurse scholarships	**120,383**	59,685
Note receivable – JH Marianna Investment Fund	**9,768,600**	9,768,600
Notes receivable	**$ 11,683,609**	$ 11,448,683

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.

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 $36,691 and $71,666 for the years ended September 30, 2025 and 2024, respectively.

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

Note 8: LONG-TERM LIABILITIES

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

September 30,	**2025**	2024
Truist (formerly SunTrust) Bank - Note Payable, interest and principal payable semi-annually at 3.18%, maturing July 2035, collateralized by Hospital net operating revenues	**$ 1,693,834**	$ 1,839,126
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 2051, secured by the assigment 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 $135,000 payable quarterly beginning June 2028 through maturity in June 2051, secured by the assignment of rights under Ground Lease between the QALICB and the Hospital	**3,731,400**	3,731,400
Subtotal	**15,193,834**	15,339,126
Less: current portion	**(149,644)**	(145,292)
Total	**$ 15,044,190**	$ 15,193,834

A summary of changes in the Hospital's long-term liabilities for the years ended September 30, 2025 and 2024 follows:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due within One Year
Truist Bank	**$ 1,839,126**	**$ -**	**$ (145,292)**	**$ 1,693,834**	**$ 149,644**
RGC 17, LLC	**13,500,000**	**-**	**-**	**13,500,000**	**-**
Total notes payable	**15,339,126**	**-**	**(145,292)**	**15,193,834**	**149,644**
Compensated absences	**1,653,227**	**3,280,413**	**(3,197,379)**	**1,736,261**	**868,130**
Total long-term debt	**$ 16,992,353**	**$ 3,280,413**	**$ (3,342,671)**	**$ 16,930,095**	**$ 1,017,774**

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024	Due within One Year
Truist Bank	$ 1,979,940	$ -	$ (140,814)	$ 1,839,126	$ 145,292
RGC 17, LLC	13,500,000	-	-	13,500,000	-
Total notes payable	15,479,940	-	(140,814)	15,339,126	145,292
Compensated absences	1,662,600	2,865,557	(2,874,930)	1,653,227	826,613
Total long-term debt	$ 17,142,540	$ 2,865,557	$ (3,015,744)	$ 16,992,353	$ 971,905

Note 8: LONG-TERM LIABILITIES (Continued)

Lease liability activity for the years ended September 30, 2025 and 2024, was as follows:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due within One Year
Buildings	**$ 715,555**	**$ 247,771**	**$ 507,845**	**$ 455,481**	**$ 360,603**
Equipment	**872,592**	**2,368,222**	**221,368**	**3,019,446**	**393,735**
Subscriptions	**284,024**	**-**	**152,455**	**131,569**	**131,569**
Total	**$ 1,872,171**	**$ 2,615,993**	**$ 881,668**	**$ 3,606,496**	**$ 885,907**

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024	Due within One Year
Buildings	$ 958,956	$ -	$ 243,401	$ 715,555	$ 243,401
Equipment	419,276	757,441	304,125	872,592	345,636
Subscriptions	431,990	-	147,966	284,024	152,456
Total	$ 1,810,222	$ 757,441	$ 695,492	$ 1,872,171	$ 741,493

Total interest expense for the years ended September 30, 2025 and 2024, was $420,035 and $436,966, respectively.

All of the Hospital's debt are direct borrowings for the years ended September 30, 2025 and 2024.

Note 8: LONG-TERM LIABILITIES (Continued)

Notes Payable

The Hospital's notes payable are included in long-term debt on the accompanying statements of net position. The following is a summary of notes payable for the year ended September 30, 2025:

For the years ending	Truist Bank Note		RGC 17, LLC Note		Total	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 149,644	$ 66,975	$ -	$ 198,950	$ 149,644	$ 265,925
2027	154,679	61,181	-	198,950	154,679	260,131
2028	159,598	55,202	215,647	198,148	375,245	253,350
2029	164,673	49,034	326,620	193,986	491,293	243,020
2030	169,910	42,670	342,951	189,084	512,861	231,754
2031-2035	895,330	110,568	1,989,777	862,878	2,885,107	973,446
2036-2040	-	-	2,539,516	697,845	2,539,516	697,845
2041-2045	-	-	3,241,138	487,212	3,241,138	487,212
2046-2050	-	-	4,136,605	218,400	4,136,605	218,400
2051	-	-	707,746	4,963	707,746	4,963
Total	1,693,834	385,630	13,500,000	3,250,416	15,193,834	3,636,046
Current portion	(149,644)	(66,975)	-	(198,950)	(149,644)	(265,925)
Payable after one year	$ 1,544,190	$ 318,655	$ 13,500,000	$ 3,051,466	$ 15,044,190	$ 3,370,121

Leases - Lessee

The Hospital's ROU 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)
- Equipment
  - Specialized medical equipment, including a mobile CT machine and robotic surgical equipment
  - Office equipment
  - Equipment leases range from 24 to 60 months (often with one year renewal periods)

As of September 30, 2025 and 2024, the value of lease liability was approximately $3,475,000 and $1,588,000, respectively. The Hospital is required to make monthly principal and interest payments totaling approximately $103,000. The leases have interest rates of 3%.

As of September 30, 2025, leased assets (right of use) totaled $5,488,700, comprised of buildings of $2,363,038 and equipment of $3,125,662. Accumulated amortization totaled $2,100,690.

Note 8: LONG-TERM LIABILITIES (Continued)

Leases – Lessee (continued)

As of September 30, 2024, leased assets (right of use) totaled $3,363,197, comprised of buildings of $2,605,757 and equipment of $757,440. Accumulated amortization totaled $1,794,466.

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

For the years ending September 30,	Principal	Interest	Total
2026	$ 754,338	$ 95,695	$ 850,033
2027	891,974	69,419	961,393
2028	720,488	44,590	765,078
2029	609,846	24,756	634,602
2030	498,281	6,877	505,158
Total	$ 3,474,927	$ 241,337	$ 3,716,264

Leases – Subscription Based Information Technology Arrangements

The Hospital has one software arrangement that requires recognition under GASBC Section S80, *Subscription-Based Information Technology Arrangements (SBITAs).* The ROU assets and related subscription liabilities largely involve the following:

- Licensing and remote hosting agreements with global suppliers of health information technology solutions which provide software/applications, managed/shared services, and remote hosting services. The contracts end in fiscal year 2026.

As of September 30, 2025 and 2024, the balance of the subscription liability was $131,569 and $284,024, respectively. The Hospital is required to make monthly principal and interest payments totaling approximately $13,000. The subscriptions do not have stated interest rates. The Hospital used an estimate of its incremental borrowing rate, 3.25%.

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

For the year ending September 30,	Principal	Interest	Total
2026	$ 131,569	$ 2,147	$ 133,716

Leases - Lessor

The Hospital accounts for leases in accordance with GASBC Section L20, *Leases.* The Hospital's operations consist of agreements for use of buildings under leases expiring in various years through 2026. The Hospital recognized $159,229 and $146,445 of lease revenue and $6,774 and $15,292 of lease interest for the years ended September 30, 2025 and 2024, respectively.

Note 8: LONG-TERM LIABILITIES (Continued)

Leases – Lessor (continued)

Lease receivables terms range from 16 to 60 months. The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30:

For the years ending September 30,		Total
2026	$	161,275
2027		166,181
Total	$	327,456

The effective interest rate on the lease is 3% as of September 30, 2025 and 2024.

As of September 30, 2025 and 2024, the components of the lease receivable are as follows:

September 30,	**2025**	2024
Lease payments due	**$ 337,787**	$ 506,680
Less amounts representing interest	**(10,331)**	(22,709)
Principal payments due	**327,456**	483,971
Less current portion	**(161,275)**	(156,515)
Lease receivable, less current portion	**$ 166,181**	$ 327,456

Note 9: NET PATIENT SERVICE REVENUE

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

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

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 administrative contractor or settled without audit through September 30, 2023.

Note 9: NET PATIENT SERVICE REVENUE (Continued)

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.

Net operating revenue consisted of the following:

For the years ended September 30,	**2025**	2024
Patient revenue	**$ 242,708,170**	$ 225,566,806
Other operating revenue	**3,565,043**	2,238,111
Total gross revenue	**246,273,213**	227,804,917
Less: Contractual adjustment - Medicare, Medicaid and others	**142,922,505**	131,669,957
Less: Administrative adjustments	**2,600,245**	2,048,644
Less: Provision for uncollectibles	**13,543,206**	10,760,670
Total adjustments to revenue	**159,065,956**	144,479,271
Net operating revenue	**$ 87,207,257**	$ 83,325,646

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

Note 10: CONTINGENCIES (Continued)

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 39 percent and 5 percent, respectively, of the Hospital's net patient revenue for the year ended 2025. Revenue from the Medicare and Medicaid programs accounted for approximately 39 percent and 6 percent, respectively, of the Hospital's net patient revenue for the year ended 2024. 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 the Agency for Health Care Administration (AHCA), conducted an examination of Florida's fiscal 2019-2021 DSH years to comply with the federal regulations. The results of the examination indicate the Hospital was overpaid based on existing federal guidance. Please see Note 20 for further information on liabilities recorded at September 30, 2025 related to known and estimated Low Income Pool (LIP) and Disproportionate Share (DSH) overpayments.

Note 11: COMMITMENTS

Management Agreement

The Hospital has executed a five year agreement for management services with Ovation Healthcare which expires July 31, 2030. This agreement may be terminated without cause by providing written notice effective July 31, 2030. 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 $320,328 and $341,858 for the years ended September 30, 2025 and 2024, 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. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

Note 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. The plan provides retirement, disability and/or death benefits to retirees or their designated beneficiaries. 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 non-qualified cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of the state-administered retirement systems in paying their health insurance costs. Per Chapter 2023-193, Laws of Florida, the level of monthly benefits increased from $5 times years of service to $7.50, with an increased minimum of $45 and maximum of $225. This change applies to all years of service for both members currently in pay and members not yet in pay. 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 may 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, under the HIS program, receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $7.50. The minimum payment is $45 and the maximum payment is $225 per month, pursuant to Chapter 2023-193, Laws of Florida.

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.

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

Contributions (continued)

The employer's contribution rates as of September 30, 2025 and 2024, were as follows:

September 30, 2025	FRS	HIS
Florida Retirement System:		
Regular	**11.57%**	**2.00%**
Special Risk	**30.73%**	**2.00%**
Senior Management Service Class	**32.46%**	**2.00%**
DROP	**19.13%**	**2.00%**

September 30, 2024	FRS	HIS
Florida Retirement System:		
Regular	11.51%	2.00%
Special Risk	30.61%	2.00%
Senior Management Service Class	32.46%	2.00%
DROP	19.13%	2.00%

All of the above contribution rates disclosed above include the normal cost and unfunded actuarial liability contributions but do not include the 2.00% contribution for the Retiree Health Insurance Subsidy and the assessment of 0.06% for administration of the FRS Investment Plan and retirement and financial planning for members of both plans.

The Hospital's contributions to the FRS for the years ended September 30, 2025, 2024, and 2023 were $265,182, $246,949, and $212,686, respectively. The Hospital's contributions to the HIS for the years ended September 30, 2025, 2024, and 2023 were $32,277, $30,644, and $26,820, respectively.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2025 and 2024, 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, 2025 and 2024. The Hospital's proportions of the net pension liabilities were based on the Hospital's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

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

Pension Liabilities and Pension Expense (continued)

September 30, 2025	FRS	HIS
Net Pension Liability	**$ 1,378,394**	**$ 462,879**
Proportion at:		
Current measurement date	**0.0000444**	**0.0000361**
Prior measurement date	**0.0000436**	**0.0000362**
Pension expense (benefit)	**$ 37,259**	**$ (71,824)**

September 30, 2024	FRS	HIS
Net Pension Liability	$ 1,687,052	$ 542,970
Proportion at:		
Current measurement date	0.0000436	0.0000362
Prior measurement date	0.0000442	0.0000408
Pension expense (benefit)	$ 127,327	$ (75,094)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2025 and 2024, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

September 30, 2025	FRS		HIS	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	**$ 147,227**	**$ -**	**$ 2,763**	**$ (734)**
Changes in assumption	**160,067**	**-**	**4,097**	**(111,959)**
Net difference between projected and actual earnings on pension plan investments	**-**	**(230,137)**	**-**	**(385)**
Changes in proportion and differences between hospital contributions and proportional share of contributions	**-**	**(185,176)**	**-**	**(172,706)**
Hospital contributions subsequent to the measurement date	**72,344**	**-**	**8,377**	**-**
Total	**$ 379,638**	**$ (415,313)**	**$ 15,237**	**$ (285,784)**

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

Deferred Outflows/Inflows of Resources Related to Pensions (continued)

September 30, 2024	FRS		HIS	
Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 170,438	$ -	$ 5,243	$ (1,043)
Changes in assumption	231,226	-	9,609	(64,281)
Net difference between projected and actual earnings on pension plan investments	-	(112,130)	-	(195)
Changes in proportion and differences between hospital contributions and proportional share of contributions	-	(296,542)	-	(252,267)
Hospital contributions subsequent to the measurement date	71,240	-	8,632	-
Total	$ 472,904	$ (408,672)	$ 23,484	$ (317,786)

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
2026	$ 197,897	$ (83,275)
2027	(110,623)	(73,789)
2028	(78,565)	(59,464)
2029	(44,384)	(38,023)
2030	-	(15,996)
Thereafter	-	-
Total	$ (35,675)	$ (270,547)

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, 2025. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated June 30, 2025. For the HIS Program, the total pension liability was determined by an actuarial valuation dated June 30, 2025. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

September 30, 2025	FRS	HIS
Inflation	**2.40%**	**2.40%**
Salary increases	**3.50%**	**3.50%**
Investment rate of return	**6.70%**	**N/A**
Discount rate	**6.70%**	**5.20%**

September 30, 2024	FRS	HIS
Inflation	2.40%	2.40%
Salary increases	3.50%	3.50%
Investment rate of return	6.70%	N/A
Discount rate	6.70%	3.93%

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, 2018, through June 30, 2023.

The following changes in key actuarial assumptions occurred in 2025:

HIS:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.
- The coverage election assumptions were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its October 2024 meeting.
- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.

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 2025 and 2024.

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

Actuarial Assumptions (continued)

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

September 30, 2025

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return *
Cash	**1.0%**	**3.2%**	**3.3%**
Fixed income	**29.0%**	**5.5%**	**5.4%**
Global equity	**45.0%**	**8.5%**	**6.9%**
Real estate	**12.0%**	**8.4%**	**7.1%**
Private equity	**11.0%**	**12.4%**	**8.8%**
Strategic investments	**2.0%**	**6.5%**	**6.1%**
Total	**100.0%**		

September 30, 2024

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return *
Cash	1.0%	3.3%	3.3%
Fixed income	29.0%	5.7%	5.6%
Global equity	45.0%	8.6%	7.0%
Real estate	12.0%	8.1%	6.8%
Private equity	11.0%	12.4%	8.8%
Strategic investments	2.0%	6.6%	6.2%
Total	100.0%		

Note: (1) As outlined in the Pension Plan's investment policy
* Includes assumed rate of inflation of 2.4% for 2025 and 2024.

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% for 2025 and 2024, 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 5.20% and 3.93% was used for 2025 and 2024, 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, 2025

FRS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase
5.70%	**6.70%**	**7.70%**
$ 2,705,077	**$ 1,378,394**	**$ 266,122**

HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase
4.20%	**5.20%**	**6.20%**
$ 521,934	**$ 462,879**	**$ 413,320**

September 30, 2024

FRS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase
5.70%	6.70%	7.70%
$ 2,967,465	$ 1,687,052	$ 614,434

HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase
2.93%	3.93%	4.93%
$ 618,102	$ 542,970	$ 480,599

Pension Plans' Fiduciary Net Position

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

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the years ended September 30, 2025 and 2024, totaled $298,594 and $288,191 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 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:

		2025		2024
Assets, principally cash, cash equivalents, and investments	$	**1,475,999**	$	1,245,795
Liabilities	$	**-**	$	-
Net position		**1,475,999**		1,245,795
Total liabilities and net position	$	**1,475,999**	$	1,245,795
Support and revenue	$	**295,287**	$	282,194
Expenses				
Distributions to/for Jackson County Hospital		**20,775**		-
Other		**44,308**		47,998
Total expenses		**65,083**		47,998
Excess of support and revenue over (under) expenses		**230,204**		234,196
Net position, beginning of year		**1,245,795**		1,011,599
Net position, end of year	$	**1,475,999**	$	1,245,795

		2025		2024
Donated assets	$	**20,775**	$	-

For the years ended September 30, 2025 and 2024, respectively, $20,775 and $0 of operating expenses represents cash donations from the Foundation to the Hospital. Such amounts have been eliminated against donations income on the accompanying statements of revenues, expenses and changes in net position.

Jackson Hospital Rabbi Trust U/A DTD 02/01/2010

The accompanying basic financial statements include the accounts of the Jackson Hospital Rabbi Trust U/A DTD 02/01/2010 (the "Trust"), a legally separate component unit of the Hospital, established to administer the deferred compensation plan described in Note 2 under the heading "*Investment in Life Insurance Policies in Deferred Compensation Plan*". Because the Trust is considered to a blended component unit, its financial activity is included in the Hospital's financial activity on the accompanying financial statements.

Note 13: BLENDED COMPONENT UNITS (Continued)

Jackson Hospital Rabbi Trust U/A DTD 02/01/2010 (continued)

At September 30, 2025 and 2024, respectively, the Trust had assets comprised of investment in life insurance policies totaling $4,539,758 and $4,377,988, liabilities comprised of life insurance policy loans totaling $3,617,815 and $3,517,584, and deferred compensation liability totaling $1,064,415 and $1,188,382, resulting in a net position (deficit) of ($142,472) and ($327,978). Support and revenues and expenses were not significant in either fiscal years 2025 or 2024.

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 the 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.

Note 13: BLENDED COMPONENT UNITS (Continued)

Jackson Hospital QALICB, Inc. (continued)

	2025	2024
Cash and cash equivalents - unrestricted	**$ 120,464**	$ 119,510
Cash and cash equivalents - restricted	**453,563**	566,813
Receivable from Jackson Hospital	**9,784,296**	9,765,694
Total assets	**$ 10,358,323**	$ 10,452,017
Liabilities, debt to RGC 17, LLC and related accrued interest expense	**$ 13,500,000**	$ 13,500,000
Net position	**(3,141,677)**	(3,047,983)
Total liabilities and net position	**$ 10,358,323**	$ 10,452,017
Support and revenue - Rent from Hospital	**$ 129,255**	$ 126,720
Expenses		
Other operating expenses	**24,000**	61,155
Interest expense	**198,949**	198,949
Total expenses	**222,949**	260,104
Excess of support and revenue over (under) expenses	**(93,694)**	(133,384)
Net position, beginning of year	**(3,047,983)**	(2,914,599)
Net position, end of year	**$ (3,141,677)**	$ (3,047,983)

For the years ended September 30, 2025 and 2024, $129,255 and $126,720, 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 statements of revenues, expenses and changes in net position. In addition for the years ended September 30, 2025 and 2024, $24,000 and $61,155, respectively, of other operating expense reported above represents interest paid from the QALICB to the Hospital. The receivable from the Hospital totaling $9,784,296 reported by the QALICB above has been eliminated against a payable in the same amount reported by the Hospital in the accompanying statements of net position for 2025 and 2024.

Note 14: RELATED PARTY TRANSACTIONS AND SALE-LEASEBACK

Jackson Hospital Auxiliary (the “Auxiliary”) is a not-for-profit organization formed to render services to the 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 2025 or 2024. Transactions between the Hospital and the Foundation are described in Note 13 above.

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 are shown below:

For the years ending September 30,		Total
2026	$	131,839
2027		134,477
2028		307,652
2029		659,034
2030		672,216
Thereafter		17,422,593
Total minimum future rentals	$	19,327,811

Note 15: WORKERS' COMPENSATION INSURANCE

The Hospital is currently insured for workers compensation 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, 2025 to December 31, 2025 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.

The claim liability at September 30, 2025 and 2024 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. See Note 2 for more information.

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

The 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 $1,064,474 and $617,503 for the years ended September 30, 2025 and 2024, 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 in 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 $761,722 and $810,652 for the years ended September 30, 2025 and 2024, respectively.

Note 20: MEDICAID SUPPLEMENTAL PAYMENTS

The Hospital participates in various programs with Florida AHCA, commonly referred to collectively as Medicaid supplemental payment programs. These programs are generally designed to partially compensate the Hospital for costs incurred related to healthcare provided to the Medicaid population, as well as indigent and charity patients, by acknowledging that the costs of providing such care are often not fully offset by Medicaid payment rates. During fiscal years 2025 and 2024, the Hospital participated in the following programs: Disproportionate Share Hospital (DSH), Low Income Pool (LIP), and Partial Hospitalization Program (PHP).

These programs are highly complex. Annual funding is determined and remitted by AHCA, and amounts received are subject to future audit and potential recoupment, if amounts received are later determined to have been in excess of supportable costs. Additionally, as discussed below, recoupments are possible for issues that may arise at the State level and/or disagreements between AHCA and Centers for Medicare & Medicaid Services (CMS).

LIP

In February of 2024, the Hospital received a demand letter from AHCA totaling $712,253 related to calculated overpayments of LIP for state fiscal years (SFY) ended June 30, 2014 – June 30, 2018. This issue was pursuant to a settlement agreement between CMS and AHCA, signed on September 28, 2023.

Note 20: MEDICAID SUPPLEMENTAL PAYMENTS (Continued)

LIP (continued)

As a result of that settlement agreement, the share of alleged LIP overpayments representing the federal financial participation (FFP) are to be repaid from AHCA to CMS. In turn, AHCA has demanded these monies back from the participating, affected hospitals.

In addition to the demand letter noted above, in September of 2025 AHCA sent demand letters for SFYs ended June 30, 2019 and June 30, 2020. The demand for SFY 2019 was $1,225,874 and the demand for SFY 2020 was $860,663.

For SFYs ending after June 30, 2020, an exposure exists related to any potential LIP overpayments. The third-party examinations of the LIP program are conducted three years in arrears, and, as such, the actual overpayments, if any, will not be known until such examinations are completed. The Hospital used the best information available, including the CMS / AHCA settlement agreement, third party examination results through state fiscal year 2020, and other information to calculate a most likely exposure, totaling approximately $3.5 million. The Hospital recorded a liability (estimated third party payor settlements, long term portion) for this amount, as of September 30, 2025 (see charts below).

In June of 2024, the Hospital signed a repayment plan with AHCA for the 2014-2018 LIP demand noted above ($712,253), payable in eleven equal monthly installments, with no interest. As a result, at September 30, 2024, the current portion of the liability (associated with the repayment plan) totaled $534,190, which was included in "estimated third party settlements" (current portion) on the accompany statements of net position (see charts below). This amount was fully repaid in fiscal year 2025.

The following chart displays the LIP liabilities recorded on the accompanying statements of net position:

September 30,	**2025**	2024
Known:		
SFY 2014-2018	**$ -**	$ (534,190)
SFY 2019	**(1,225,874)**	-
SFY 2020	**(860,663)**	-
	$ (2,086,537)	$ (534,190)
Estimated:		
SFY 2021-2024	**$ (3,451,867)**	$ -
SFY 2020-2023	**-**	(4,456,018)
	$ (3,451,867)	$ (4,456,018)
Total	**$ (5,538,404)**	$ (4,990,208)

Note 20: MEDICAID SUPPLEMENTAL PAYMENTS (Continued)

DSH

Additionally, in December of 2024, the Hospital received notification from AHCA that they had been overpaid for DSH funding received for SFY 2019/2020 totaling $449,560. The Hospital's management determined that this was a "recognized event", pursuant to GASB Statement No. 56, and it was recorded on the financial statements as of September 30, 2024, included in "estimated third party settlements" (current portion) on the accompany statements of net position (see charts below).

Similar to the LIP methodology described above, the Hospital's management used all available information, including DSH examination results, to estimate any potential exposure for SFYs subsequent to 2020. The Hospital recorded an additional, noncurrent liability totaling $310,315, included in "estimated third party settlements" (long-term portion) on the accompany statements of net position.

The following chart displays the DSH liabilities recorded on the accompanying statements of net position:

September 30,	**2025**	2024
Known:		
SFY 2020	**$ (449,560)**	$ (449,560)
Estimated:		
SFY 2021-2024	**(310,315)**	(310,315)
Total	**$ (759,875)**	$ (759,875)

PHP

During fiscal year 2025, the Hospital was notified of a likely future payback related to PHP funding received. The Hospital expects that half of the potential recoupment will be made in fiscal year 2026, with the remaining half to be recouped thereafter.

The following chart displays the PHP liabilities recorded on the accompanying statements of net position:

September 30,	**2025**	2024
Known:		
Year 1	**$ (208,495)**	$ -
Year 2	**(208,495)**	-
Total	**$ (416,990)**	$ -

As of the date these financial statements were available for release, no formal demands have been received by the Hospital related to PHP.

Note 20: MEDICAID SUPPLEMENTAL PAYMENTS (Continued)

Receivables

At both September 30, 2025 and 2024, the Hospital was due amounts from DSH, LIP and PHP. The State's fiscal year end is June 30th, which requires the Hospital to record a receivable for both known unpaid amounts and estimated one quarterly payment (to align with the Hospital's fiscal year-end).

At September 30, 2025, AHCA was behind in remitting supplemental funding, due to ongoing consultations with CMS, resulting in a higher than normal receivable recorded on the statement of net position. This was subsequently received in calendar year 2026.

The following charts display the receivables and liabilities (as discussed above) recorded on the accompanying statements of net position:

September 30, 2025	Current	Noncurrent	Total
Assets:			
Medicare cost report	**$ 90,090**	**$ -**	**$ 90,090**
DSH / LIP / PHP / etc.	**2,798,287**	**-**	**2,798,287**
Total assets	**2,888,377**	**-**	**2,888,377**
Liabilities:			
PHP payback	**(208,495)**	**(208,495)**	**(416,990)**
DSH payback	**(449,560)**	**(310,315)**	**(759,875)**
LIP payback	**(2,086,537)**	**(3,451,867)**	**(5,538,404)**
Total liabilities	**(2,744,592)**	**(3,970,677)**	**(6,715,269)**
Total, net	**$ 143,785**	**$ (3,970,677)**	**$ (3,826,892)**

September 30, 2024	Current	Noncurrent	Total
Assets:			
Medicare cost report	$ 654,022	$ -	$ 654,022
DSH / LIP / PHP / etc.	1,676,814	-	1,676,814
Total assets	2,330,836	-	2,330,836
Liabilities:			
DSH payback	(449,560)	(310,315)	(759,875)
LIP payback	(534,190)	(4,456,018)	(4,990,208)
Total liabilities	(983,750)	(4,766,333)	(5,750,083)
Total, net	$ 1,347,086	$ (4,766,333)	$ (3,419,247)

Note 20: MEDICAID SUPPLEMENTAL PAYMENTS (Continued)

Revenues

The Hospital recorded approximately $3.4 million of revenues related to Medicaid supplemental payments in both fiscal years 2025 and 2024, prior to the effect of adjusting the liabilities (as shown in the charts above). This is included in operating revenue on the accompanying statements of revenues, expenses and changes in net position.

The Hospital received cash from Medicaid supplemental payment programs totaling approximately $2.5 million and $3.1 million in fiscal years 2025 and 2024, respectively.

These matters are complex and fluid. It is possible that additional information may arise in the future, such as a future settlement agreement between CMS and AHCA that could result in additional repayments from the Hospital to AHCA, and such amounts could be significant to the financial statements.

Note 21: SUBSEQUENT EVENTS

Throughout fiscal year 2025, construction was ongoing for renovations at the Hospital. These renovations are being funded exclusively by Jackson County, Florida (a third party) through a Community Development Block Grant and other funding sources. Total expenditures on the project through September 30, 2025 are approximately $4.9 million. As of September 30, 2025, these items are recorded on the financials statements of Jackson County, Florida, not the Hospital. It is management's current understanding that, upon completion of the project in fiscal year 2026, the resulting improvements will be donated by Jackson County, Florida and legally transferred to the Hospital. At that point in time, the Hospital will record the assets and related income and place the assets into service. No adjustments have been made to the accompanying financial statements for fiscal year 2025 related to this matter.

Required Supplementary Information

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

September 30,	**2025**	2024	2023	2022	2021	2020	2019	2018	2017	2016
Hospital's proportion of the net pension liability (asset)	**0.0044%**	0.0044%	0.0044%	0.0057%	0.0058%	0.0059%	0.0065%	0.0069%	0.0075%	0.0095%
Hospital's proportionate share of the net pension liability (asset)	**$ 1,378,393**	$ 1,687,052	$ 1,761,686	$ 2,131,941	$ 440,918	$ 2,574,317	$ 2,233,752	$ 2,083,059	$ 2,220,254	$ 2,389,585
Hospital's covered - employee payroll	**$ 1,595,061**	$ 1,579,462	$ 1,560,746	$ 1,635,518	$ 2,411,509	$ 2,452,566	$ 2,411,062	$ 2,641,806	$ 3,056,319	$ 3,175,059
Hospital's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	**86.42%**	106.81%	112.87%	130.35%	18.28%	104.96%	92.65%	78.85%	72.64%	75.26%
FRS Plan fiduciary net position as a percentage of the total pension liability	**87.26%**	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%

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 Hospital Foundation and Affiliates
Schedule of Contributions
Florida Retirement System (Last 10 fiscal years)

For the years ended September 30,	**2025**	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions	**$ 265,182**	$ 246,949	$ 212,686	$ 244,500	$ 222,364	$ 197,347	$ 201,119	$ 197,093	$ 195,402	$ 230,787
Contributions in relation to the contractually required contribution	**(265,182)**	(246,949)	(212,686)	(244,500)	(222,364)	(197,347)	(201,119)	(197,093)	(195,402)	(230,787)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hospital's covered-employee payroll	**$ 1,595,061**	$ 1,579,462	$ 1,560,746	$ 1,635,518	$ 2,411,509	$ 2,488,852	$ 2,342,332	$ 2,641,806	$ 3,056,319	$ 3,175,059
Contributions as a percentage of covered-employee payroll	**16.63%**	15.64%	13.63%	14.95%	9.22%	7.93%	8.59%	7.46%	6.39%	7.27%

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 Hospital Foundation and Affiliates
Schedule of Proportional Share of Net Pension Liability
Health Insurance Subsidy (Last 10 fiscal years)

September 30,	**2025**	2024	2023	2022	2021	2020	2019	2018	2017	2016
Hospital's proportion of the net pension liability (asset)	**0.0036%**	0.0036%	0.0041%	0.0053%	0.0055%	0.0063%	0.0073%	0.0081%	0.0091%	0.0110%
Hospital's proportionate share of the net pension liability (asset)	**$ 462,879**	$ 542,970	$ 647,498	$ 564,889	$ 670,263	$ 765,316	$ 811,217	$ 857,785	$ 974,570	$ 1,281,958
Hospital's covered - employee payroll	**$ 1,595,061**	$ 1,579,462	$ 1,560,746	$ 1,635,518	$ 2,411,509	$ 2,452,566	$ 2,411,062	$ 2,641,806	$ 3,056,319	$ 3,175,059
Hospital's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	**29.02%**	34.38%	41.49%	34.54%	27.79%	31.20%	33.65%	32.47%	31.89%	40.38%
HIS Plan fiduciary net position as a percentage of the total pension liability	**6.36%**	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%

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 Hospital Foundation and Affiliates
Schedule of Contributions
Health Insurance Subsidy (Last 10 fiscal years)

For the years ended September 30,	**2025**	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions	**$ 32,277**	$ 30,644	$ 26,820	$ 32,171	$ 32,118	$ 36,120	$ 40,259	$ 43,951	$ 48,237	$ 56,380
Contributions in relation to the contractually required contribution	**(32,277)**	(30,644)	(26,820)	(32,271)	(32,118)	(36,120)	(40,259)	(43,951)	(48,237)	(56,380)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Hospital's covered-employee payroll	**$ 1,595,061**	$ 1,579,462	$ 1,560,746	$ 1,635,518	$ 2,411,509	$ 2,488,852	$ 2,342,332	$ 2,641,806	$ 3,056,319	$ 3,175,059
Contributions as a percentage of covered-employee payroll	**2.02%**	1.94%	1.72%	1.97%	1.33%	1.45%	1.72%	1.66%	1.58%	1.78%

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.

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INDEPENDENT ACCOUNTANT'S 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 year ended September 30, 2025. Management of the Hospital 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 examination.

In our opinion, the Hospital complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2025.

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

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

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 29, 2026

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INDEPENDENT AUDITOR'S 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 financial statements of the Jackson County Hospital District and Affiliates (the "Hospital"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated June 29, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Hospital's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

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

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 29, 2026

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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 financial statements of the Jackson County Hospital District and Affiliates (the "Hospital") as of and for the year ended September 30, 2025, and have issued our report thereon dated June 29, 2026.

Auditor's 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards;* Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's 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 June 29, 2026, 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 financial audit report. The status of each finding and recommendation made in the preceding annual financial audit report is noted below:

Finding No.	2024 FY Finding No.	Description	Status
2024-001	2024-001	Information Technology	Cleared

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 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.

Specific Information

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 591.

b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year was 20.

c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was $38,794,268.

d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency was $2,077,345.

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:

- In September of 2025, the Hospital received approval from USDA to obligate funds in the amount of $33,046,950 at 4.5% interest to construct a Medical Office Building that will be located on the property donated to the Hospital in 2021 formerly the Golson Elementary School. This Building will provide medical office space along with an Ambulatory Surgery and Outpatient Imaging Center. The Hospital spent an additional $42,149 on planning and development costs for this project in fiscal year 2025. The Hospital is continuing to work with USDA to secure financing in fiscal year 2026 at which time the Hospital will seek final Board approval to begin construction.

- The Hospital continued plans in fiscal year 2025 to construct an Outpatient Therapy Center that will house the pool for aquatic therapy on the Hospital campus. Construction will start for this project in fiscal year 2026 with an estimated total project cost of $5,800,000 to be funded by an appropriation from the Florida legislature, Rural Hospital Capital Improvement Grant for State Fiscal Year 2024-2025 and FEMA funds along with a contribution by the hospital of approximately $3,425,810.

- In fiscal year 2024, the Hospital continued work on several large, grant-funded projects, including equipping outlying clinics with generators and developing an existing water well into a backup water supply system. In fiscal year 2024, incurred costs for these projects were reimbursed by partially by grant funds and totaled $140,727 and $68,428, respectively. Jackson County partnered with the Hospital on an approved grant to renovate the Hospital's entire 3rd floor HVAC system so that all patient rooms will have the ability to convert to negative pressure rooms as needed. Work on this project will begin in fiscal year 2025 and all project costs and reimbursements will be handled by Jackson County for this grant.

- In fiscal year 2025, the Hospital continued work on several large, grant-funded projects, including equipping outlying clinics with generators and developing an existing water well into a backup water supply system. In fiscal year 2025, incurred costs for these projects were reimbursed by partially by grant funds and totaled $1,373,091. Jackson County partnered with the Hospital on an approved grant to renovate the Hospital's entire 3rd floor HVAC system so that all patient rooms will have the ability to convert to negative pressure rooms as needed. Work on this project began in begin in fiscal year 2025 and will be completed in fiscal year 2026 and all project costs and reimbursements will be handled by Jackson County for this grant.

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 us to communicate 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.

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

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 29, 2026

CARR, RIGGS & INGRAM, L.L.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Jackson County Hospital District and Affiliates

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Jackson County Hospital District and Affiliates (collectively, the "Hospital")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended September 30, 2025. The Hospital's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion the Hospital's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the Hospital, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements. We issued our report thereon dated June 29, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 29, 2026

Section I – Summary of Auditor's Results

Financial Statements

1.	Type of auditor's report issued	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified not considered to be material weaknesses?	Yes
	c. Noncompliance material to the financial statements noted?	No

Federal Awards

1.	Type of auditor's report issued on compliance for major programs	Unmodified
2.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified not considered to be material weaknesses?	None reported
3.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
4.	Identification of major programs	

Assistance Listing Number	Federal Program
97.039	Hazard Mitigation Grant

5.	Dollar threshold used to distinguish between type A and type B programs	$1,000,000
6.	Auditee qualified as low-risk under 2 CFR 200.520	No

Section II – Financial Statements Findings

2025 – 001 Timely Reconciliations

Criteria: To ensure accuracy and completeness of monthly and annual financial reports, reconciliations and reviews of accounts should be performed in a timely manner.

Condition: Financial statements accounts were not reconciled timely. There was an extended lag between month-end and the date accounts were reconciled.

Cause: The Hospital did not reconcile all significant accounts completely and in a timely manner.

Effect: Failure to reconcile accounts in a timely manner could result in errors that are not detected and/or corrected.

Recommendation: We recommend the Hospital reconcile all significant accounts to the appropriate subsidiary ledger and/or supporting documentation in a timely manner and investigate any variances on a regular basis.

Views of Responsible Officials and Planned Corrective Actions: The Hospital recognizes the importance of timely reconciliations of all significant financial statement accounts to ensure the accuracy and completeness of financial reporting.

To address this issue, the Hospital will strengthen its month-end closing procedures by establishing and enforcing reconciliation deadlines for all significant accounts. A reconciliation schedule will be implemented to ensure reconciliations are completed and reviewed within a specified timeframe following month-end. Management will also assign accountability for the preparation and review of reconciliations and monitor compliance with established deadlines.

In addition, any reconciling items or variances identified during the reconciliation process will be investigated and resolved promptly. Periodic reviews will be conducted by finance management to verify that reconciliations are completed accurately and on a timely basis.

Anticipated Completion – Immediately; Responsible Party – Marcey Morgan, CFO

2025 – 002 Grants

Criteria: Grant activity should be recorded on the accrual basis of accounting in accordance with generally accepted accounting principles.

Condition: Grant related activity was primarily recorded to the general ledger on a cash basis.

Cause: The Hospital recorded grants on a cash basis.

Effect: Cash basis recognition of grant expenditures and funding may result in inaccurate financial reporting. Significant adjusting entries were required to properly record grant activity on the accrual basis of accounting.

Recommendation: We recommend the Hospital closely track its grant related activity and record grants on an accrual basis throughout the fiscal year, included the recording of grants receivables, grant revenues, and any associated liabilities and assets for construction activity conducted but not yet invoiced / paid.

Views of Responsible Officials and Planned Corrective Actions: The Hospital acknowledges that recording grant activity primarily on a cash basis throughout the year could result in significant

year-end adjustments to properly reflect grant-related transactions under the accrual basis of accounting.

To strengthen financial reporting, the Hospital will implement procedures to monitor and track grant activity throughout the fiscal year. Finance personnel will review grant agreements and maintain detailed schedules of grant expenditures, receivables, deferred revenues, and other related assets and liabilities. Grant activity will be recorded on an accrual basis on a monthly basis to ensure revenues and expenditures are recognized in the appropriate accounting period.

In addition, the Hospital will establish procedures to identify construction and other grant-funded activities that have been incurred but not yet invoiced or paid and will record the appropriate accruals at each reporting period. Management will periodically review grant accounting records to ensure compliance with generally accepted accounting principles and grant requirements.

These corrective actions are expected to improve the accuracy and timeliness of grant accounting and reduce the need for significant year-end audit adjustments.

Anticipated Completion – Immediately; Responsible Party – Marcey Morgan, CFO

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Prior Findings and Questioned Costs for Financial Statement

2024-001 Information Technology – Corrected

Section V – Prior Findings and Questioned Costs for Federal Awards

There were no findings reported in the prior year.

Jackson County Hospital District and Affiliates
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing No. ALN	Authority or Pass-Through Grantor No.	Funds Provided to Subrecipients	Expenditures
U.S. Department of Homeland Security				
Passed through Florida Division of Emergency Management				
Hazard Mitigation Grant	97.039	H0720	$ -	$ 1,034,012
U.S. Department of Housing and Urban Development				
Passed through Florida Department of Economic Opportunity				
Community Development Block Grants/State's program and Non Entitlement Grants in Hawaii	14.228	M00081	-	339,834
Total Federal Expenditures			$ -	$ 1,373,846

See accompanying notes to schedule of expenditures of federal awards.

Note 1: BASIS OF ACCOUNTING

Expenditures reported in the Schedule of Expenditures of Federal Awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2: DE MINIMIS

The Hospital has elected to not use the de minimis indirect cost rate.

Note 3: BASIS OF PRESENTATION

The amounts reported in the accompanying Schedule were obtained from the Hospital's general ledger. Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net position and cash flows of the Hospital.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the Schedule. The Hospital has obtained Assistance Listing Numbers (ALN) to ensure that all programs have been identified in the Schedule. ALNs have been appropriately listed by applicable programs. Federal programs with different ALNs that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. No clusters were identified in the Schedule.

Note 4: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agency and the Schedule may differ. Some of the factors that may account for any difference include the following:

- The Hospital's fiscal year end may differ from the program's year end.
- Accruals recognized in the Schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as property and equipment, net in the Hospital's financial statements and as expenditures in the program financial reports.

Note 5: CONTINGENCIES

Grant monies received and disbursed by the Hospital are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the Hospital does not believe that such disallowance, if any, would have a material effect on the financial position of the Hospital. As of September 30, 2025, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

Note 6: NONCASH ASSISTANCE

The Hospital did not receive any federal noncash assistance for the fiscal year ended September 30, 2025.

Note 7: SUBRECIPIENTS

The Hospital did not provide federal funds to subrecipients for the fiscal year ended September 30, 2025.

Note 8: LOANS AND LOAN GUARANTEES

The Hospital did not have any loans or loan guarantee programs required to be reported on the Schedule.

Note 9: FEDERALLY FUNDED INSURANCE

The Hospital did not have any federally funded insurance required to be reported on the Schedule for the fiscal year ending September 30, 2025.

Jackson Hospital
Growing a Healthier Community.

Financial Statement Findings

2025 – 001 Timely Reconciliations

Views of Responsible Officials and Planned Corrective Actions: The Hospital recognizes the importance of timely reconciliations of all significant financial statement accounts to ensure the accuracy and completeness of financial reporting.

To address this issue, the Hospital will strengthen its month-end closing procedures by establishing and enforcing reconciliation deadlines for all significant accounts. A reconciliation schedule will be implemented to ensure reconciliations are completed and reviewed within a specified timeframe following month-end. Management will also assign accountability for the preparation and review of reconciliations and monitor compliance with established deadlines.

In addition, any reconciling items or variances identified during the reconciliation process will be investigated and resolved promptly. Periodic reviews will be conducted by finance management to verify that reconciliations are completed accurately and on a timely basis.

Anticipated Completion – Immediately; Responsible Party – Marcey Morgan, CFO

2025 – 002 Grants

Views of Responsible Officials and Planned Corrective Actions: The Hospital acknowledges that recording grant activity primarily on a cash basis throughout the year could result in significant year-end adjustments to properly reflect grant-related transactions under the accrual basis of accounting.

To strengthen financial reporting, the Hospital will implement procedures to monitor and track grant activity throughout the fiscal year. Finance personnel will review grant agreements and maintain detailed schedules of grant expenditures, receivables, deferred revenues, and other related assets and liabilities. Grant activity will be recorded on an accrual basis on a monthly basis to ensure revenues and expenditures are recognized in the appropriate accounting period.

In addition, the Hospital will establish procedures to identify construction and other grant-funded activities that have been incurred but not yet invoiced or paid and will record the appropriate accruals at each reporting period. Management will periodically review grant accounting records to ensure compliance with generally accepted accounting principles and grant requirements.

These corrective actions are expected to improve the accuracy and timeliness of grant accounting and reduce the need for significant year-end audit adjustments.

Anticipated Completion – Immediately; Responsible Party – Marcey Morgan, CFO

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