



**Jackson County Hospital District
and Affiliates**

FINANCIAL STATEMENTS

September 30, 2023 and 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2023, the Hospital adopted Governmental Accounting Standards Board (“GASB”) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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.

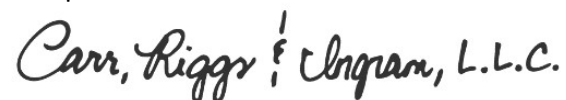
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4.12 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 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 April 1, 2024, 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.

Enterprise, Alabama
April 1, 2024

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, 2023.

Financial Highlights

- As presented in Table 2, fiscal year 2023's total assets decreased to \$99,071,767, or 4.33% when compared to fiscal year 2022 (restated). Jackson Hospital's total assets and deferred outflows decreased by \$4,654,096 or 4.47% for the fiscal year ended September 30, 2023. The reduction is a result of a reduction in operating cash and prepaid assets offset by an increase in the investments.
- The Hospital's total liabilities increased by approximately \$36,000, or .10%, when matched to fiscal year 2022 (restated), as represented in Table 2. This increase a direct result of the recoupment of LIP funds for state fiscal years 2014-2018 and potential liability for state fiscal years 2019-2023.
- As displayed in Table 5, the Hospital's operations saw an operating loss of \$7,003,135 in the current fiscal year in contrast to a loss of \$4,931,583 in the prior fiscal year. Salaries and benefits increased by \$3,091,356 or 8.47% during the current fiscal year. Supplies, contract services and fees decreased \$3,422,796 or 9.06% for the current period while other operating expenses increased by \$406,644 or 13.94%. 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 \$579,064 or .71%.
- Continued consideration must still be given to the impact that COVID-19 has had on the healthcare industry. The performance of the investments resulted in nonoperating investment income of \$497,551 and an increase in the value of the securities of \$1,622,307 during the current fiscal year. These results, lined with the final recognition of the remaining CARES Act funds, resulted in \$2,234,789 of nonoperating revenue. Together, the operating and nonoperating returns provided the Hospital with a negative change in net position of \$4,768,346 in fiscal year 2023.

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

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.

Summary of Net Position

Restatement of Prior Year Net Position

The previously issued financial statements for the year ended September 30, 2022, issued March 17, 2023, have been restated for a change in accounting principle related to the recognition of information technology subscriptions and right-of-use assets (GASB Statement No. 96).

The net position as of September 30, 2022 was affected by the restatement as follows:

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

TABLE 1
Restatement of Prior Year Net Position

<i>September 30, 2022</i>	As Previously Reported	Increase (Decrease)	As Restated
Assets			
Capital assets, net	\$ 41,234,952	\$ 497,307	\$ 41,732,259
Liabilities			
Current portion of subscriptions liability	\$ -	\$ 120,258	\$ 120,258
Subscriptions liability, less current portion	\$ -	\$ 383,170	\$ 383,170
Net Position			
Investment in capital assets, net	\$ 39,063,494	\$ (6,121)	\$ 39,057,373

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

TABLE 2
Condensed Statements of Net Position
September 30, 2023 and 2022

	2023	Restated 2022	Dollar Change	Percent Change
Current assets	\$ 42,204,586	\$ 45,063,896	\$ (2,859,310)	-6.35%
Capital assets, net	40,148,773	41,732,259	(1,583,486)	-3.79%
Other assets	16,718,408	16,756,716	(38,308)	-0.23%
Total assets	99,071,767	103,552,871	(4,481,104)	-4.33%
Deferred outflows of resources - pensions	447,524	620,516	(172,992)	-27.88%
Total assets and deferred outflows of resources	\$ 99,519,291	\$ 104,173,387	\$ (4,654,096)	-4.47%
Current liabilities	\$ 11,017,553	\$ 13,496,016	\$ (2,478,463)	-18.36%
Long-term liabilities	24,085,746	21,570,643	2,515,103	11.66%
Total liabilities	35,103,299	35,066,659	36,640	0.10%
Deferred inflows of resources	1,312,703	1,235,093	77,610	6.28%
Investments in capital assets, net of related debt	38,632,756	39,057,373	(424,617)	-1.09%
Unrestricted net assets	23,712,003	27,945,312	(4,233,309)	-15.15%
Restricted net assets	758,530	868,950	(110,420)	-12.71%
Total net position	63,103,289	67,871,635	(4,768,346)	-7.03%
Total liabilities, deferred inflows inflows of resources and net position	\$ 99,519,291	\$ 104,173,387	\$ (4,654,096)	-4.47%

As shown in Table 2, total assets and deferred outflows of resources was reduced by \$4,654,096 during the current fiscal year. This represented a balance of \$99,519,291 as of September 30, 2023. For the same period, total liabilities and deferred inflows of resources increased by \$114,250, adjusting the total to \$36,416,002.

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

TABLE 3
Condensed Statements of Net Position
September 30, 2022 and 2021

	Restated 2022	2021	Dollar Change	Percent Change
Current assets	\$ 45,063,896	\$ 54,291,645	\$ (9,227,749)	-17.00%
Capital assets, net	41,732,259	41,438,696	293,563	0.71%
Other assets	16,756,716	18,706,613	(1,949,897)	-10.42%
Total assets	103,552,871	114,436,954	(10,884,083)	-9.51%
Deferred outflows of resources - pensions	620,516	534,388	86,128	16.12%
Total assets and deferred outflows of resources	\$ 104,173,387	\$ 114,971,342	\$ (10,797,955)	-9.39%
Current liabilities	\$ 13,496,016	\$ 19,124,741	\$ (5,628,725)	-29.43%
Long-term liabilities	21,570,643	20,275,607	1,295,036	6.39%
Total liabilities	35,066,659	39,400,348	(4,333,689)	-11.00%
Deferred inflows of resources	1,235,093	2,967,752	(1,732,659)	-58.38%
Investments in capital assets, net of related debt	39,057,373	38,551,993	505,380	1.31%
Unappropriated net assets	27,945,312	31,177,250	(3,231,938)	-10.37%
Restricted net assets	868,950	2,873,999	(2,005,049)	-69.77%
Total net position	67,871,635	72,603,242	(4,731,607)	-6.52%
Total liabilities, deferred inflows inflows of resources and net position	\$ 104,173,387	\$ 114,971,342	\$ (10,797,955)	-9.39%

As shown in Table 3, total assets and deferred outflows of resources was reduced by \$10,797,955 during fiscal year 2022 (restated). This represented a balance of \$104,173,387 as of September 30, 2022. For the same period, total liabilities and deferred inflows of resources decreased by \$6,066,348, adjusting the total to \$36,301,752.

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

Summary of Revenue, Expenses and Changes in Net Position

Restatement of Prior Year Net Position

The previously issued financial statements for the year ended September 30, 2022, issued March 17, 2023, have been restated for a change in accounting principle related to the recognition of information technology subscriptions and right-of-use assets (GASB Statement No. 96). The Authority has restated the September 30, 2022 and 2021 statements of revenues, expenses, and change in net position for comparison purposes, with the exception of 2021 for GASB 96, as this was deemed impractical.

The change in net position as of September 30, 2022 was affected by the restatement as follows:

TABLE 4
Restatement of Prior Year Change in Net Position

<u>September 30, 2022</u>	As Previously Reported	Increase (Decrease)	As Restated
Operating Expenses			
Supplies and expenses	\$ 19,442,680	\$ (133,715)	\$ 19,308,965
Depreciation and amortization	\$ 4,304,197	\$ 124,327	\$ 4,428,524
Nonoperating revenue	\$ 215,485	\$ (15,509)	\$ 199,976
Change in net position	\$ (4,725,486)	\$ (6,121)	\$ (4,731,607)
Net position, end of year	\$ 67,877,756	\$ (6,121)	\$ 67,871,635

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

The following table presents a summary of the Hospital's historical revenue and expenses for the fiscal years ended September 30, 2023 and 2022.

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

	2023	Restated 2022	Dollar Change	Percent Change
Revenue:				
Net operating revenue	\$ 75,194,702	\$ 76,687,190	\$ (1,492,488)	-1.95%
Expenses:				
Salaries and employee benefits	39,573,779	36,482,423	3,091,356	8.47%
Supplies, contract services and fees	34,367,737	37,790,533	(3,422,796)	-9.06%
Other Operating expense	3,323,937	2,917,293	406,644	13.94%
Depreciation and amortization	4,932,384	4,428,524	503,860	11.38%
Total operating expenses	82,197,837	81,618,773	579,064	0.71%
Loss from operations	(7,003,135)	(4,931,583)	(2,071,552)	42.01%
Nonoperating revenue	2,234,789	199,976	2,034,813	1017.53%
Excess of revenue over expenses	(4,768,346)	(4,731,607)	(36,739)	0.78%
Beginning net position	67,871,635	72,603,242	(4,731,607)	-6.52%
Ending net position	\$ 63,103,289	\$ 67,871,635	\$ (4,768,346)	-7.03%

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

The following table presents a summary of the Hospital's historical revenue and expenses for the fiscal years ended September 30, 2022 and 2021.

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

	Restated 2022	2021	Dollar Change	Percent Change
Revenue:				
Net operating revenue	\$ 76,687,190	\$ 76,383,270	\$ 303,920	0.40%
Expenses:				
Salaries and employee benefits	36,482,423	35,812,140	670,283	1.87%
Supplies, contract services and fees	37,790,533	35,890,496	1,900,037	5.29%
Other operating expense	2,917,293	2,232,791	684,502	30.66%
Depreciation and amortization	4,428,524	4,247,047	181,477	4.27%
Total operating expenses	81,618,773	78,182,474	3,436,299	4.40%
Loss from operations	(4,931,583)	(1,799,204)	(3,132,379)	174.10%
Nonoperating revenue	199,976	7,621,433	(7,421,457)	-97.38%
Excess of revenue over expenses	(4,731,607)	5,822,229	(10,553,836)	-181.27%
Beginning net position	72,603,242	66,781,013	5,822,229	8.72%
Ending net position	\$ 67,871,635	\$ 72,603,242	\$ (4,731,607)	-6.52%

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

Sources of Revenue

Operating Revenue

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

Table 7 presents the relative percentages of gross charges billed for patient services by payer for the fiscal years ended September 30, 2023 and 2022. The Hospital experienced a slight increase in Medicare Managed care and a slight decrease in self-pay during the year. All other payors remained fairly constant.

TABLE 7
Payor Mix by Percentage
September 30, 2023 and 2022

Payor Mix by Percentage		
	2023	2022
Medicare	26%	26%
Medicare Advantage	24%	23%
Blue Cross Blue Shield	16%	16%
Medicaid	18%	18%
Commercial/Managed Care	11%	11%
Self-pay	5%	6%
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 2023 and fiscal year 2022:

The Hospital's inpatient admissions decreased by 2.2% during 2023 in comparison to 2022 while the overall length of stay was 4.8 days per admission in the current fiscal year. This combination produced a decrease in patient days by 5.2% for the year.

The Hospital's outpatient services continued to increase with outpatient visits increasing by 7.6%. The Hospital experienced an increase in emergency room visits of 13.2%, outpatient surgeries of 25.7% and quick care visits of 10.9%.

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

Net patient service revenue slightly decreased by approximately 1%, year over year. This represented a decrease of approximately \$1,955,000 in fiscal year 2023 compared to fiscal year 2022. 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 65.3% of gross patient revenue in 2023 and 56.9% in fiscal year 2022. These ratios are impacted by the changes in reimbursement from payers as well as payer mix.

Private pay revenue decreased slightly to 5% of patient revenue in 2023, while the Hospital's total bad debts adjustments experienced a slightly negative impact. The ratio of gross patient revenue in fiscal year 2023 was 5% compared to 4.92% in fiscal year 2022.

Salaries and employee benefits, at \$39,573,779, increased by 8.5% in 2023 resulting from an increase in employee health care costs and a normal yearly wage increases. The hospital continues to work to recruit employees in efforts to eliminate the use of agency staff hired during the Covid-19 surges.

Other expenses, such as supplies, contract services and fees, reflect the Hospital's continued efforts to reduce costs and eliminate agency staffing. Utility costs increased 16% in 2023.

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 \$2,234,789 in fiscal year 2023 represents a combination of these sources of revenue and losses. This figure represented a 1,017.5% increase from previous fiscal year of which \$1,622,307 is attributed to an unrealized market gain on Hospital investments.

As a result of the combination of these operating and non-operating yields, the Hospital recognized an excess of expenses over revenues of \$4,768,346 in fiscal year 2023 in comparison to an excess of expenses over revenues of \$4,731,607 in fiscal year 2022.

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

Capital Asset and Debt Administration

Capital Assets

The Hospital's capital asset activities are included in Table 8 below:

TABLE 8
Capital Assets
September 30, 2023 and 2022

	2023	Restated 2022	Dollar Change	Percent Change
Building and improvements	\$ 56,428,527	\$ 55,890,738	\$ 537,789	0.96%
Equipment	35,862,397	34,616,633	1,245,764	3.60%
Right of use asset	7,172,672	7,300,081	(127,409)	-1.75%
Leasehold improvements	255,472	255,472	-	0.00%
	99,719,068	98,062,924	1,656,144	1.69%
Less accumulated depreciation	(63,837,239)	(59,567,985)	(4,269,254)	7.17%
Land and land improvements	2,880,795	2,880,795	-	0.00%
Construction in progress	1,386,149	356,525	1,029,624	288.79%
Capital assets, net	\$ 40,148,773	\$ 41,732,259	\$ (1,583,486)	-3.79%

Capital assets, net decreased by \$1,583,486, or -3.79%, as increases in capital assets lagged behind recognized depreciation for the year. This lag was in deference to the Hospital's decreasing cash position and careful study of all expenses.

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

TABLE 9
Capital Assets
September 30, 2022 and 2021

	Restated 2022	2021	Dollar Change	Percent Change
Building and improvements	\$ 55,890,738	\$ 52,673,940	\$ 3,216,798	6.11%
Equipment	34,616,633	32,791,916	1,824,717	5.56%
Right of use asset	7,300,081	6,641,515	658,566	9.92%
Leasehold improvements	255,472	255,472	-	0.00%
	98,062,924	92,362,843	5,700,081	6.17%
Less accumulated depreciation	(59,567,985)	(55,228,181)	(4,339,804)	7.86%
Land and land improvements	2,880,795	2,223,731	657,064	29.55%
Construction in progress	356,525	2,080,303	(1,723,778)	-82.86%
Capital assets, net	\$ 41,732,259	\$ 41,438,696	\$ 293,563	0.71%

Capital assets, net increased by \$293,563, or 0.71%, due to the GASB 96 adjustment to Hospital subscription lease agreements.

Long-Term Liabilities

At our current year-end, the Hospital had \$24,085,746 in long-term liabilities compared to \$21,570,643 at September 30, 2022. This increase of \$2,515,103 during the current fiscal year represents an increase in estimated third party settlements.

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

<i>September 30,</i>	2023	Restated 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 9,969,856	\$ 15,642,570
Investments	21,108,347	17,817,364
Patient accounts receivable – net	7,328,155	7,355,094
Other receivables	529,561	750,117
Inventory	1,770,474	1,563,674
Prepaid expenses	1,351,748	1,792,955
Current portion of lease receivable	146,445	142,122
Total current assets	42,204,586	45,063,896
Capital assets, net	40,148,773	41,732,259
Other assets		
Restricted cash	758,530	868,950
Investment in life insurance policies in deferred compensation plan	4,131,072	4,027,606
Notes receivable	11,316,978	11,202,186
Lease receivable, less current portion	466,607	613,053
Other assets	45,221	44,921
Total other assets	16,718,408	16,756,716
Total assets	99,071,767	103,552,871
Deferred outflows of resources		
Deferred outflows of resources related to pensions	447,524	620,516
Total assets and deferred outflows of resources	\$ 99,519,291	\$ 104,173,387

(Continued)

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

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

<i>September 30,</i>	2023	Restated 2022
Liabilities, deferred inflows of resources and net position		
Current liabilities		
Current portion of long-term debt	\$ 137,785	\$ 132,658
Current portion of compensated absences	831,300	728,890
Accounts payable and accrued expenses	4,986,032	5,677,338
Estimated liability for malpractice claims	400,000	550,000
Due to patients and insurers	538,587	648,327
Life insurance policy loans	3,420,013	3,325,257
Unearned revenue	-	275,720
Current portion of lease liability	383,973	566,527
Current portion of subscription liabilities	147,966	120,258
Estimated third party payor settlements	171,897	1,471,041
Total current liabilities	11,017,553	13,496,016
Long-term liabilities		
Long-term debt, less current portion	15,342,155	15,526,406
Lease liability, less current portion	994,259	1,472,273
Subscription liability, less current portion	284,024	383,170
Net pension liability	2,409,184	2,696,830
Estimated third party payor settlements, long term portion	3,325,308	-
Compensated absences, long term portion	831,300	728,891
Deferred compensation liability	899,516	763,073
Total long-term liabilities	24,085,746	21,570,643
Total liabilities	35,103,299	35,066,659
Deferred inflows of resources		
Deferred inflows of resources related to pensions	736,798	515,211
Deferred inflows of resources related to leases	575,905	719,882
Total deferred inflows of resources	1,312,703	1,235,093
Net position		
Investment in capital assets, net of related debt	38,632,756	39,057,373
Unrestricted	23,712,003	27,945,312
Restricted for debt service	758,530	868,950
Total net position	63,103,289	67,871,635
Total liabilities, deferred inflows of resources and net position	\$ 99,519,291	\$ 104,173,387

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

<i>For the years ended September 30,</i>	2023	Restated 2022
Operating revenue		
Net operating revenue, pledged as collateral for revenue notes (net of provision for bad debts of \$10,625,707 in 2023 and \$9,819,670 in 2022)	\$ 75,194,702	\$ 76,687,190
Operating expenses		
Salaries and wages	32,482,625	29,734,883
Supplies and expenses	18,696,593	19,308,965
Other fees	14,024,599	17,454,729
Employee benefits	7,091,154	6,747,540
Depreciation and amortization	4,932,384	4,428,524
Utilities	2,062,491	1,777,581
Physician fees	1,646,545	1,026,839
Insurance and risk management	1,261,446	1,139,712
Total operating expenses	82,197,837	81,618,773
Loss from operations	(7,003,135)	(4,931,583)
Nonoperating revenue (expense)		
CARES PRF, miscellaneous income and contributions	433,332	3,875,604
Miscellaneous income (expense)	125,413	(51,283)
(Loss) gain on disposition of assets	5,500	10,000
Realized/unrealized loss on securities	1,622,307	(3,484,435)
Interest expense	(449,314)	(547,311)
Investment income	497,551	397,401
Total nonoperating revenue (expense)	2,234,789	199,976
Net increase (decrease) in net position	(4,768,346)	(4,731,607)
Net position - beginning of year	67,871,635	72,603,242
Net position - end of year	\$ 63,103,289	\$ 67,871,635

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

Jackson County Hospital District and Affiliates Statements of Cash Flows

<i>For the years ended September 30,</i>	2023	Restated 2022
Operating Activities		
Receipts from patient services	\$ 77,138,065	\$ 73,672,316
Payments to suppliers	(38,298,573)	(41,821,413)
Payments to employees	(39,442,553)	(36,773,552)
Other (payments) receipts	167,042	(537,036)
Net cash provided by (used in) operating activities	(436,019)	(5,459,685)
Noncapital Financing Activities		
Miscellaneous revenue and contributions	371,660	3,456,216
Capital and Related Financing Activities		
Purchases of capital assets	(3,348,898)	(4,055,389)
Proceeds from sale of fixed assets	-	98,722
Payment of principal on lease liability	(566,527)	(539,609)
Payment of principal on subscription liability	(120,258)	(118,206)
Principal paid on capital debt	(179,124)	(356,039)
Interest paid on debt	(449,314)	(404,691)
Principal received from lease receivable	142,122	137,927
Interest received from lease receivable	20,712	24,907
Net cash provided by (used in) capital and related financing activities	(4,501,287)	(5,212,378)
Investing Activities		
(Purchases) sales of investments, net	(1,694,327)	(1,035,387)
Interest and dividends	476,839	397,401
Net cash provided by (used in) investing activities	(1,217,488)	(637,986)
Net increase (decrease) in cash and cash equivalents	(5,783,134)	(7,853,833)
Cash and cash equivalents - beginning of year	16,511,520	24,365,353
Cash and cash equivalents - end of year	\$ 10,728,386	\$ 16,511,520
Reconciliation of Cash to the Consolidated Statements of Net Position		
Cash and cash equivalents	\$ 9,969,856	\$ 15,642,570
Restricted cash in other assets	758,530	868,950
Cash and cash equivalents - end of year	\$ 10,728,386	\$ 16,511,520

(Continued)

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

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

<i>For the years ended September 30,</i>	2023	Restated 2022
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities		
Loss from operations	\$ (7,003,135)	\$ (4,931,583)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities		
Depreciation and amortization	4,932,384	4,428,524
Provision for bad debts	10,625,707	9,819,670
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	(10,598,768)	(7,280,300)
Inventory, prepaid expense, other receivables and other assets	343,249	(1,224,337)
Notes receivable	(114,792)	(179,835)
Deferred outflows of resources related to pensions	172,992	(86,128)
Increase (decrease) in liabilities and deferred inflows of resources		
Accounts payable, accrued expenses and other current liabilities	(609,784)	(634,130)
Net pension liability	(287,646)	1,835,649
Deferred inflows of resources related to pensions/ leases	77,610	(1,732,659)
Estimated third-party payor settlements	2,026,164	(5,474,556)
Net cash provided by (used in) operating activities	\$ (436,019)	\$ (5,459,685)

Supplemental Disclosure of Non-Cash Activities

Unrealized gain (loss) on investments	\$ 1,105,610	\$ (4,131,581)
Forgiveness of notes receivable from medical students	\$ 125,463	\$ 77,287
Leased assets acquired	\$ 236,977	\$ 36,932
Assets acquired under subscriptions	\$ 74,335	\$ -

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

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 1: NATURE OF OPERATIONS

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

The financial statements include the accounts of the Hospital; Jackson Hospital Foundation, Inc., a not-for-profit organization created and operated exclusively for the purpose of soliciting and managing gifts, grants, and contributions for the Hospital; and Jackson Hospital QALICB, Inc., a not-for-profit organization created solely to benefit the Hospital through the use of New Markets Tax Credits (the "Affiliates"). All significant inter-activity accounts and transactions have been eliminated. The Affiliates are included in the financial statements as blended component units pursuant to Governmental Accounting Standards Board, Sections 2100 and 2600, which requires reporting, as a component unit, an organization that raises and/or holds economic resources for the direct benefit of a governmental unit.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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.

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.

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The Hospital is exposed to various risks of loss related to malpractice; torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Hospital has decided to purchase commercial insurance for the general liability and workers compensation. See Note 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 2023 is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim Payments	Balance at fiscal year-end
\$ 206,477	\$ 3,724,134	\$ 3,624,505	\$ 306,106

The activity for malpractice claims in 2023 is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim Payments	Balance at fiscal year-end
\$ 550,000	\$ 300,000	\$ 450,000	\$ 400,000

The activity for health insurance in 2022 is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim Payments	Balance at fiscal year-end
\$ 297,629	\$ 3,214,732	\$ 3,305,884	\$ 206,477

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management (continued)

The activity for malpractice claims in 2022 is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim Payments	Balance at fiscal year-end
\$ 300,000	\$ 250,000	\$ -	\$ 550,000

Restatement of Prior Year Financial Statements

The previously issued financial statements for the year ended September 30, 2022, issued March 17, 2023, have been restated for a change in accounting principle related to the recognition of information technology subscriptions and right-of-use assets (GASB Statement No. 96). The implementation of this statement requires restatement of the statement of net position, statement of revenues, expenses and changes in net position, and the statement of cash flows to record the cumulative effect of recording the original basis of the subscription based assets less accumulated amortization, net of the respective subscription liability.

The financial statements as of September 30, 2022 were restated as follows:

<i>September 30, 2022</i>	As Previously Reported	Increase (Decrease)	As Restated
Statement of Net Position:			
Assets			
Current assets			
Land, buildings and equipment – net	\$ 41,234,952	\$ 497,307	\$ 41,732,259
Liabilities and net position			
Current liabilities			
Current portion of subscriptions liability	-	120,258	120,258
Long-term liabilities			
Subscriptions liability, less current portion	-	383,170	383,170
Net position			
Investment in capital assets, net of related debt	39,063,494	(6,121)	39,057,373

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restatement of Prior Year Financial Statements (continued)

<i>For the year ended September 30, 2022</i>	As Previously Reported	Increase (Decrease)	As Restated
Statement of Revenue, Expenses and Change in Net Position:			
Operating expenses			
Supplies and expenses	\$ 19,442,680	\$ (133,715)	\$ 19,308,965
Depreciation and amortization	4,304,197	124,327	4,428,524
Total operating expenses	81,628,161	(9,388)	81,618,773
Loss from operations	(4,940,971)	9,388	(4,931,583)
Nonoperating expenses			
Interest	531,802	15,509	547,311
Change in net position	(4,725,486)	(6,121)	(4,731,607)
Net position, end of year	67,877,756	(6,121)	67,871,635

<i>For the year ended September 30, 2022</i>	As Previously Reported	Increase (Decrease)	As Restated
Statement of Cash Flows:			
Operating Activities			
Payments to suppliers	\$ (41,955,128)	\$ 133,715	\$ (41,821,413)
Net cash provided by (used in) operating activities	(5,593,400)	133,715	(5,459,685)
Capital and Related Financing Activities			
Payment of principal on subscription liability	-	(118,206)	(118,206)
Interest paid on capital debt	(389,182)	(15,509)	(404,691)
Net cash provided by (used in) capital and related financing activities	(5,078,663)	(133,715)	(5,212,378)
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating loss	(4,940,971)	9,388	(4,931,583)
Adjustments:			
Depreciation and amortization	4,304,197	124,327	4,428,524
Net cash provided by (used in) operating activities	(5,593,400)	133,715	(5,459,685)

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 government.

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

Investments

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

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."

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.

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable – Net (continued)

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 bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital's allowance for uncollectible accounts and contractual adjustments was approximately 73% and 71%, respectively, of gross patient receivables at September 30, 2023 and 2022. The Hospital did not materially alter its accounts receivable and revenue recognition policies during fiscal year 2023.

Lease Receivable

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

Inventory

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

Prepaid Expenses

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

Restricted Assets

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

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022.

Pension

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

Deferred Inflows & Outflows of Resources

In addition to assets, the 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.

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows & Outflows of Resources (continued)

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

In addition to liabilities, the 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 GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

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

Compensated Absences

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

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

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Liability (continued)

Lease contracts that provide the Hospital with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability.

The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

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

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

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

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

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 right-of-use (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 should be 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.

Jackson County Hospital District and Affiliates Notes to Financial Statements

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.

Subscription assets, reported with capital assets, and subscription liabilities, are reported on the statements of net position.

Categories and Classification of Net Position

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

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

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.

Jackson County Hospital District and Affiliates Notes to Financial Statements

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 \$5,080,776 and \$4,178,082 for the years ended September 30, 2023 and 2022, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$1,784,000 and \$1,490,000, 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 \$86,630 and \$89,168 for the years ended September 30, 2023 and 2022, respectively.

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2021. The Hospital adopted GASB 91 for the year ended September 30, 2023, and GASB 91 did not have an impact on the financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement is effective for fiscal years beginning after June 15, 2022. The Hospital adopted GASB 94 for the year ended September 30, 2023, and GASB 94 did not have an impact on the financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This Statement is effective for fiscal years beginning after June 15, 2022. The Hospital adopted GASB 96 for the year ended September 30, 2023. Additional information about the changes to the financial statements related to the implementation of this Statement can be found in Note 8.

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

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

The practice issues addressed by this Statement are as follows:

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

The requirements of this Statement are effective as follows:

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

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

The Hospital adopted the applicable provisions GASB 99 related to leases, PPPs, and SBITAs for the year ended September 30, 2023, and GASB 99 did not have a significant impact on the financial statements.

Pronouncements Issued But Not Yet Effective

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

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. 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 requirements of this Statement are effective for fiscal years beginning after June 15, 2024, 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:

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Healthcare Environment (continued)

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

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

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 1, 2024. See Note 22 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 \$516,697 and \$725,583 for the years ended September 30, 2023 and 2022, respectively. There were total unrealized gains of \$1,105,610 and unrealized losses of \$4,210,018 on investments as of the years ended September 30, 2023 and 2022, 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, 2023 and 2022, 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.

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

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.

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 \$1,263,471 and \$937,095 in various foreign equities that account for approximately 5.99% and 5.26% of the Hospital's total investments as of September 30, 2023 and 2022, respectively.

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

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

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

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.

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

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

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

	Fair Value	Level 1	Level 2	Level 3
<i>September 30, 2023</i>				
Fixed income				
Corporate securities	\$ 2,856,976	\$ 2,856,976	\$ -	\$ -
Total fixed income	2,856,976	2,856,976	-	-
Certificates of deposit	620,690	-	620,690	-
Domestic equities and mutual funds	11,447,417	11,447,417	-	-
Foreign equities	1,263,471	1,263,471	-	-
Real estate and tangibles	148,231	-	148,231	-
		<u>\$ 15,567,864</u>	<u>\$ 768,921</u>	<u>\$ -</u>
Money market securities	4,771,562			
Total investments, at fair value	\$ 21,108,347			

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2023 and 2022.

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.

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

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At September 30, 2023 and 2022, the Hospital's investments consisted of the following maturity dates:

	Fair Value	Investment Maturity		
		Less Than 1 Year	1-5 Years	5-10 Years
<i>September 30, 2023</i>				
Fixed income				
Corporate securities	\$ 2,856,976	\$ 196,105	\$ 2,397,783	\$ 263,088
Total fixed income	2,856,976	\$ 196,105	\$ 2,397,783	\$ 263,088
Certificates of deposit	620,690	\$ 351,363	\$ 90,915	\$ 178,412
Domestic equities and mutual funds	11,447,417			
Foreign equities	1,263,471			
Real estate and tangibles	148,231			
Money market securities	4,771,562			
Total investments, at fair value	\$ 21,108,347			

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

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 3: DEPOSITS AND INVESTMENTS (Continued)

At September 30, 2023 and 2022, the Hospital's investments consisted of the following investment ratings:

	Fair Value	Investment Rating			
		AAA	AA	A	Less than A
<i>September 30, 2023</i>					
Fixed income					
Corporate securities	\$ 2,856,976	\$ 275,076	\$ 792,351	\$ 761,340	\$ 1,028,209
Total fixed income	2,856,976	\$ 275,076	\$ 792,351	\$ 761,340	\$ 1,028,209
Certificates of deposit	620,690				
Domestic equities and mutual funds	11,447,417				
Foreign equities	1,263,471				
Real estate and tangibles	148,231				
Money market securities	4,771,562				
Total investments, at fair value	\$ 21,108,347				

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

At both September 30, 2023 and 2022, 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.

Jackson County Hospital District and Affiliates
Notes to Financial Statements

Note 4: PATIENT ACCOUNTS RECEIVABLE - NET

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

<i>September 30,</i>	2023	2022
Patient accounts receivable	\$ 26,798,362	\$ 25,664,710
Allowances for uncollectible accounts and contractual adjustments	(19,470,207)	(18,309,616)
Patient accounts receivable – net	\$ 7,328,155	\$ 7,355,094

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, 2023 and 2022, was as follows:

<i>September 30,</i>	2023	2022
Medicare	14%	13%
Medicare Advantage	20%	22%
Medicaid	9%	10%
Blue Cross	7%	7%
Commercial/HMO/PPO	16%	13%
Self-Pay	34%	35%
Total	100%	100%

Note 5: INVENTORY

Inventory consisted of the following:

<i>September 30,</i>	2023	2022
General supplies	\$ 602,834	\$ 546,305
Pharmacy	1,167,640	1,017,369
Total	\$ 1,770,474	\$ 1,563,674

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 6: LAND, BUILDINGS AND EQUIPMENT – NET

Capital asset additions, retirements, and balances for the year ended September 30, 2023 were as follows:

	Estimated Useful Lives	Restated Balance October 1, 2022	Additions	Retirements	Balance September 30, 2023
Capital assets, not being depreciated					
Land	N/A	\$ 1,202,363	\$ -	\$ -	\$ 1,202,363
Construction-in-progress	N/A	356,525	1,079,947	50,323	1,386,149
<hr/>					
Capital assets, not being depreciated/amortized		1,558,888	1,079,947	50,323	2,588,512
Capital assets, being depreciated/amortized					
Land improvements	10-20 years	1,678,432	-	-	1,678,432
Buildings	10-40 years	55,890,738	537,789	-	56,428,527
Fixed equipment	2-20 years	4,642,661	-	-	4,642,661
Major moveable equipment	5-20 years	29,973,972	1,470,173	224,409	31,219,736
Leasehold improvements	10-20 years	255,472	-	-	255,472
ROU Assets - Buildings	5-40 years	2,812,812	-	-	2,812,812
ROU Assets - Equipment	3-10 years	3,865,635	236,977	438,721	3,663,891
ROU Assets - SBITA	3-5 years	621,634	74,335	-	695,969
<hr/>					
Capital assets, being depreciated/amortized		99,741,356	2,319,274	663,130	101,397,500
Less accumulated depreciation/amortization for:					
Land improvements		1,197,799	3,045	-	1,200,844
Buildings		25,490,759	2,128,844	-	27,619,603
Fixed equipment		4,308,147	1,741	-	4,309,888
Major moveable equipment		24,738,028	1,881,864	224,409	26,395,483
Leasehold improvements		201,046	11,199	-	212,245
ROU Assets - Buildings		2,994,779	339,811	-	3,334,590
ROU Assets - Equipment		513,100	433,294	438,721	507,673
ROU Assets - SBITA		124,327	132,586	-	256,913
<hr/>					
Total accumulated depreciation/amortization		59,567,985	4,932,384	663,130	63,837,239
<hr/>					
Total capital assets being depreciated/amortized, net		40,173,371	(2,613,110)	-	37,560,261
<hr/>					
Total capital assets, net		\$ 41,732,259	\$ (1,533,163)	\$ 50,323	\$ 40,148,773

Jackson County Hospital District and Affiliates Notes to Financial Statements

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

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

	Estimated Useful Lives	Restated Balance October 1, 2021	Additions	Retirements	Restated Balance September 30, 2022
Capital assets, not being depreciated					
Land	N/A	\$ 1,002,090	\$ 200,273	\$ -	\$ 1,202,363
Construction-in-progress	N/A	2,080,303	2,412,212	4,135,990	356,525
<hr/>					
Capital assets, not being depreciated/amortized		3,082,393	2,612,485	4,135,990	1,558,888
Capital assets, being depreciated/amortized					
Land improvements	10-20 years	1,221,641	456,791	-	1,678,432
Buildings	10-40 years	52,673,940	3,225,922	9,124	55,890,738
Fixed equipment	2-20 years	4,642,661	-	-	4,642,661
Major moveable equipment	5-20 years	28,149,255	1,933,600	108,883	29,973,972
Leasehold improvements	10-20 years	255,472	-	-	255,472
ROU Assets - Buildings	5-40 years	2,812,812	-	-	2,812,812
ROU Assets - Equipment	3-10 years	3,828,703	36,932	-	3,865,635
ROU Assets - SBITA	3-5 years	621,634	-	-	621,634
<hr/>					
Capital assets, being depreciated/amortized		94,206,118	5,653,245	118,007	99,741,356
Less accumulated depreciation/amortization for:					
Land improvements		1,194,754	3,045	-	1,197,799
Buildings		23,542,991	1,947,768	-	25,490,759
Fixed equipment		4,304,662	3,485	-	4,308,147
Major moveable equipment		23,340,959	1,485,790	88,721	24,738,028
Leasehold improvements		189,847	11,199	-	201,046
ROU Assets - Buildings		2,654,968	339,811	-	2,994,779
ROU Assets - Equipment		-	513,100	-	513,100
ROU Assets - SBITA		-	124,327	-	124,327
<hr/>					
Total accumulated depreciation/amortization		55,228,181	4,428,525	88,721	59,567,985
<hr/>					
Total capital assets being depreciated/amortized, net		38,977,937	1,224,720	29,286	40,173,371
<hr/>					
Total capital assets, net		\$ 42,060,330	\$ 3,837,205	\$ 4,165,276	\$ 41,732,259

Depreciation expense, which includes amortization of ROU assets, totaled approximately \$4,932,000 and \$4,429,000, as restated, for the years ended September 30, 2023 and 2022, respectively. There were no significant asset impairments for the years ended September 30, 2023 and 2022.

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 7: NOTES RECEIVABLE

Notes receivable consists of the following:

<i>September 30,</i>	2023	2022
Notes receivable – medical students	\$ 1,500,721	\$ 1,401,600
Notes receivable – nurse scholarships	47,657	31,986
Note receivable – JH Marianna Investment Fund	9,768,600	9,768,600
Notes receivable	\$ 11,316,978	\$ 11,202,186

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 \$125,463 and \$77,287 for the years ended September 30, 2023 and 2022, respectively.

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

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 8: LONG-TERM LIABILITIES

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

<i>September 30,</i>	2023	2022
Truist (formerly SunTrust) Bank - Note Payable, interest and principal payable semi-annually at 3.18%, maturing July 2035, collateralized by Hospital net operating revenues.	\$ 1,979,940	\$ 2,159,064
RGC 17, LLC, Note A - Note Payable from Jackson Hospital QALICB, Inc., interest at 1.4737% payable quarterly beginning September 2021, 276 principal payments ranging from \$58,946 to \$172,432 payable quarterly beginning June 2028 through maturity in June 2051, secured by the assignment of rights under Ground Lease between the QALICB and the Hospital.	9,768,600	9,768,600
RGC 17, LLC, Note B - Note Payable from Jackson Hospital QALICB, Inc., interest at 1.4737% payable quarterly beginning September 2021, 276 principal payments ranging from \$21,701 to \$135,000 payable quarterly beginning June 2028 through maturity in June 2051, secured by the assignment of rights under Ground Lease between the QALICB and the Hospital.	3,731,400	3,731,400
Subtotal	15,479,940	15,659,064
Less: current portion	(137,785)	(132,658)
Total	\$ 15,342,155	\$ 15,526,406

A summary of changes in the Hospital's long-term liabilities for the years ended September 30, 2023 and 2022 follows:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due within One Year
Truist Bank	\$ 2,159,064	\$ -	\$ 179,124	\$ 1,979,940	\$ 137,785
RGC 17, LLC	13,500,000	-	-	13,500,000	-
Total notes payable	15,659,064	-	179,124	15,479,940	137,785
Compensated absences	1,457,781	2,812,449	2,607,630	1,662,600	831,300
Total long-term debt	\$ 17,116,845	\$ 2,812,449	\$ 2,786,754	\$ 17,142,540	\$ 969,085

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 8: LONG-TERM LIABILITIES (Continued)

	Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022	Due within One Year
Truist Bank	\$ 2,291,332	\$ -	\$ 132,268	\$ 2,159,064	\$ 132,658
RGC 17, LLC	13,500,000	-	-	13,500,000	-
Total notes payable	15,791,332	-	132,268	15,659,064	132,658
Compensated absences	1,413,191	2,433,786	2,389,196	1,457,781	728,891
Total long-term debt	\$ 17,204,523	\$ 2,433,786	\$ 2,521,464	\$ 17,116,845	\$ 861,549

Lease liability activity for the years ended September 30, 2023 and 2022, was as follows:

	Restated Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due within One Year
Buildings	\$ 1,174,947	\$ -	\$ 215,991	\$ 958,956	\$ 243,401
Equipment	863,853	236,977	681,554	419,276	140,572
Subscriptions	503,428	74,335	145,773	431,990	147,966
Total	\$ 2,542,228	\$ 311,312	\$ 1,043,318	\$ 1,810,222	\$ 531,939

	Balance 10/1/2021	Additions	Reductions	Restated Balance 9/30/2022	Due within One Year
Buildings	\$ 1,384,562	\$ -	\$ 209,615	\$ 1,174,947	\$ 215,991
Equipment	1,136,245	57,602	329,994	863,853	350,536
Subscriptions	621,634	-	118,206	503,428	120,258
Total	\$ 3,142,441	\$ 57,602	\$ 657,815	\$ 2,542,228	\$ 686,785

Total interest expense for the years ended September 30, 2023 and 2022, as restated, was \$449,314 and \$547,311, respectively. Interest paid during the years ended September 30, 2023 and 2022 was \$449,314 and \$404,691, respectively.

All of the Hospital's debt are direct borrowings for the years ended September 30, 2023 and 2022.

Jackson County Hospital District and Affiliates Notes to Financial Statements

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, 2023:

For the year ending September 30,	Note		Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 137,785	\$ 79,399	\$ -	\$ 198,950	\$ 137,785	\$ 278,349
2025	143,110	74,074	-	198,950	143,110	273,024
2026	148,641	68,543	-	198,950	148,641	267,493
2027	154,386	62,798	-	198,950	154,386	261,748
2028	160,353	56,831	215,647	198,152	376,000	254,983
2029-2033	899,659	186,261	1,804,790	918,405	2,704,449	1,104,666
2034-2038	336,006	23,944	2,303,418	768,719	2,639,424	792,663
2039-2043	-	-	2,939,807	577,672	2,939,807	577,672
2044-2048	-	-	3,752,024	333,849	3,752,024	333,849
2049-2051	-	-	2,484,314	55,719	2,484,314	55,719
Total	1,979,940	551,850	13,500,000	3,648,316	15,479,940	4,200,166
Current portion	(137,785)	(79,399)	-	(198,950)	(137,785)	(278,349)
Payable after one year	\$ 1,842,155	\$ 472,451	\$ 13,500,000	\$ 3,449,366	\$ 15,342,155	\$ 3,921,817

Leases - Lessee

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

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

- Building leases
 - Outpatient clinical services locations in Marianna and the surrounding areas
 - Administrative office suites located off the main Hospital campus
 - Building leases range from 48 to 84 months (often with one year renewal periods)
- Equipment
 - Specialized medical equipment, including a mobile CT machine
 - Office equipment
 - Equipment leases range from 24 to 60 months (often with one year renewal periods)

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 8: LONG-TERM LIABILITIES (Continued)

Leases - Lessee (continued)

With the implementation of GASB 87, the initial lease liability was recorded in the amount of approximately \$2,998,000 (October 1, 2020). As of September 30, 2023 and 2022, the value of lease liability was approximately \$1,378,000 and \$2,039,000, respectively. The Hospital is required to make monthly principal and interest payments totaling approximately \$35,000. The leases have interest rates of 3%.

As of September 30, 2023, leased assets (right of use) totaled \$6,476,704, comprised of buildings of \$2,812,812 and equipment of \$3,663,892. Accumulated amortization totaled \$3,842,263.

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

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

<i>For the years ending September 30,</i>	Principal	Interest	Total
2024	\$ 383,973	\$ 36,020	\$ 419,993
2025	363,412	24,661	388,073
2026	305,903	14,644	320,547
2027	287,998	5,789	293,787
2028	36,946	463	37,409
Total	\$ 1,378,232	\$ 81,577	\$ 1,459,809

Leases – Subscription Based Information Technology Arrangements

GASB No. 96, *Subscription-Based Information Technology Arrangements*, was adopted October 1, 2021. Under this new guidance, nearly 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 must be recorded as both a ROU asset and a subscription liability. The liability is measured using the present value of 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. Amortization of the ROU asset flows through amortization expense monthly using straight-line basis over the life of the subscription.

The right-of-use 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.

With the implementation of GASB 96, the initial subscription liability was recorded in the amount of \$621,634. As of September 30, 2023 and 2022, the balance of the subscription liability was \$431,990 and \$503,428, 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%.

Jackson County Hospital District and Affiliates
Notes to Financial Statements

Note 8: LONG-TERM LIABILITIES (Continued)

Leases – Subscription Based Information Technology Arrangements (continued)

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

<i>For the years ending September 30,</i>	Principal	Interest	Total
2024	\$ 147,966	\$ 11,265	\$ 159,231
2025	152,456	6,775	159,231
2026	131,568	2,147	133,715
Total	\$ 431,990	\$ 20,187	\$ 452,177

Leases - Lessor

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

The Hospital accounts for leases in accordance with GASB 87. The Hospital’s operations consist of agreements for use of buildings under leases expiring in various years through 2026. The Hospital recognized \$143,976 and \$137,927 of lease revenue and \$20,712 and \$24,907 of lease interest for the years ended September 30, 2023 and 2022, respectively.

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

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 8: LONG-TERM LIABILITIES (Continued)

Leases - Lessor (continued)

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

<i>For the years ending September 30,</i>	Total
2023	\$ 162,834
2024	162,834
2025	162,834
2026	162,834
Total	\$ 651,336

The effective interest rate on the lease is 3% as of September 30, 2023 and 2022.

As of September 30, 2023 and 2022, the components of the lease receivable are as follows:

<i>September 30,</i>	2023	2022
Lease payments due	\$ 651,336	\$ 814,170
Less amounts representing interest	(38,284)	(58,995)
Principal payments due	613,052	755,175
Less current portion	(146,445)	(142,122)
Lease receivable, less current portion	\$ 466,607	\$ 613,053

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 fiscal intermediary.

The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary or settled without audit through September 30, 2019.

Jackson County Hospital District and Affiliates Notes to Financial Statements

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:

<i>For the years ended September 30,</i>	2023	2022
Patient revenue	\$ 212,689,321	\$ 198,633,674
Other operating revenue	1,356,697	904,034
Total gross revenue	214,046,018	199,537,708
Less: Contractual adjustment - Medicare, Medicaid and others	126,836,076	112,001,529
Less: Administrative discounts	1,389,533	1,029,319
Less: Provision for bad debts	10,625,707	9,819,670
Total adjustments to revenue	138,851,316	122,850,518
Net operating revenue	\$ 75,194,702	\$ 76,687,190

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

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 10: CONTINGENCIES (Continued)

of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Revenue from the Medicare and Medicaid programs accounted for approximately 37 percent and 15 percent, respectively, of the Hospital's net patient revenue for the year ended 2023. Revenue from the Medicare and Medicaid programs accounted for approximately 27 percent and 17 percent, respectively, of the Hospital's net patient revenue for the year ended 2022. 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 2018 and 2019 DSH years to comply with the federal regulations. The results of the examination indicate the Hospital was overpaid based on existing federal guidance. Please see Note 22 for further information on liabilities recorded at September 30, 2023 related to known and estimated Low Income Pool (LIP) overpayments.

Note 11: COMMITMENTS

Management Agreement

The Hospital has executed a five year agreement for management services with Ovation Healthcare which expires July 31, 2025. This agreement may be terminated without cause by providing written notice effective July 31, 2023. The agreement provides for an annual fee of \$325,000, to be adjusted annually for increases or decreases in the Consumer Price Index. The fees paid are included in "Other Fees" under expenses and were \$338,132 and \$328,226 for the years ended September 30, 2023 and 2022, 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

Jackson County Hospital District and Affiliates Notes to Financial Statements

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

includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The 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 \$5 (\$7.50 as of July 1, 2023). 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.

Jackson County Hospital District and Affiliates
Notes to Financial Statements

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

Contributions (continued)

The employer's contribution rates as of September 30, 2023 and 2022, were as follows:

<u>September 30, 2023</u>	FRS	HIS
Florida Retirement System:		
Regular	11.85%	1.66%
Special Risk	30.95%	1.66%
Senior Management Service Class	32.80%	1.66%
DROP	19.41%	1.66%
<u>September 30, 2022</u>	FRS	HIS
Florida Retirement System:		
Regular	10.19%	1.66%
Special Risk	26.11%	1.66%
Senior Management Service Class	29.85%	1.66%
DROP	16.88%	1.66%

All of the above contribution rates disclosed above include an additional 0.6% administration fee charged to participating employers.

The Hospital's contributions to the FRS for the years ended September 30, 2023, 2022, and 2021 were \$220,863, \$230,668, and \$240,477, respectively. The Hospital's contributions to the HIS for the years ended September 30, 2023, 2022, and 2021 were \$25,908, \$30,370, and \$33,739, respectively.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2023 and 2022, 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, 2023 and 2022. The Hospital's proportions of the net pension liabilities were based on the Hospital's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

Jackson County Hospital District and Affiliates
Notes to Financial Statements

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

Pension Liabilities and Pension Expense (continued)

<i>September 30, 2023</i>	FRS		HIS	
Net Pension Liability	\$	1,761,686	\$	647,498
Proportion at:				
Current measurement date		0.0000442		0.0000408
Prior measurement date		0.0000573		0.0000533
Pension expense (benefit)	\$	211,234	\$	136,483
<i>September 30, 2022</i>	FRS		HIS	
Net Pension Liability	\$	2,131,941	\$	564,889
Proportion at:				
Current measurement date		0.0000573		0.0000533
Prior measurement date		0.0000584		0.0000546
Pension expense (benefit)	\$	181,161	\$	(60,970)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<i>September 30, 2023</i>	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Description				
Differences between expected and actual experience	\$ 165,407	\$ -	\$ 9,479	\$ (1,520)
Changes in assumption	114,841	-	17,023	(56,107)
Net difference between projected and actual earnings on pension plan investments	73,573	-	334	-
Changes in proportion and differences between hospital contributions and proportional share of contributions	-	(405,818)	-	(273,353)
Hospital contributions subsequent to the measurement date	59,486	-	7,381	-
Total	\$ 413,307	\$ (405,818)	\$ 34,217	\$ (330,980)

**Jackson County Hospital District and Affiliates
Notes to Financial Statements**

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

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

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

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period.

Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<i>For the years ending September 30,</i>	FRS	HIS
2024	\$ (76,587)	\$ (90,501)
2025	(126,859)	(71,859)
2026	209,934	(61,332)
2027	(45,316)	(44,065)
2028	(13,169)	(29,169)
Thereafter	-	(7,218)
Total	\$ (51,997)	\$ (304,144)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2023. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated June 30, 2023. For the HIS Program, the total pension liability was determined by an actuarial valuation dated June 30, 2023. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

Jackson County Hospital District and Affiliates
Notes to Financial Statements

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

Actuarial Assumptions (continued)

<u>September 30, 2023</u>	FRS	HIS
Inflation	2.40%	2.40%
Salary increases	3.25%	3.25%
Investment rate of return	6.70%	N/A
Discount rate	6.70%	3.65%
<hr/>		
<u>September 30, 2022</u>	FRS	HIS
Inflation	2.40%	2.40%
Salary increases	3.25%	3.25%
Investment rate of return	6.70%	N/A
Discount rate	6.70%	3.54%

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

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

The following changes in key actuarial assumptions occurred in 2023:

HIS:

- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.
- Chapter 2023-193, Laws of Florida (Senate Bill 7024), increased the level of monthly benefits 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 receiving benefits and members not yet receiving benefits.

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 2023 and 2022.

Jackson County Hospital District and Affiliates
Notes to Financial Statements

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, 2023

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return *
Cash	1.0%	2.9%	2.9%
Fixed income	19.8%	4.5%	4.4%
Global equity	54.0%	8.7%	7.1%
Real estate	10.3%	7.6%	6.6%
Private equity	11.1%	11.9%	8.8%
Strategic investments	3.8%	6.3%	6.1%
Total	100.0%		

September 30, 2022

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

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

* Includes assumed rate of inflation of 2.4% for 2023 and 2022.

Jackson County Hospital District and Affiliates Notes to Financial Statements

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

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.7% for 2023 and 2022, respectively. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis and the depletion date is considered to be immediate, a municipal bond rate of 3.65% and 3.54% was used for 2023 and 2022, 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, 2023

FRS Net Pension Liability			HIS Net Pension Liability		
Current			Current		
1% Decrease	Discount Rate	1% Increase	1% Decrease	Discount Rate	1% Increase
5.70%	6.70%	7.70%	2.65%	3.65%	4.65%
\$ 3,009,274	\$ 1,761,686	\$ 717,892	\$ 738,694	\$ 647,498	\$ 571,903

September 30, 2022

FRS Net Pension Liability			HIS Net Pension Liability		
Current			Current		
1% Decrease	Discount Rate	1% Increase	1% Decrease	Discount Rate	1% Increase
5.70%	6.70%	7.70%	2.54%	3.54%	4.54%
\$ 3,687,045	\$ 2,131,941	\$ 831,689	\$ 646,279	\$ 564,889	\$ 497,540

Pension Plans' Fiduciary Net Position

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

Jackson County Hospital District and Affiliates Notes to Financial Statements

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

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the years ended September 30, 2023 and 2022, totaled \$212,686 and \$244,500, 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:

	2023	2022
Assets, principally cash, cash equivalents, and investments	\$ 1,011,599	\$ 866,939
Liabilities	\$ -	\$ -
Net Position	1,011,599	866,939
Total liabilities and net position	\$ 1,011,599	\$ 866,939
Support and revenue	\$ 192,613	\$ 276,931
Expenses		
Distributions to/for Jackson County Hospital	-	75,000
Other	47,953	178,732
Total expenses	47,953	253,732
Excess of support and revenue over (under) expenses	144,660	23,199
Net position, beginning of year	866,939	843,740
Net position, end of year	\$ 1,011,599	\$ 866,939
	2023	2022
Donated assets	\$ -	\$ 75,000

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 13: BLENDED COMPONENT UNITS (Continued)

Jackson Hospital Foundation, Inc. (continued)

For the years ended September 30, 2023 and 2022, \$0 and \$75,000, respectively, of operating expenses represents cash donations from the Foundation to the Hospital. Such amounts have been eliminated against donations income on the accompanying 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.

At September 30, 2023 and 2022, respectively, the Trust had assets comprised of investment in life insurance policies totaling \$4,131,072 and \$4,027,606, liabilities comprised of life insurance policy loans totaling \$3,420,013 and \$3,325,257, and deferred compensation liability totaling \$899,516 and \$763,073, resulting in a net position (deficit) of (\$188,457) and (\$60,724). Support and revenues and expenses were not significant in either fiscal years 2023 or 2022.

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.

Jackson County Hospital District and Affiliates
Notes to Financial Statements

Note 13: BLENDED COMPONENT UNITS (Continued)

Jackson Hospital QALICB, Inc. (continued)

	2023	2022
Cash and cash equivalents - unrestricted	\$ 129,517	\$ 126,980
Cash and cash equivalents - restricted	680,063	793,313
Receivable from Jackson Hospital	9,775,821	9,775,821
Total assets	\$ 10,585,401	\$ 10,696,114
Liabilities, debt to RGC 17, LLC and related accrued interest expense	\$ 13,500,000	\$ 13,500,000
Net Position	(2,914,599)	(2,803,886)
Total liabilities and net position	\$ 10,585,401	\$ 10,696,114
Support and revenue - Rent from Hospital	\$ 124,236	\$ 122,400
Expenses		
Other operating expenses	36,000	1,904,942
Interest Expense	198,949	198,848
Total expenses	234,949	2,103,790
Excess of support and revenue over (under) expenses	(110,713)	(1,981,390)
Net position, beginning of year	(2,803,886)	(822,496)
Net position, end of year	\$ (2,914,599)	\$ (2,803,886)

For the years ended September 30, 2023 and 2022, \$124,236 and \$122,400, 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. The receivable from Jackson Hospital totaling \$9,775,821 reported by the QALICB above has been eliminated against a payable in the same amount reported by the Hospital in the accompanying statements of net position for 2023.

Note 14: RELATED PARTY TRANSACTIONS AND SALE-LEASEBACK

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

Contributions from the Auxiliary were not material in either fiscal years 2023 or 2022.

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

Jackson County Hospital District and Affiliates Notes to Financial Statements

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

Transactions between the Hospital and the QALICB are described in Note 13 above. These two entities engaged in a sale-leaseback transaction in 2021, accounted for as a financing arrangement under generally accepted accounting principles. The agreement calls for quarterly payments from the Hospital to the QALICB under a 'triple net lease' for a period of up to thirty years. It is expected that this agreement will be terminated by mutual agreement of all parties at the end of seven years upon the completion of requirements related to the New Markets Tax Credits. Future net minimum lease payments from the Hospital to the QALICB as of September 30, 2023 and future are described below:

2024	\$	127,345
2025		129,892
2026		132,490
2027		135,139
2028		307,653
Thereafter		18,720,056
Total minimum future rentals	\$	19,552,575

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, 2023 to December 31, 2023 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, 2023 and 2022 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.

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 17: TAX DEFERRED ANNUITY PLAN

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

Note 18: DEFINED CONTRIBUTION PLAN

Jackson Hospital sponsors a defined contribution retirement plan for full-time and part-time employees hired after January 1, 1996 who have completed one year of service requiring a contribution of 2% of covered payroll. The Hospital can amend or terminate the plan anytime at its sole discretion. Pension expense related to the plan was \$770,902 and \$616,819 for the years ended September 30, 2023 and 2022, 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 \$877,528 and \$454,267 for the years ended September 30, 2023 and 2022, respectively.

Note 20: UNCERTAINTIES

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

Note 21: CARES ACT FUNDING

Additional funding for the Public Health and Social Services Emergency Fund ("Relief Fund") was among the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was signed into law on March 27, 2020, and other legislation. In the year ended September 30, 2020, the Hospital received cash payments of approximately \$10,817,000 from the Relief Fund and state grant programs, and the Hospital received approximately \$3,716,000 and \$0 in the fiscal years ended September 30, 2022 and 2023, respectively. These amounts are reported as nonoperating revenues in accompanying statement of revenues, expenses and changes in net position, as the monies are "spent" and reported based on qualifying criteria established by the federal government.

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 21: CARES ACT FUNDING (Continued)

Payments from the Relief Fund are not loans therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions.

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

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

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

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

During the years ended September 30, 2023 and 2022, the Hospital recognized approximately \$276 thousand and \$3.4 million of Relief Fund income, respectively, included as nonoperating income, associated with lost operating revenue and COVID-related costs.

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

- The CARES Act and subsequent legislation suspended the 2% sequestration payment reduction applied to all Medicare Fee-for-Service (FFS) claims from May 1, 2020, through March 31, 2022. A 1% sequestration adjustment was reinstated April 1, 2022, through September 30, 2022. The original 2% sequestration adjustment was reinstated July 1, 2022, and is still in effect.
- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency. The Department of Health and Human Services declared the end of the public health emergency (PHE) on May 11, 2023.

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 21: CARES ACT FUNDING (Continued)

- The Affordable Care Act (ACA) mandated cuts to Medicaid DSH based on the assumption Medicaid coverage would expand to almost all non-elderly adults under age 65. As originally structured, the ACA called for a total of \$18 billion in Medicaid DSH cuts beginning in federal fiscal year 2014 through 2020. Subsequent legislation has both delayed implementation of the cuts and extended the Medicaid DSH cuts.
- The American Rescue Plan Act of 2021 temporarily increased federal fiscal years 2020 - 2023 Federal DSH allotments because of the COVID-19 Pandemic. Medicaid DSH payment reductions are scheduled to be implemented in the near future. The need for Medicaid DSH supplemental funding remains essential as the Hospital copes with the impacts of financial instability while supporting our mission to treat all patients, regardless of their ability to pay.
- The CARES Act expanded the Medicare Accelerated and Advance payments program, which provided prepayment of claims to providers in certain circumstances, such as national emergencies or natural disasters. Under this measure, providers could request accelerated and advance payments for Medicare Part A and Part B suppliers. Under the Continuing Appropriations Act, 2022 and Other Extensions Act, repayment began one year from the issuance date of each provider or supplier's accelerated or advance payment. After the first 12 months, Medicare automatically recouped 25 percent of Medicare payments otherwise owed to the provider or supplier for eleven months. At the end of the eleven-month period, recoupment increased to 50 percent for another six months.
- If the provider or supplier was unable to repay the total amount of the accelerated or advance payment during this time-period (a total of 29 months), the Centers for Medicare and Medicaid Services (CMS) issued demand letters requiring repayment of any outstanding balance, subject to an interest rate of four percent consistent with the Continuing Appropriations Act, 2021. In fiscal year 2020, the Hospital applied for and received approximately \$8.5 million of accelerated payments. For the years ended September 30, 2023 and September 30, 2022, the Hospital repaid approximately \$126 thousand and \$6.1 million, respectively, in accelerated and advance payments. The remaining balance of Medicare accelerated and advance payments on September 30, 2022 was approximately \$126 thousand, included in estimated amounts due to third party payors. The balance of Medicare accelerated and advance payments was paid in full for the fiscal year ended September 30, 2023.
- A 6.2% increase in the Federal Medical Assistance Percentage ("FMAP") matching funds was instituted to help states respond to the COVID-19 pandemic. The additional funds were available to states beginning on January 1, 2020 provided that states meet certain conditions. An increase in states' FMAP leveraged Medicaid's existing financing structure, which allowed federal funds to be provided to states more quickly and efficiently than establishing a new program or allocating money from a new funding stream. Increased federal matching funds supported states in responding to the increased need for services, such as testing and treatment during the COVID-19 public health emergency, as well as increased enrollment as more people lose income and qualify for Medicaid during the economic downturn. The public health emergency ended on May 11, 2023.

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

Jackson County Hospital District and Affiliates Notes to Financial Statements

Note 22: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2023 through April 1, 2024, the date the Hospital's financial statements were available to be issued.

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 ended June 30, 2014 – June 30, 2018. This issue was pursuant to a settlement agreement between CMS and AHCA, signed on September 28, 2023.

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. The Hospital's management has determined that this represents a "recognized event", pursuant to GASB No. 56, and should be recorded on the financial statements as of September 30, 2023.

The Hospital closely coordinated and communicated with AHCA in determining the potential total exposure as of September 30, 2023. In addition to the demand letter noted above, AHCA will soon send additional demand letters for state fiscal years ended June 30, 2019 and June 30, 2020. The Hospital estimated the repayment for state fiscal years 2019 and 2020, using the third party examination results letters received (LIP paid in excess of costs), multiplied by the estimated FFP. The Hospital recorded approximately \$1.8 million of liabilities (included in current and noncurrent estimated third party payor settlements) related to state fiscal years 2019 – 2020, as of September 30, 2023.

For state fiscal years 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 \$2.5 million. The Hospital recorded a non-current liability (estimated third party payor settlements, long term portion) for this amount, as of September 30, 2023.

It is possible that this matter is not limited only to LIP, as it may also extend to DSH funding for the same general timeframe. As of the date these financials were available for release, the Hospital's management has determined that it is not probable that a liability exists related to DSH.

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.

**Required Supplementary
Information**

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

<i>September 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Hospital's proportion of the net pension liability (asset)	0.0044%	0.0057%	0.0058%	0.0059%	0.0065%	0.0069%	0.0075%	0.0095%	0.0102%	0.0110%
Hospital's proportionate share of the net pension liability (asset)	\$ 1,761,686	\$ 2,131,941	\$ 440,918	\$ 2,574,317	\$ 2,233,752	\$ 2,083,059	\$ 2,220,254	\$ 2,389,585	\$ 1,314,323	\$ 669,385
Hospital's covered - employee payroll	\$ 1,560,746	\$ 1,635,518	\$ 2,411,509	\$ 2,452,566	\$ 2,411,062	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 3,370,543	\$ 3,599,149
Hospital's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	112.87%	130.35%	18.28%	104.96%	92.65%	78.85%	72.64%	75.26%	38.99%	18.60%
FRS Plan fiduciary net position as a percentage of the total pension liability	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

Note to schedule:

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

**Jackson County Hospital District and Affiliates
Schedule of Contributions
Florida Retirement System (Last 10 fiscal years)**

<i>For the years ended September 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 212,686	\$ 244,500	\$ 222,364	\$ 197,347	\$ 201,119	\$ 197,093	\$ 195,402	\$ 230,787	\$ 248,091	\$ 240,309
Contributions in relation to the contractually required contribution	(212,686)	(244,500)	(222,364)	(197,347)	(201,119)	(197,093)	(195,402)	(230,787)	(248,091)	(240,309)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered-employee payroll	\$ 1,560,746	\$ 1,635,518	\$ 2,411,509	\$ 2,488,852	\$ 2,342,332	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 3,370,543	\$ 3,599,149
Contributions as a percentage of covered-employee payroll	13.63%	14.95%	9.22%	7.93%	8.59%	7.46%	6.39%	7.27%	7.36%	6.68%

Note to schedule:

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

**Jackson County Hospital District and Affiliates
Schedule of Proportional Share of Net Pension Liability
Health Insurance Subsidy (Last 10 fiscal years)**

<i>September 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Hospital's proportion of the net pension liability (asset)	0.0041%	0.0053%	0.0055%	0.0063%	0.0073%	0.0081%	0.0091%	0.0110%	0.0113%	0.0125%
Hospital's proportionate share of the net pension liability (asset)	\$ 647,498	\$ 564,889	\$ 670,263	\$ 765,316	\$ 811,217	\$ 857,785	\$ 974,570	\$ 1,281,958	\$ 1,154,331	\$ 1,166,072
Hospital's covered - employee payroll	\$ 1,560,746	\$ 1,635,518	\$ 2,411,509	\$ 2,452,566	\$ 2,411,062	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 3,370,543	\$ 3,599,149
Hospital's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	41.49%	34.54%	27.79%	31.20%	33.65%	32.47%	31.89%	40.38%	34.25%	32.40%
HIS Plan fiduciary net position as a percentage of the total pension liability	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

Note to schedule:

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

**Jackson County Hospital District and Affiliates
Schedule of Contributions
Health Insurance Subsidy (Last 10 fiscal years)**

<i>For the years ended September 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contributions	\$ 26,820	\$ 32,171	\$ 32,118	\$ 36,120	\$ 40,259	\$ 43,951	\$ 48,237	\$ 56,380	\$ 43,267	\$ 42,722
Contributions in relation to the contractually required contribution	(26,820)	(32,271)	(32,118)	(36,120)	(40,259)	(43,951)	(48,237)	(56,380)	(43,267)	(42,722)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered-employee payroll	\$ 1,560,746	\$ 1,635,518	\$ 2,411,509	\$ 2,488,852	\$ 2,342,332	\$ 2,641,806	\$ 3,056,319	\$ 3,175,059	\$ 3,370,543	\$ 3,599,149
Contributions as a percentage of covered-employee payroll	1.72%	1.97%	1.33%	1.45%	1.72%	1.66%	1.58%	1.78%	1.28%	1.19%

Note to schedule:

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



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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, 2023. 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 did not comply, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2023. This noncompliance and managements response, is addressed in Finding 2023-001 in the accompanying Schedule of Findings and Responses.

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


CARR, RIGGS & INGRAM, LLC.

Enterprise, Alabama
April 1, 2024



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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, 2023, and the related notes to the financial statements, which collectively comprise the Hospital’s basic financial statements and have issued our report thereon dated April 1, 2024.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's 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 an instance of noncompliance or other matter that is required to be reported under *Governmental Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as Finding 2023-001.

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 Responses. 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, LLC.

Enterprise, Alabama

April 1, 2024

**Jackson County Hospital District and Affiliates
Schedule of Findings & Responses
For the Year Ended September 30, 2023**

2023 – 001 Local Government Investments Compliance

Criteria: The State of Florida’s Statutes for 2023, Chapter 218, Section 218.415, *Florida Statutes, Local Government Investment Policies*, outlines requirements for local governments related to the investment of funds and the creation of policies governing those funds.

Condition: The Hospital reviewed and approved a new investment policy, dated January of 2023, which outlines various directions of the Board related to any future investments. However, the Hospital’s investment policy does not meet all of the requirements of Florida Statutes Section 218.415 (14), *Continuing Education*. As such, the Hospital is not in compliance with Florida Statutes as of September 30, 2023.

Cause: The Hospital’s investment policy was not drafted in a format that meets all of the requirements of the Florida Statutes.

Effect: The Hospital is not in compliance with the requirements of the Florida Statutes.

Recommendation: Management should consult with its legal counsel and revise its current investment policy to meet the requirements of the Florida Statutes.

Views of Responsible Officials and Planned Corrective Actions: The Investment Policy is in the process of being updated to comply with Florida Statute. The Hospital will form an investment committee in fiscal year 2024 comprised of legal counsel, compliance, the Hospital Board, CEO and CFO and review the investment policy annually and ensure it meets the requirements of the Florida Statutes.



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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, 2023, and have issued our report thereon dated April 1, 2024.

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; 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*; 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 April 1, 2024, 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. There were no prior audit findings in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Special District Component Units

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

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

- a) The total number of district employees compensated in the last pay period of the district's fiscal year was 756.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year was 69.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was \$34,769,716.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency was \$5,181,873.

- e) Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:
- A former elementary school property was donated to the Hospital in fiscal year 2021. In fiscal year 2023, the Hospital spent \$109,969 for continued demolition and roof repair of existing structures on that site. Plans are currently for a Medical Office Building that will house clinic space, and Ambulatory Surgery Center, and an Outpatient Imaging Center. The Hospital spent an additional \$669,604 on those efforts in fiscal year 2023.
 - In fiscal year 2023, the Hospital continued construction on several large, grant-funded projects, including equipping outlying clinics with generators and developing an existing water well into a backup water supply system. These grants are for \$3,332,484 and \$1,847,248, respectively. In fiscal year 2023, incurred costs for these projects totaled \$174,133 and \$62,728, respectively. Jackson County partnered with the Hospital on an approved grant for \$1,727,400 to renovate the Hospital's entire 3rd floor HVAC system so that all patient rooms can be both positively and negatively pressurized. Work on this project is expected to begin in fiscal year 2024. The ultimate timing and outlay of costs (specifically in fiscal year 2024) is not currently known.
 - Other approved capital construction projects for fiscal year 2024 include renovation and repair of the front entrance (\$175,000), further development of the Golson property (partial FEMA funding plus funds donated by the Foundation, totaling \$1,575,000), and relocation and renovation of the IT Office (\$325,000) to be funded by the Rural Hospital Capital Improvement Grant Program from the State of Florida that will be awarded for fiscal year 2024 in the amount of \$526,300.
- 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 determined that the Hospital's investment policy was not in compliance with current Florida statutes. This is described in Finding 2023 – 001 in the accompanying schedule of findings and responses.

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, LLC.

Enterprise, Alabama

April 1, 2024



**Jackson County Hospital District
and Affiliates**

**REPORT ON COMPLIANCE IN ACCORDANCE WITH THE
UNIFORM GUIDANCE**

September 30, 2023



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

To the Board of Trustees
Jackson County Hospital District

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Jackson County Hospital District and Affiliates (collectively, the “Hospital”) 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, 2023. 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, 2023.

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, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements. We issued our report thereon dated April 1, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

Enterprise, Alabama
June 28, 2024

**Jackson County Hospital District and Affiliates
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023**

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? | None noted |
| c. Noncompliance material to the financial statements noted? | Yes |

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 noted |
| 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
93.498	COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 6. Auditee qualified as low-risk under 2 CFR 200.520 | No |

Section II – Financial Statements Findings

No matters were reported.

**Jackson County Hospital District and Affiliates
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2023**

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – 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, 2023**

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 Health and Human Services				
Direct Programs				
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	COVID-19	\$ -	\$ 3,716,599
Total U.S. Department of Health and Human Services				- 3,716,599
Total Federal Expenditures			\$ -	\$ 3,716,599

See accompanying notes to schedule of expenditures of federal awards.

Jackson County Hospital District and Affiliates

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 10% 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.

The amounts presented on the Schedule for Assistance Listing 93.498, COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Plan Distribution (PRF), are based on the Period 4 PRF report submission to the PRF reporting portal. The Hospital did not receive any funds that required a submission for Period 5. Amounts included in Period 4 submission represent amounts received between July 1, 2021 and December 31, 2021 that were expended by December 31, 2022. Amounts included in Period 5 submission represent amounts received between January 1, 2022 and June 30, 2022 that were expended by June 30, 2023.

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.

Jackson County Hospital District and Affiliates Notes to Schedule of Expenditures of Federal Awards

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, 2023, 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, 2023.

Note 7: SUBRECIPIENTS

The Hospital did not provide federal funds to subrecipients for the fiscal year ended September 30, 2023.

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, 2023.

Note 10: PROVIDER RELIEF FUND

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

The Hospital received PRF of approximately \$10.8 million in the fiscal year ended September 30, 2020, and no significant amounts in fiscal year 2021 or 2022. The Hospital recognized approximately \$2.2 million and \$200 thousand, respectively, as other nonoperating revenue in its September 30, 2023 and 2022 statements of revenues, expenses and changes in net position, as the terms and conditions of the PRF grant were satisfied during these respective fiscal years. Under the HHS requirements, the 2023 Schedule includes PRF of approximately \$3.7 million, which was received by the Hospital prior to June 30, 2022. As of September 30, 2023, all of the PRF funds received were expended and reported by the Hospital.

Jackson County Hospital District and Affiliates Notes to Schedule of Expenditures of Federal Awards

Note 11: DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During the emergency period of the COVID-19 pandemic, federal agencies and recipients can donate personal protective equipment purchased with federal assistance funds to various entities for the COVID-19 response. During the year ended September 30, 2023, the Hospital did not receive any material amounts of donated personal protective equipment.