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The Jackson County Health Care Authority

Combined Financial Statements and Supplementary Information

Years Ended September 30, 2020 and 2019

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Independent Auditors' Report

Board of Directors
The Jackson County Health Care Authority

Report on the Financial Statements
We have audited the accompanying combined financial statements of The Jackson County Health Care Authority (the Authority), which comprise the combined statements of net position as of September 30, 2020 and 2019, the related combined statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements
Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Jackson County Health Care Authority as of September 30, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedules of Changes in Net Pension Liability and Related Ratios and Pension Plan Contributions referred to in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic combined financial statements, is required by the Governmental Accounting Standards Board ("GASB") who considers it to be an essential part of financial reporting for placing the basic combined 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 combined financial statements, and other knowledge we obtained during our audit of the basic combined 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 Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements of the Authority taken as a whole. The Schedule of Members of the Authority Board and Officials referred to in the Table of Contents is presented for informational purposes and is not a required part of the basic combined financial statements. It has not been subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards,* we have also issued our report dated February 23, 2021, on our consideration of the Authority'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 for the year ended September 30, 2020. We issued a similar report for the year ended September 30, 2019 dated February 11, 2020, which has not been included with the 2020 financial and compliance report. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Atlanta, GA
February 23, 2021

Management's Discussion and Analysis (Unaudited)

This section of the financial statements of The Jackson County Health Care Authority (the Authority) presents management's analysis of the Authority's financial performance during the fiscal years that ended on September 30, 2020 and 2019. Please read it in conjunction with the financial statements and related notes, which follow this section:

COVID-19 Pandemic

For the fiscal year ended September 30, 2020 operations were significantly impacted by the COVID-19 pandemic due to lost revenue associated with foregone procedures and costs preparing for and responding to the pandemic. The Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act), which was signed into law on March 27, 2020, authorized 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 mitigated and are expected to continue to mitigate the impact of the pandemic on the Authority's business. This summary is not exhaustive, and additional legislative action and regulatory developments may evolve rapidly. There is no assurance that the Authority will continue to receive or remain eligible for funding or assistance under the CARES ,Act or similar programs. To address the fiscal burdens on healthcare providers created by the COVID-19 public health emergency, the U.S. Department of Health and Human Services (HHS) commenced distribution of CARES Act funds in several tranches to providers, including, but not limited to, the following:

- General grant distributions to Medicare fee-for-service providers;
- Allocations to certain other providers that did not receive an allocation from the general distribution, and;
- Targeted distributions for hospitals determined to be in areas particularly impacted by COVID-19 based on reported COVID-19 admissions, (ii) rural healthcare providers, (iii) skilled nursing facilities, (iv) targeted safety net hospitals and (v) tribal hospitals, clinics and urban health centers.

Financial Highlights

2020

- Net patient revenues decreased 4.3% attributed to decreases in volumes due to the impact of the novel coronavirus. Operating expenses increased by 7.6% due primarily to the additional expenses incurred to combat the coronavirus as well as increases in postemployment employee benefits. Nonoperating revenues increased by 176.7% due to federal funds allocated to the Authority from the CARES Act. See further discussion on the coronavirus and CARES Act below.

2019

- Net patient revenues increased 3.9% due to slight increases in volumes and slight increase in third party reimbursement. Operating expenses remained consistent with only a 0.6% decrease due primarily to large decreases in employee benefit expenses, offset by increases in supplies and salaries expense.

Overview of the Financial Statements

The financial statements consist of two parts: management's discussion and analysis and the basic financial statements. The basic financial statements also include notes and required supplementary information that explain in more detail some of the information in the financial statements.

Required Basic Financial Statements

The financial statements of the Authority offer short-term and long-term financial information about its activities. The statements of net position include all of the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Authority's creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and noncurrent assets and liabilities. It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its services provided, as well as its profitability and creditworthiness.

The final required financial statement is the statements of cash flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, noncapital financing, and capital and related financing activities and provides answers to such questions as from where did cash come, for what was cash used, and what was the change in the cash balance during the reporting period.

Financial Analysis

Our analysis of the financial statements of the Authority begins below. One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The statements of net position and the statements of revenues, expenses, and changes in net position report information about the Authority's activities in a way that will help answer this question.

These two statements report the net position of the Authority and changes in them. You can think of the Authority's net position — the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources — as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors such as changes in economic conditions, regulations, and new or changed government legislation.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions about this report or requests for additional information should be addressed to the Chief Financial Officer, Highlands Medical Center, 380 Woods Cove Rd, Scottsboro, AL 35768.

Net Position

To begin our analysis, a summary of the Authority's statements of net position as of September 30, 2020 and 2019 is presented below:

	2020	2019	Dollar Change	Percent Change
Patient accounts receivable, net	**$ 5,220,939**	$ 5,263,255	$ (42,316)	(0.8)
Other current assets	**24,278,351**	11,365,747	12,912,604	113.6
Current assets	**29,499,290**	16,629,002	12,870,288	77.4
Other assets	**681,232**	817,189	(135,957)	(16.6)
Property and equipment, net	**14,487,515**	15,104,097	(616,582)	(4.1)
Total assets	**44,668,037**	32,550,288	12,117,749	37.2
Deferred outflows of resources	**3,722,802**	4,504,842	(782,040)	(17.4)
Total assets and deferred outflows of resources	**$ 48,390,839**	$ 37,055,130	$ 11,335,709	30.6
Current liabilities	**$ 22,998,917**	$ 9,871,647	$ 13,127,270	133.0
Long-term debt, net of current portion	**10,167,227**	10,759,797	(592,570)	(5.5)
Net pension liability	**18,470,499**	19,262,636	(792,137)	(4.1)
Total liabilities	**51,636,643**	39,894,080	11,742,563	29.4
Deferred inflows of resources	**1,328,450**	1,328,450	-	-
Net position:				
Net investment in capital assets	**3,745,801**	3,953,970	(208,169)	(5.3)
Unrestricted	**(8,320,055)**	(8,121,370)	(198,685)	2.4
Total net position	**(4,574,254)**	(4,167,400)	(406,854)	9.8
Total liabilities, deferred inflows of resources and net position	**$ 48,390,839**	$ 37,055,130	$ 11,335,709	30.6

In 2020, current assets increased by 77.4%, due to the increase in cash from federal funding received as part of coronavirus relief. Current liabilities increased 133.0% due to the increase in unearned revenue associated with the same coronavirus relief funds listed above. Long-term debt, net of current portion decreased (4.1%).

A summary of the Authority's statements of net position as of September 30, 2019 and 2018 is presented below:

	2019	2018	Dollar Change	Percent Change
Patient accounts receivable, net	$ 5,263,255	$ 4,935,164	$ 328,091	6.6
Other current assets	11,365,747	12,248,660	(882,913)	(7.2)
Current assets	16,629,002	17,183,824	(554,821)	(3.2)
Other assets	817,189	844,151	(26,962)	(3.2)
Property and equipment, net	15,104,097	16,167,051	(1,062,954)	(6.6)
Total assets	32,550,288	34,195,026	(1,644,737)	(4.8)
Deferred outflows of resources	4,504,842	4,453,615	51,227	1.2
Total assets and deferred outflows of resources	$ 37,055,130	$ 38,648,641	$ (1,593,510)	(4.1)
Current liabilities	$ 9,871,647	$ 8,636,562	$ 1,235,086	14.3
Long-term debt, net of current portion	10,759,797	11,644,114	(884,317)	(7.6)
Net pension liability	19,262,636	20,530,943	(1,268,307)	(6.2)
Total liabilities	39,894,080	40,811,619	(917,538)	(2.2)
Deferred inflows of resources	1,328,450	3,131,797	(1,803,347)	(57.6)
Net position:				
Net investment in capital assets	3,953,970	4,201,984	(248,014)	(5.9)
Unrestricted	(8,121,370)	(9,496,759)	1,375,389	14.5
Total net position	(4,167,400)	(5,294,775)	1,127,375	21.3
Total liabilities, deferred inflows of resources and net position	$ 37,055,130	$ 38,648,641	$ (1,593,510)	(4.1)

In 2019, current assets decreased 3.2%, primarily due to decreases in other current assets. Current liabilities increased 14.3% primarily due to the increase accounts payable and wages payable. Long-term debt, net of current portion decreased (7.6%).

Change in Net Position

While the statements of net position show the net position at a point in time, the statements of revenues, expenses, and changes in net position provide answers as to the nature and source of the changes in net position during the fiscal year.

A summary of the Authority's statements of revenues, expenses, and changes in net position for the years ended September 30, 2020 and 2019 is presented below:

	2020	2019	Dollar Change	Percent Change
Operating revenues	**$ 56,153,906**	$ 56,380,392	$ (226,486)	(0.4)
Salaries	**27,524,415**	26,497,678	1,026,737	3.9
Payroll taxes (FICA)	**1,911,971**	1,829,351	82,620	4.5
Employee benefits	**6,765,637**	2,919,051	3,846,586	131.8
Supplies	**8,026,410**	9,345,375	(1,318,965)	(14.1)
Professional fees	**1,977,073**	1,881,916	95,157	5.1
Contracted services	**6,936,626**	7,067,837	(131,211)	(1.9)
Repairs and maintenance	**1,613,529**	1,466,485	147,044	10.0
Utilities	**1,400,419**	1,453,419	(53,000)	(3.6)
Insurance	**836,746**	807,985	28,761	3.6
Other	**2,369,677**	1,780,808	588,869	33.1
Depreciation	**1,930,011**	1,913,386	16,625	0.9
Total operating expenses	**61,292,514**	56,963,291	4,329,223	7.6
Operating loss	**(5,138,608)**	(582,899)	(4,555,709)	781.6
Non-operating revenues	**4,731,754**	1,710,274	3,021,480	176.7
Excess (deficit) of revenue over expense	**(406,854)**	1,127,375	(1,534,229)	(136.1)
Net (deficit) position, beginning of year	**(4,167,400)**	(5,294,775)	1,127,375	(21.3)
Net (deficit) position, end of year	**$ (4,574,254)**	$ (4,167,400)	$ (406,854)	9.8

As can be seen in the table above, operating revenues remained relatively consistent between 2020 and 2019, while operating expenses increased 7.6% due to changes in the post-employment retirement plan. Non-operating revenues increased 176.7% due to CARES Act monies due to the COVID-19 pandemic that began in 2020 (discussed in greater detail below). The cumulative effect resulted in a decrease in net position of $406,854.

A summary of the Authority's statements of revenues, expenses, and changes in net position for the years ended September 30, 2019 and 2018 is presented below:

	2019	2018	Dollar Change	Percent Change
Operating revenues	$ 56,380,392	$ 55,385,062	$ 995,330	1.8
Salaries	26,497,678	25,961,446	536,232	2.1
Payroll taxes (FICA)	1,829,351	1,817,489	11,862	0.7
Employee benefits	2,919,051	6,655,586	(3,736,535)	(56.1)
Supplies	9,345,375	7,866,533	1,478,842	18.8
Professional fees	1,881,916	1,840,048	41,868	2.3
Contracted services	7,067,837	6,088,204	979,633	16.1
Repairs and maintenance	1,466,485	1,208,697	257,788	21.3
Utilities	1,453,419	1,536,617	(83,198)	(5.4)
Insurance	807,985	830,447	(22,462)	(2.7)
Other	1,780,808	1,676,041	104,767	6.3
Depreciation	1,913,386	1,877,590	35,796	1.9
Total operating expenses	56,963,291	57,358,698	(395,407)	(0.6)
Operating loss	(582,899)	(1,973,636)	1,390,737	(70.5)
Non-operating revenues	1,710,274	1,577,242	133,032	8.4
Excess (deficit) of revenue over expense	1,127,375	(396,394)	1,523,769	384.4
Net (deficit) position, beginning of year	(5,294,775)	(4,898,381)	(396,394)	(8.1)
Net (deficit) position, end of year	$ (4,167,400)	$ (5,294,775)	$ 1,127,375	(21.3)

As can be seen in the table above, operating revenues increased 1.8% between 2019 and 2018, while operating expenses decreased 0.6%, and non-operating revenues increased 8.4%, which resulted in an increase in net position of $1,127,375. The most significant reason for the flat operating expenses was due to decreases in employee benefits, which offset increases in supplies and contracted services.

Capital Assets and Debt Financing

Capital Assets

As of September 30, 2020, the Authority had $14,847,515 invested in a variety of capital assets, as reflected in the table below. Capital purchases and disposals for the year were $1,346,741, including construction in progress, and $191,010 respectively. Depreciation of capital assets was $1,930,011, resulting in a net increase in capital assets of $616,582.

As of September 30, 2019, the Authority had $15,104,097 invested in a variety of capital assets, as reflected in the table below. Capital purchases and disposals for the year were $1,152,038 and $301,596 respectively. Depreciation of capital assets was $1,913,386, resulting in a net decrease in capital assets of $1,062,954.

A summary of the Authority's capital assets as of September 30, 2020, 2019, and 2018 is presented below:

	2020	2019	2018
Land and land improvements	**$ 1,770,735**	$ 1,770,735	$ 1,745,735
Buildings and fixed equipment	**34,781,410**	34,781,410	35,529,168
Major moveable equipment	**27,555,472**	26,655,336	27,260,826
Total capital assets	**64,107,617**	63,207,481	64,535,729
Accumulated depreciation	**(49,877,612)**	(48,105,299)	(48,617,576)
Construction in progress	**257,510**	1,915	248,898
Net capital assets	**$ 14,487,515**	$ 15,104,097	$ 16,167,051

Debt Financing

As of September 30, 2020, the Authority had $11,540,719 in long-term debt outstanding, including an unamortized premium of $344,231 and amounts in current liabilities. This debt consisted of $6,540,000 from the 2016 bond issue, $4,149,794 in notes payable, $121,025 associated with the capital lease agreement, and $385,669 under a line of credit.

As of September 30, 2019, the Authority had $12,293,416 in long-term debt outstanding, including an unamortized premium of $381,113 and amounts in current liabilities. This debt consisted of $7,095,000 from the 2016 bond issue, $3,928,445 in notes payable, $203,189 associated with the capital lease agreement, and $685,669 under a line of credit.

Payments under the CARES Act

Payments from the CARES Act are not loans and, 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.

Furthermore, 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. Except for certain relief payments the Authority returned to HHS, the Authority has formally accepted the terms and conditions associated with the receipt of relief payments received. During the fiscal year ended September 30, 2020, the Authority received CARES Act general grant distributions of approximately $1.2 million, $5.0 million of targeted safety net payments, $4.0 million of rural healthcare provider payments, $712 thousand in skilled nursing facility payments, and $99 thousand in uninsured patient COVID-19 payments. The Authority recognized approximately $3 million as unearned revenue on the statement of changes in net position, revenue, and expenses. The remaining balance was recorded as unearned revenue on the statements of net position. Additional federal grants are possible but the terms and total amounts potentially ultimately available are unknown at this time.

The Authority also received approximately $5.3 million of Centers for Medicare & Medicaid Services (CMS) advance payments during the fiscal year ended September 30, 2020 to support cash flows during the pandemic. This amount has been recorded as unearned revenue in the financial statements as it is subject to recoupment as offsets to future patient claims payments.

	2020	2019
ASSETS AND DEFERRED OUTFLOWS		
Curent Assets:		
Cash and cash equivalents	**$ 18,708,436**	$ 6,314,580
Short-term investments	**1,012,389**	1,018,153
Patient accounts receivable, net of estimated uncollectibles of $5,320,851 and $5,574,916 in 2020 and 2019, respectively	**5,220,939**	5,263,255
Other receivables	**1,340,744**	1,564,868
Supplies inventories	**1,682,517**	1,307,393
Estimated third-party payor settlements	**496,937**	241,329
Prepaid expenses and other	**1,037,328**	919,424
Total current assets	**29,499,290**	16,629,002
Property and equipment, net	**14,487,515**	15,104,097
Other Assets:		
Notes receivable	**41,379**	131,250
Investments	**639,853**	685,939
Total other assets	**681,232**	817,189
Total assets	**44,668,037**	32,550,288
Deferred outflows of resources	**3,722,802**	4,504,842
Total assets and deferred outflows of resources	**$ 48,390,839**	$ 37,055,130

See accompanying notes.

	2020	2019
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current Liabilities:		
Line of credit	**$ 385,669**	$ 685,669
Current portion of long-term debt	**910,460**	770,587
Current portion of capital lease	**77,363**	77,363
Accounts payable	**4,189,218**	4,575,630
Accrued compensation and benefits	**3,157,069**	2,650,242
Accrued other liabilities	**1,066,524**	1,112,156
Unearned revenue from CARES Act related funding	**13,212,614**	-
Total current liabilities	**22,998,917**	9,871,647
Long-term debt, net of current portion (Plus unamortized premium of $344,231 in 2020 and $381,113 in 2019)	**10,123,565**	10,633,971
Capital lease, net of current portion	**43,662**	125,826
Net pension liability	**18,470,499**	19,262,636
Total liabilities	**51,636,643**	39,894,080
Deferred inflows of resources	**1,328,450**	1,328,450
Net (deficit) position:		
Net investment in capital assets	**3,745,801**	3,953,970
Unrestricted	**(8,320,055)**	(8,121,370)
Total net (deficit) position	**(4,574,254)**	(4,167,400)
Total liabilities, deferred inflows of resources and net deficit	**$ 48,390,839**	$ 37,055,130

The Jackson County Health Care Authority
Combined Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
Operating revenues:		
Net patient revenues, net of provision for bad debts of $8,663,639 and $8,622,556 in 2020 and 2019, respectively	**$ 52,507,503**	$ 54,870,994
Medicaid disproportionate share payments	**3,454,427**	1,394,971
Other operating revenue	**191,976**	114,427
Total operating revenues	**56,153,906**	56,380,392
Operating expenses:		
Salaries	**27,524,415**	26,497,678
Payroll taxes (FICA)	**1,911,971**	1,829,351
Employee benefits	**6,765,637**	2,919,051
Supplies	**8,026,410**	9,345,375
Professional fees	**1,977,073**	1,881,916
Contracted services	**6,936,626**	7,067,837
Repairs and maintenance	**1,613,529**	1,466,485
Utilities	**1,400,419**	1,453,419
Insurance	**836,746**	807,985
Other	**2,369,677**	1,780,808
Depreciation	**1,930,011**	1,913,386
Total operating expenses	**61,292,514**	56,963,291
Operating loss	**(5,138,608)**	(582,899)
Nonoperating revenues (expenses):		
Ad valorem tax revenue	**1,804,491**	1,774,929
Investment income	**108,776**	133,082
Interest and amortization	**(373,809)**	(400,989)
Ambulance subsidies	**145,000**	157,083
Income on equity investments	**4,418**	29,453
Net foundation and other contributions	**2,247**	16,716
Revenue from COVID-19 related grants	**3,040,631**	-
Total nonoperating revenues	**4,731,754**	1,710,274
Excess of revenues over expenses (deficit)	**(406,854)**	1,127,375
Net (deficit), at beginning of year	**(4,167,400)**	(5,294,775)
Net (deficit), end of year	**$ (4,574,254)**	$ (4,167,400)

See accompanying notes.

	2020	2019
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 52,248,579	$ 55,087,862
Payments to suppliers	(17,103,294)	(14,998,181)
Payments to employees	(35,749,579)	(34,310,915)
Other receipts and payments, net	(2,980,237)	(4,012,942)
Net cash (used in) provided by operating activities	(3,584,531)	1,765,824
Cash flows from noncapital financing activities:		
Ad valorem tax revenue	1,804,491	1,774,929
Ambulance subsidies	145,000	157,083
Net change in line of credit	(300,000)	(50,000)
Net Foundation and other contributions	2,247	16,716
CARES Act related funding	13,212,614	-
CARES Act related grant revenue	3,040,631	-
Net cash provided by noncapital financing activities	17,904,983	1,898,728
Cash flows from capital and related financing activities:		
Payments for purchase of property and equipment	(1,346,741)	(1,099,262)
Proceeds from the sale of property and equipment	43,085	251,330
Principal payments on long-term debt	(798,651)	(753,875)
Principal payments on capital leases	(82,164)	(68,470)
Proceeds from issuance of debt	465,000	-
Interest and amortization	(366,405)	(393,585)
Net cash used in capital and related financing activities	(2,085,876)	(2,063,862)
Cash flows from investing activities:		
Net change in notes receivable	-	(89,562)
Investment income	108,776	133,082
Dividends received from equity method investment	50,504	58,082
Net cash provided by investing activities	159,280	101,602
Increase in cash and cash equivalents	12,393,856	1,702,292
Cash and cash equivalents at beginning of year	6,314,580	4,612,288
Cash and cash equivalents at end of year	$ 18,708,436	$ 6,314,580

See accompanying notes.

	2020	2019
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	**$ (5,138,608)**	$ (582,899)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	**1,930,011**	1,913,386
Amortization of notes receivable	**89,871**	87,895
Provision for bad debts	**8,663,639**	8,622,556
Change in patient accounts receivable, net	**(8,621,323)**	(8,125,496)
Change in estimated third-party payor settlements	**(255,608)**	31,036
Change in other receivables	**224,124**	(543,315)
Change in investments	**5,764**	2,003,417
Change in supplies inventories	**(375,124)**	298,444
Change in prepaid expenses and other	**(117,904)**	(29,529)
Change in deferred outflows of resources	**737,754**	(95,513)
Change in accounts payable	**(386,412)**	1,468,892
Change in accrued compensation and benefits	**506,827**	102,332
Change in net pension liability	**(792,137)**	(1,268,307)
Change in accrued other liabilities	**(45,632)**	(311,228)
Change in deferred inflows of resources	**-**	(1,803,347)
Gain on disposal of asset	**(9,773)**	(2,500)
Net cash (used in) provided by operating activities	**$ (3,584,531)**	$ 1,765,824
Supplemental schedule of noncash investing, capital and financing activities:		
Property and motor vehicle tax receivable recorded as deferred tax revenue	**$ 1,250,827**	$ 1,250,827

Notes to Combined Financial Statements

1. Summary of Significant Accounting Policies

Reporting entity

The Jackson County Hospital Board (the Board) was organized under the authority of Act No. 46, Acts of Alabama 1949, page 68, as amended (codified in the Code of Alabama 1975, Sections 22-21-70 through 22-21-83). On October 31, 1990, the Board was reincorporated as a Health Care Authority under the provisions of Article II, Chapter 21, Title 22, Code of Alabama 1975, as amended. Upon its reincorporation, the name of the Board was changed to The Jackson County Health Care Authority (the Authority).

The Authority has been designated by the governing body of Jackson County, AL as the agency of the county to acquire, construct, equip, operate, and maintain public hospital facilities of all kinds. The Authority is a political subdivision of the State of Alabama and is, therefore, exempt from income taxes. The Authority owns and operates Highlands Medical Center and Highlands Health and Rehab in Scottsboro, AL, a 170-bed acute care general hospital and a 50-bed skilled nursing facility, respectively, and Cumberland Health and Rehab in Bridgeport, Alabama, a 100-bed skilled nursing facility. The Authority also owns and operates Highlands Surgical Services, LLC, North Jackson Urgent Care, LLC, Scottsboro Urgent Care, LLC, Therapy Unlimited, LLC, and several physician practices. These financial statements include the accounts and transactions of the Authority and its owned and operated facilities. All significant intercompany transactions have been eliminated.

Highlands Foundation, Inc.

The Authority created Highlands Foundation, Inc. (the Foundation) in August 2007 to promote a relationship with the community served by Highlands Medical Center and its affiliated entities and to raise and manage funds to support the needs of the Authority's affiliated entities. The directors of the Foundation are appointed from members of the Authority's Board of Directors and, therefore, the Foundation is included in the accompanying financial statements as a blended component unit.

Related organization

The Board of Directors of the Authority is appointed by the Jackson County Commission (the Commission). The Commission, however, is not financially accountable (because it does not impose will or have a financial benefit or burden relationship) for the Authority, and the Authority is not considered part of the Commission's financial reporting entity. The Authority is considered a related organization of the Commission.

Enterprise fund accounting

The Authority utilizes the enterprise fund method of accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. As a governmental entity, the Authority follows the accounting standards promulgated by the Governmental Accounting Standards Board (GASB).

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Authority's deposits at year end were insured by the Federal Deposit Insurance Corporation (FDIC) or held by financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less.

Short-term investments

Short-term investments consist of a certificate of deposit with an original maturity of one year. The certificate of deposit is reported at cost which approximates fair value and is held in the Authority's name by a custodial bank that is the agent of the Authority. The certificate matured on January 27, 2021 and bore interest of 1.40% annually. The certificate was renewed for an additional year upon maturity.

Patient accounts receivable and third-party payor settlements

The hospital and skilled nursing facilities operated by the Authority are located in Jackson County, AL. The Authority grants credit without collateral to its patients, most of whom are local residents insured under third-party payor agreements. Receivables from patients, insurance companies, and third-party contractual agencies are recorded at regular patient service rates. A majority of the Authority's patients are insured by certain third-party insurers (principally Medicare, Medicaid, and Blue Cross) based on contractual agreements, which generally result in the Authority collecting less than the established charge rates. Final determination of payments under these agreements is subject to review by appropriate authorities.

Estimated allowances are provided for doubtful accounts, contractual adjustments, and other uncertainties. Allowances for doubtful accounts are estimated based on historical write-off percentages and review of large balance self-pay accounts, and contractual allowances are estimated based on the terms of third-party insured contracts. Doubtful accounts are written off against the allowance after adequate collection effort is exhausted and recorded as recoveries of bad debts if subsequently collected.

Other receivables

Other receivables consist mainly of ad valorem tax revenue receivables.

Supplies inventories

Supplies inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) method of accounting.

Property and equipment

Property and equipment acquisitions are recorded at cost. Property and equipment donated for operations is recorded at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Estimated useful lives for land and building improvements are 5 to 25 years, buildings are 5 to 50 years, fixed and major movable equipment are 3 to 20 years, and autos are 3 to 5 years. Construction in process relates to projects that are not yet complete at the end of the fiscal year, and thus have not been placed in service.

Deferred outflows and inflows of resources

This separated 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. Deferred outflows of resources consist of deferred losses from debt refunding of $413,334 at September 30, 2020 ($457,620 at September 30, 2019) and deferred outflows related to the pension plan of $3,309,468 at September 30, 2020 ($4,047,222 at September 30, 2019). Losses from debt refunding are being amortized over the shorter of the remaining life of the refunded debt or the life of the new debt.

This separate financial 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 or reduction of expenses) until that time. Deferred inflows of resources consist of resources associated with imposed nonexchange revenue transactions (i.e. ad valorem tax revenues) that are received or reported as a receivable before the period for which the property and motor vehicle taxes are levied of $1,328,450 at September 30, 2020 and 2019; there were no deferred inflows related to the pension for the years ended 2020 and 2019.

Unearned revenue from CARES Act related funding

The Authority records unearned revenue resources received for which the earnings process has not been completed. The balance recorded on the combined statements of net position as of September 30, 2020 includes approximately $4,940,000 of advanced payments received from the Center for Medicare & Medicaid Services (CMS) to support cash flow during the Coronavirus disease, a global pandemic (Covid-19), as well as certain other pandemic-related amounts received as described in “donations and grants” below. The advance payments are subject to recoupment as offsets to future patient claims payments.

Net position

Net position of the Authority is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The remaining balance is classified as unrestricted net position.

Recently issued accounting standards

In January 2017, GASB issued GASB Statement No. 84, *Fiduciary Activities*. This statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this statement, as adjusted by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, are effective for reporting periods beginning after December 15, 2019. The Authority is still evaluating the impact, if any, of this statement in the year of adoption.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements for this statement, as adjusted by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* are effective for reporting periods beginning after June 15, 2021. The Authority is still evaluating the impact, if any, of this statement in the year of adoption.

Charity care

The Authority's hospital and skilled nursing facilities provide care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Authority does not pursue collection of amounts determined to qualify as charity care, and those amounts are not reported as revenue in the accompanying combined financial statements.

The Authority maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of these services and supplies, and equivalent service statistics. During the years ended September 30, 2020 and 2019, the Authority provided approximately $645,000 and $870,000, respectively, of foregone charges with estimated costs and expenses incurred to provide charity care of approximately $288,000 and $349,000 for 2020 and 2019, respectively.

Net patient service revenue

Net patient service revenue is reported as the estimated net realizable amounts from patients, third-party payors primarily with Medicare, Medicaid, and Blue Cross of Alabama, 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.

Laws and regulations governing the Medicare and Medicaid programs are 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. The Authority believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Operating revenues and expenses

The Authority's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services — the Authority's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Donations and grants

In accordance with GASB Technical Bulletin No. 2020-1, federal and state Coronavirus Relief Funds (CRF) received under the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act) have been recorded as nonoperating revenue for the fiscal year ended September 30, 2020. During the fiscal year ended September 30, 2020, the Authority received state and federal CARES Act grant distributions of approximately $11,077,000. As a result, $3,040,631 of nonoperating revenue was recorded in the combined statements of revenues, expenses and changes in net position. Additional federal and state grants are possible (see “Commitments and Contingencies” and “Subsequent events” below), but the terms and total amounts potentially ultimately available is unknown at this time.

Revenues recognized from the CARES Act were limited to expenses attributable to COVID-19 that were not reimbursed by other sources and lost operating margin attributable to COVID-19. COVID-19 related expenses recognized consisted of actual healthcare and general/administrative expenses incurred to prevent, prepare, and respond to COVID-19, as well as to maintain healthcare delivery. Lost operating margin recognized was based on the negative change in year over year net operating income from patient care related sources to estimate the adverse impact of COVID-19 on operations.

Risk management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded the commercial coverage in any of the three preceding years.

Defined benefit pension plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Jackson County Health Care Authority Employees' Pension Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements included herein to confirm to the 2020 presentation. Reclassifications had no impact on previously reported net position.

Subsequent events

Management has evaluated subsequent events and their potential effects on these combined financial statements through February 23 2021, which is the date the combined financial statements were available to be issued.

In January of 2021, The Department of Health and Human Services (“HHS”) issued Post-Payment Notice of Reporting Requirements (PPNRR) which established revised reporting criteria for providers which received Provider Relief Fund (PRF) payments under the CARES Act legislation. The guidance provided in the PPNRR and subsequently issued responses to frequently asked questions are advisory in nature, and subject to change, and it is unknown at the report date what impacts this, and future guidance will have on PRF funding and revenue recognition. As such, amounts recognized as nonoperating revenue for the year ended September 30, 2020 are subject to change and those changes could be material. The funds are also subject to future audits and potential adjustment and certain amounts may need to be repaid to the government.

It is unknown at the report date as to the potential impact, if any, of additional pronouncements through subsequent PPNRR's or FAQ's provided on the HHS platform that could affect the determination of lost revenue attributed to COVID-19, as defined by HHS, with respect to the Authority's financial performance in subsequent periods. Conditions may exist, or arise, that are outside of this report date, but in the scope of the HHS definition that would disallow previously recognized PRF proceeds for the period ended September 30, 2020. As such, amounts recognized as nonoperating could be subject to change and those changes could be material to the Authority.

2. Net Patient Service Revenue

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

Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary.

The Authority'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 under contract with the Authority. The Authority's Medicare cost reports have been final settled through September 30, 2016 and, in the opinion of management, adequate provision has been made for any adjustments that may result from future reviews of cost reports. Approximately 32% and 34% of the Authority's gross patient revenues were derived from Medicare beneficiaries in fiscal years 2020 and 2019, respectively.

Medicaid

The hospital operated by the Authority qualifies for Medicaid disproportionate share payments based on formulas established by the Alabama Medicaid Agency (the Agency). The Authority receives these disproportionate share payments in addition to fee-for-service payments for inpatient and outpatient services with inpatient service fees paid on a per diem rate and outpatient service fees paid at a per encounter rate. The net proceeds of these payments are included in operating revenues in the accompanying combined financial statements.

The Authority also receives additional access payments quarterly based on a formula comprised of average annual encounters. These amounts are included in net patient service revenue as an offset to contractual adjustments. Approximately 18% and 17% of the Authority's gross patient revenues were derived from Medicaid beneficiaries in fiscal years 2020 and 2019.

Also, the State of Alabama has levied a tax on all skilled nursing facilities in the state. The skilled nursing facilities operated by the Authority collectively paid taxes of approximately $664,000 and $665,000 in 2020 and 2019, respectively. The privilege taxes were used by the State of Alabama to enhance the Medicaid reimbursement benefits and rates for nursing home residents, thereby increasing net patient service revenue. Therefore, the privilege taxes paid by the skilled nursing facilities have been presented as a reduction in net patient service revenues in the accompanying combined financial statements.

Blue Cross

Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization and are not subject to retroactive settlement. Outpatient services are rendered to Blue Cross subscribers are reimbursed at predetermined rates based on Enhanced Ambulatory Patient Groups (EAPG) reimbursement methodology, and are also not subject to retroactive settlement. Approximately 21% and 22% of the Authority's gross patient revenues were derived from Blue Cross subscribers in fiscal years 2020 and 2019, respectively.

Other

The Authority has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

3. Net Patient Accounts Receivable

The components of patient accounts receivable, net, at September 30 were as follows:

	2020	2019
Receivable from patients and their insurance carriers	**$ 9,655,607**	$ 9,530,445
Receivable from Medicare beneficiaries	**4,515,793**	4,579,621
Receivable from Medicaid beneficiaries	**2,269,358**	2,435,106
Receivable from Blue Cross subscribers	**2,517,806**	2,811,046
Total patient accounts receivable	**18,958,564**	19,356,218
Allowance for contractual adjustments	**(8,416,774)**	(8,518,047)
Allowance for uncollectibles	**(5,320,851)**	(5,574,916)
Net patient accounts receivable	**$ 5,220,939**	$ 5,263,255

The mix of receivables from patients and third-party payors at September 30 was as follows:

	2020	2019
Patients and other third-party payors	**51%**	49%
Medicare	**24%**	24%
Medicaid	**12%**	13%
Blue Cross	**13%**	14%
	100%	100%

4. Property and Equipment

At September 30, 2020 and 2019, property and equipment, including additions and disposals, consists of the following:

	Balance at September 30, 2019	Additions	Disposals/ Reclasses	Balance at September 30, 2020
Land	$ 582,351	$ -	$ -	$ 582,351
Land improvements	1,188,384	-	-	1,188,384
Buildings	24,753,331	-	-	24,753,331
Building improvements	1,241,993	-	-	1,241,993
Fixed equipment	8,786,086	-	-	8,786,086
Major movable equipment	24,937,536	665,663	(40,834)	25,562,365
Autos	1,717,800	275,307	-	1,993,107
Capital assets at historical cost	63,207,481	940,970	(40,834)	64,107,617
Accumulated depreciation for:				
Land improvements	(796,545)	(28,595)	-	(825,140)
Buildings	(15,584,848)	(599,770)	-	(16,184,618)
Building improvements	(630,368)	(90,344)	-	(720,712)
Fixed equipment	(8,607,884)	(22,890)	-	(8,630,774)
Major movable equipment	(21,226,497)	(930,031)	157,698	(21,998,830)
Autos	(1,259,157)	(258,381)	-	(1,517,538)
Total accumulated depreciation	(48,105,299)	(1,930,011)	157,698	(49,877,612)
Construction in progress	1,915	405,771	(150,176)	257,510
	$ 15,104,097	$ (583,270)	$ (33,312)	$ 14,487,515

There were no significant costs to complete construction in progress as of September 30, 2020.

At September 30, 2019 and 2018, property and equipment, including additions and disposals, consists of the following:

	Balance at September 30, 2018	Additions	Disposals/ Reclasses	Balance at September 30, 2019
Land	$ 582,351	$ -	$ -	$ 582,351
Land improvements	1,163,384	-	25,000	1,188,384
Buildings	25,169,432	-	(416,101)	24,753,331
Building improvements	1,281,003	-	(39,010)	1,241,993
Fixed equipment	9,078,733	-	(292,647)	8,786,086
Major movable equipment	25,222,638	873,044	(1,158,146)	24,937,536
Autos	2,038,188	110,336	(430,724)	1,717,800
Capital assets at historical cost	64,535,729	983,380	(2,311,628)	63,207,481
Accumulated depreciation for:				
Land improvements	(767,950)	(36,098)	7,503	(796,545)
Buildings	(15,184,906)	(623,011)	223,069	(15,584,848)
Building improvements	(573,154)	(93,265)	36,051	(630,368)
Fixed equipment	(8,876,805)	(23,099)	292,020	(8,607,884)
Major movable equipment	(21,728,294)	(934,990)	1,436,787	(21,226,497)
Autos	(1,486,467)	(202,923)	430,233	(1,259,157)
Total accumulated depreciation	(48,617,576)	(1,913,386)	2,425,663	(48,105,299)
	15,918,153	(930,006)	114,035	15,102,182
Construction in progress	248,898	115,882	(362,865)	1,915
	$ 16,167,051	$ (814,124)	$ (248,830)	$ 15,104,097

5. Notes Receivable

Notes receivable consist of physician advances and loans granted by the Authority to qualifying individuals in order to attract quality professionals to the hospitals and nursing facilities and to assist physicians in the establishment of their medical practices.

The physician agreements generally involve loans to assist the physicians in equipping their medical offices and advances to ensure a minimum income for the physicians as specified in each agreement during the start-up period of their medical practice.

As the physician's net income exceeds the minimum net income as defined in each agreement, the funds previously advanced to the physician are to be repaid to the Authority. Each physician agrees to maintain his or her medical practice in the Jackson County area for a specified period of time. In the event of default, the unamortized balance of all loans and advances, including interest, becomes immediately payable to the Authority.

6. Line of Credit

During August 2019, the Authority renewed its revolving line of credit with First National Bank which provided a maximum borrowing facility of $1,000,000 with a fixed interest rate of 3.40% and was secured by a certificate of deposit maintained in the Authority's account. The line of credit matured September 2020 and was subsequently renewed for an additional year.

	Balance at September 30, 2019	Additions	Reductions	Balance at September 30, 2020
Line of Credit	$ 685,669	$	$ (300,000)	$ 385,669

	Balance at September 30, 2018	Additions	Reductions	Balance at September 30, 2019
Line of Credit	$ 735,669	$ -	$ (50,000)	$ 685,669

7. Long-Term Debt

Long-term debt at September 30, 2020 and 2019, consisted of the following:

	Balance at September 30, 2019	Additions	Reductions	Balance at September 30, 2020	Due within One Year
Long-term debt:					
Hospital Tax Anticipation Bonds – Series 2016	$ 7,095,000	$ -	$ (555,000)	$ 6,540,000	$ 575,000
First Southern State Bank Note - Nursing Home Loan	3,695,510	-	(177,243)	3,518,266	176,280
First Southern State Bank FNB 2020 Term Loan	-	465,000	(20,632)	444,368	111,736
Note – Ambulance Loan	232,935		(45,776)	187,160	47,444
Total Long-term debt	11,023,445	465,000	(798,651)	10,689,794	$ 910,460
Unamortized bond Premium – series 2016	381,113	-	(36,882)	344,231	
Total Long-term debt, net	11,404,558			11,034,025	
Current maturities	(770,587)			(910,460)	
Total long-term debt	$ 10,633,971	$ 465,000	$ (835,533)	$ 10,123,565	

Long-term debt at September 30, 2019 and 2018, consisted of the following:

	Balance at September 30, 2018	Additions	Reductions	Balance at September 30, 2019	Due within One Year
Long-term debt:					
Hospital Tax Anticipation Bonds – Series 2016	$ 7,635,000	$ -	$ (540,000)	$ 7,095,000	$ 555,000
First Southern State Bank Note - Nursing Home Loan	3,865,237	-	(169,727)	3,695,510	169,803
First Southern State Bank Note – Ambulance Loan	277,083	-	(44,148)	232,935	45,784
Total Long-term debt	11,777,320		(753,875)	11,023,445	$ 770,587
Unamortized bond Premium – series 2016	417,995	-	(36,882)	381,113	
Total Long-term debt, net	12,195,315			11,404,558	
Current maturities	(747,746)			(770,587)	
Total long-term debt	$ 11,447,569	$ -	$ (790,757)	$ 10,633,971	

Series 2016 Bonds

The proceeds of the Jackson County Health Care Authority Hospital Tax Anticipation Bonds, Series 2016 ("Series 2016 bonds") dated October 18, 2016, in the amount of $8,140,000, were used to refund the Series 2009 bonds and to pay certain costs incurred in connection with the issuance of the Series 2016 bonds. The defeasance resulted in a deferred loss of $575,716, including an early call premium paid of $73,700, which was deferred. The deferred loss is being amortized on the straight-line method over the remaining life of the defeased debt. The refunding did not extend the Authority's repayment of the refunded bonds, but resulted in positive cash flow of approximately $389,000 and an economic gain of approximately $363,000.

The Series 2016 bonds are limited obligations of the Authority and are payable solely from and collateralized by a pledge of 75% of the annual proceeds of the Special Hospital Tax (four mill ad valorem tax). The Series 2016 bonds bear interest payable on February 1 and August 1 at rates ranging from 2% to 4%. Principal payments are paid on February 1. The bonds mature on February 1, 2030. The Series 2016 bonds are subject to optional redemption beginning August 1, 2027 at a redemption price of 100.0%**.**

Series 2009 Bonds

The proceeds of the Jackson County Health Care Authority Hospital Tax Anticipation Bonds, Series 2009 (Series 2009 bonds) dated July 30, 2009, in the amount of $10,315,000, were used to refund the Series 1998 bonds and to pay certain costs incurred in connection with the issuance of the Series 2009 bonds. The defeasance resulted in a deferred loss of $1,234,806, including an early call premium paid of $286,326, which was deferred. The deferred loss is being amortized on the straight-line method over the remaining life of the defeased debt. The refunding extended the Authority's repayment of the refunded bonds over a period of an additional 10.76 years and resulted in an increase of total cash flows required to service the debt of approximately $2,526,000 over the remaining life of the bonds and an economic gain of approximately $112,000.

The Series 2009 Bonds were refinanced on February 1, 2017 with the issuance of the Series 2016 Bonds.

Notes payable

During July 2020, the Authority entered into a term loan commitment of $465,000 with FNB Bank to be used for the purchase of a new HVAC system for third floor of the hospital and to purchase an additional ambulance. The term of the loan is for a period of four years with an interest rate of 3.0%, maturing in July 2024, and is secured by the acquired ambulance.

During May 2017, the Authority entered into a loan commitment of $330,000 with First Southern State Bank to be used to purchase new ambulance vehicles to add to and upgrade the fleet. The term of the ambulance loan is seven years with interest at 3.5%, maturing in June 2024, and is secured by the underlying property acquired.

During December 2014, the Authority entered into a loan commitment of $4.4 million with First Southern State Bank to be used for expansion and renovations to the Scottsboro skilled nursing facility. The initial term of the construction loan was one year (with interest at 2%), after which it converted to an amortizing term loan. The term loan bears interest at 3.75% and matures in December 2035 and is secured by the underlying real estate.

A summary of payments required under long-term debt for each of the five succeeding fiscal years and thereafter is as follows:

	Total	Principal	Interest
2021	$ 1,249,145	$ 910,460	$ 338,685
2022	1,246,671	937,351	309,320
2023	1,248,670	969,667	279,003
2024	1,208,957	960,561	248,396
2025	1,082,022	849,761	232,261
2026 - 2030	5,339,007	4,642,117	696,890
2031 - 2035	1,533,457	1,383,283	150,174
2036	37,069	36,594	475
Total payments required under long-term debt	$ 12,944,998	$ 10,689,794	$ 2,255,204

8. Capital Lease

The Authority has the following capital lease obligation at September 30:

	2020	2019
Toshiba, payable in monthly installments of $6,847, including interest at 2.954%; maturing in March 2022; collateralized by equipment	**$ 125,826**	$ 203,189
Current portion	**(82,164)**	(77,363)
Non-current portion	**$ 43,662**	$ 125,826

Minimum future lease payments under the capital lease are as follows for the years ending September 30:

2021	$ 82,164
2022	43,662
Present value of minimum lease payments	$ 125,826

Asset held under the capital lease is included with property and equipment on the statements of net position. At September 30, 2020, the net book value of that asset was approximately $125,826. Amortization of the asset under the capital lease was included in depreciation expense on the combined statements of revenues, expenses, and changes in net position.

9. Deferred Tax Revenue

The Authority receives the proceeds of certain ad valorem tax revenues in the year after the taxes are levied. Therefore, these taxes are recorded as deferred inflows of resources and other receivables in the accompanying statements of net position.

10. Defined Benefit Pension Plan

Plan description

The Authority has a defined benefit pension plan covering substantially all of its employees. The plan benefits are based on years of service and the employees' highest average monthly compensation. On September 30, 2010, the Authority amended the plan to freeze participation. No participant will accrue additional benefits after the amendment. Benefits will commence at the later of their normal retirement age for the participant or date of severance of employment with the Authority.

Contributions

Contributions for the defined benefit pension are made solely by the Authority. The Authority is required to annually contribute at least the minimum actuarially determined contribution, calculated in accordance with the standards of practice established by the Actuarial Standards Board of the American Academy of Actuaries. The Authority contributed $1,451,715 and $1,665,391 in fiscal years 2020 and 2019, respectively.

Investments

The investment policy of the Plan is to preserve principal while providing reasonable returns. The assets of the funds shall be invested in accordance with all relevant legislation in a manner consistent with applicable fiduciary standards. The asset allocation target for investments in the Plan portfolio was approximately 48.9% income funds, 12.3% growth and income, 38.7% growth, and 0.1% conservative through fiscal year 2020, and 53% income funds, 11% growth and income, 35% growth, and 1% conservative for fiscal year 2019. The actuarial estimate of investment return, which assumes mid-year cash flows, was 4.06% and 4.66% for fiscal 2020 and 2019, respectively.

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2020 using the following assumptions:

Cost Method — Entry Age Normal, as required by GASB Statements No. 67 and 68

Long Term Expected Rate of Return – 6.5%, based on the plan's portfolio and provided by the plan's Financial Advisor. The rate was based on expectations and the average return over the last three years.

Mortality rates — RP2014 Tables with MP2019 Mortality Improvement Scale

Salary increases — 3% per year, respectively

Employees covered

Employee membership data related to the plan as of September 30, 2019 was as follows:

Inactive plan participants as of September 30, 2019:	
Retirees and beneficiaries currently receiving benefits	171
Terminated vested participants not yet receiving benefits	156
	327
Active plan participants as of September 30, 2019:	
Vested	129
Total	456

Net pension liability

At September 30, 2020 and 2019, the Authority reported a net pension liability. The net pension liability was measured as of September 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at that date.

Changes in the Authority's net pension liability for the fiscal year ended September 30, 2020, were as follows:

	Increase (Decrease)		
	Total Pension Liability [a]	**Plan Fiduciary Net Position [b]**	**Net Pension Liability [a]-[b]**
Balance at September 30, 2019	**$ 37,022,865**	**$ 17,760,229**	**$ 19,262,636**
Changes for the year:			
Interest	**1,771,948**	**-**	**1,771,948**
Differences between expected and actual experience	**899,213**	**-**	**899,213**
Changes in assumptions	**(1,107,539)**	**-**	**(1,107,539)**
Benefit payments	**(3,266,466)**	**(3,266,466)**	**-**
Differences between actual and projected	**-**	**(412,083)**	**412,083**
Net investment (loss) income	**-**	**1,102,391**	**(1,102,391)**
Contributions – employer	**-**	**1,665,391**	**(1,665,391)**
Administrative expenses	**-**	**60**	**(60)**
Net changes	**(1,702,844)**	**(910,707)**	**(792,137)**
Balance at September 30, 2020	**$ 35,320,021**	**$ 16,849,522**	**$ 18,470,499**

Changes in the Authority's net pension liability for the fiscal year ended September 30, 2019, were as follows:

	Increase (Decrease)		
	Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Net Pension Liability [a]-[b]
Balance at September 30, 2018	$ 38,271,011	$ 17,740,068	$ 20,530,943
Changes for the year:			
Interest	1,787,256	-	1,787,256
Differences between expected and actual experience	(793,507)	-	(793,507)
Changes in assumptions	(52,061)	-	(52,061)
Benefit payments	(2,189,834)	(2,189,834)	-
Differences between actual and projected	-	(281,568)	281,568
Net investment (loss) income	-	1,126,315	(1,126,315)
Contributions – employer	-	1,398,263	(1,398,263)
Administrative expenses	-	(33,015)	33,015
Net changes	(1,248,146)	20,161	(1,268,307)
Balance at September 30, 2019	$ 37,022,865	$ 17,760,229	$ 19,262,636

Discount rate

The discount rate used to measure the total pension liability was 4.41%. The projection of cash flows used to determine the discount rate assumes that the Authority’s contributions will be made at actuarially determined rates. Based on those assumptions, the plan's fiduciary net position will be able to make projected future benefit payments for plan members through 2039. Therefore, a blended rate that utilizes the long term expected rate of return on the pension plan investments of 6.50% and the twenty year general obligation Federal Reserve Bond Buyer Index Rate (“Muni Bond Rate”) of 4.41% was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate changed from the rate of 4.63% used at the previous measurement date due to changes in the Muni Bond Rate.

Sensitivity of the pension liability to changes in the discount rate

The following presents the Authority's pension liability calculated using the discount rate of 4.41%, as well as what the Authority's pension liability would be if it were calculated using a discount rate one percentage point lower (3.41%) or one percentage point higher (5.41%) than the current rate:

	Discount Rate	Pension Liability
1% decrease	3.41%	$ 40,684,857
Current discount rate	4.41%	35,320,021
1% increase	5.41%	31,009,505

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the years ended September 30, 2020 and 2019, the Authority recognized pension expense of $1,397,616 and income of $1,502,060, respectively.

At September 30, 2020, the Authority reported deferred outflows of resources related to the pension plan from the following sources:

		Deferred Outflows of Resources
Differences between expected and actual experience	**$**	**473,386**
Changes in assumptions		**466,460**
Employer contributions subsequent to the measurement date		**1,451,715**
Net difference between projected and actual earnings on plan investments		**917,907**
		-
	$	**3,309,468**

At September 30, 2019, the Authority reported deferred outflows of resources related to the pension plan from the following sources:

		Deferred Outflows of Resources
Differences between expected and actual experience	$	839,825
Changes in assumptions		839,768
Employer contributions subsequent to the measurement date		1,665,391
Net difference between projected and actual earnings on plan investments		702,238
	$	4,047,222

Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		**Change**
2021	$	2,725,946
2022	$	302,160
2023	$	181,060
2024	$	78,307
2025	$	21,995

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application,* addresses accounting and financial reporting issues related to fair value measurements. The standard describes fair value as an exit price. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard provides guidance for determining a fair value measurement for financial reporting purposes. This standard also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The standard establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets or liabilities, inputs that are observable for the asset or liability, and market-corroborated inputs. Level 3 inputs are unobservable inputs and take into account all information about market participant assumptions that are reasonably available. The Authority categorizes its fair value measurements within the fair value hierarchy established by this standard.

For assets carried at fair value, the following table provides fair value information as of September 30, 2019 and 2018 (Measurement Dates):

	Fair value measurements at September 30, 2019 (Measurement Date)			
Investments by fair value level	**Total**	**Level 1**	**Level 2**	**Level 3**
Income Funds	**$ 7,133,502**	**$ 7,133,502**	**$ -**	**$ -**
Income & Growth Funds	**7,105,578**	**7,105,578**	**-**	**-**
Conservative Funds	**13,341**	**13,341**	**-**	**-**
Growth Funds	**2,597,101**	**2,597,101**	**-**	**-**
Total investments by level	**$ 16,849,522**	**$ 16,849,522**	**$ -**	**$ -**

	Fair value measurements at September 30, 2018 (Measurement Date)			
Investments by fair value level	Total	Level 1	Level 2	Level 3
Income Funds	$ 8,284,920	$ 8,284,920	$ -	$ -
Income & Growth Funds	6,849,892	6,849,892	-	-
Growth Funds	2,625,701	2,625,701	-	-
Total investments by level	$ 17,760,513	$ 17,760,513	$ -	$ -

11. Defined Contribution Plan

Effective October 1, 2010, the Authority offered a new plan to employees—the Jackson County Health Care Authority Retirement Plan (the Plan), a defined contribution 401(a) plan. The Plan is generally available to all employees of the Authority. Employee deferrals are fully vested at the time of contribution. The Authority matched the first 2% of employee payroll deferrals during the years ended September 30, 2020 and 2019. During 2020 and 2019, the Authority contributed approximately $303,000 and $285,000, respectively, in matched deferrals to the Plan. The Authority deferral match payments for participants vest over a six-year vesting schedule.

12. Commitments and Contingencies

The Authority is involved in litigation in the ordinary course of business related to professional liability claims. Management believes all claims will be settled within the limits of insurance coverage. Other claims may be asserted arising from past services provided through September 30, 2020. Management believes these claims, if asserted, would be settled within the limits of insurance coverage.

The Authority has obtained medical professional liability, general liability, and umbrella excess liability insurance coverage with Medpro. Under the Medpro RRG policy, claims are covered on a "claims made" basis. The policy expired on January 1, 2020, at which time the Authority entered into a new policy with the same “claims made” coverage. That policy expires on January 1, 2021 and was subsequently renewed prior to the issuance of this report. Premiums are expensed pro rata over the policy period.

The Authority is self-insured for employee health claims. The health plan is administered by a third party and includes a $190,000 deductible per person (unlimited specific maximum) as well as a aggregating specific deductible limit of $65,000 for the year ended September 30, 2020. At September 30, 2020, the Authority had accrued approximately $365,000 as an estimate of its liability for incurred but not reported claims ($394,000 at September 30, 2019).

CARES Act Funding

Payments from the CARES Act are not loans and, 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 COVID-related expenses and lost operating margin from patient related care, 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.

Furthermore, 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. Except for certain relief payments the Authority returned to HHS, the Authority has formally accepted the terms and conditions associated with the receipt of relief payments received.

With respect to the CARES Act funding described in Note 1, there can be no assurance as to the total amount of financial and other types of assistance the Authority will receive under the CARES Act or other funding sources, and it is difficult to predict the impact of such measures on operating results or how they will affect operations of our competitors. Further, there can be no assurance that the terms of provider relief funding or other programs will not change or be interpreted in ways that affect our funding or eligibility to participate or our ability to comply with applicable requirements. The Authority continues to assess the potential impact of the CARES Act and the potential impact of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on the Authority’s business operations. The use of CARES Act funding is subject to validation and audit and, therefore, the possibility exists that monies recognized as nonoperating revenue could be subject to recoupment in the future.

13. Investment in Joint Venture

The Authority is a 25% equity owner in Open MRI of Scottsboro, LLC (Open MRI) and owns membership units totaling $250,000. The Authority accounts for the investment in Open MRI using the equity method of accounting whereby the Authority's share of Open MRI's profits and losses is recorded as an adjustment to the carrying value of the investment and reported in the statements of revenues, expenses, and changes in net position. As of September 30, 2020, the Authority's investment in Open MRI is $237,813 ($283,899 at September 30, 2019) and is reported as part of investments in other assets in the accompanying statements of net position.

As of September 30, 2020 and 2019, the unaudited financial statements of Open MRI reflect total assets of $1,309,039 and $1,172,215, respectively, total liabilities of $87,789 and $36,618, respectively, and total members' equity of $951,251 and $1,135,597, respectively. For the 12 months ended September 30, 2020, Open MRI had net income totaling $15,653 and (net income totaling $120,810 for the 12 months ended September 30, 2019). Open MRI maintains its financial statements on a calendar year basis.

14. Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents and short-term investments approximates fair value. The carrying values of accounts receivable, accounts payable, and accrued expenses approximate fair value due to the short-term nature of these instruments. The fair value of the notes receivable and notes payable (including the line of credit) approximates the carrying value due to the rates associated with those borrowings approximating current borrowing rates. The fair value of the bonds payable was estimated using current trade rates at September 30, 2020 and 2019, and is valued at approximately $7,902,000 and $8,301,000, respectively.

15. Condensed Combining Information

The following schedules summarize the combining information for the years ended September 30, 2020 and 2019:

	2020 Authority*	2020 Other**	2020 Eliminations	2020 Combined
Patient accounts receivable, net	$ 4,802,131	$ 418,808	$ -	$ 5,220,939
Other current assets	40,373,987	14,528,490	(30,624,126)	24,278,351
Total current assets	45,176,118	14,947,298	(30,624,126)	29,499,290
Property and equipment, net	14,275,069	212,446	-	14,487,515
Other assets	639,853	41,379	-	681,232
Total assets	60,091,040	15,201,123	(30,624,126)	44,668,037
Deferred outflows of resources	3,722,802	-	-	3,722,802
Total assets and deferred outflows of resources	$ 63,813,842	$ 15,201,123	$ (30,624,126)	$ 48,390,839
Current liabilities	$ 22,756,482	$ 30,866,561	$ (30,624,126)	$ 22,998,917
Long-term debt, net of current portion	10,123,565	-	-	10,123,565
Capital leases, net of current portion	43,662	-	-	43,662
Net pension liability	18,470,499	-	-	18,470,499
Total liabilities	51,394,208	30,866,561	(30,624,126)	51,636,643
Deferred inflows of resources	1,328,450	-	-	1,328,450
Net (deficit) position:				
Net investment in capital assets	3,533,355	212,446	-	3,745,801
Unrestricted	7,557,829	(15,877,884)	-	(8,320,055)
Total net (deficit) position	11,091,184	(15,665,438)	-	(4,574,254)
Total liabilities, deferred inflows of resources, and net position	$ 63,813,842	$ 15,201,123	$ (30,624,126)	$ 48,390,839

	2020 Authority*	2020 Other**	2020 Eliminations	2020 Combined
Net patient service revenue	$ 47,110,816	$ 5,396,687	$ -	$ 52,507,503
Other revenue	3,646,403	-	-	3,646,403
Total operating revenue	50,757,219	5,396,687	-	56,153,906
Depreciation	1,883,059	46,952	-	1,930,011
Other operating expenses	52,218,547	7,143,956	-	59,362,503
Total operating expenses	54,101,606	7,190,908	-	61,292,514
Operating income (loss)	(3,344,387)	(1,794,221)	-	(5,138,608)
Nonoperating revenues	4,257,317	474,437	-	4,731,754
Excess of revenues over (under) expenses	912,930	(1,319,784)	-	(406,854)
Net position (deficit) beginning of year	10,178,254	(14,345,654)	-	(4,167,400)
Net position (deficit), end of year	$ 11,091,184	$ (15,665,438)	$ -	$ (4,574,254)

	2020 Authority*	2020 Other**	2020 Eliminations	2020 Combined
Net cash provided by (used in) operating activities	$ (3,363,907)	$ 12,991,990	$ (13,212,614)	$ (3,584,531)
Net cash provided by non-capital financing activities	$ 4,217,932	$ 474,437	$ 13,212,614	$ 17,904,983
Net cash (used in) provided by capital and related financing activities	$ (2,082,760)	$ (3,116)	$ -	$ (2,085,876)
Net cash provided by (used in) investing activities	$ 234,280	$ (75,000)	$ -	$ 159,280
Cash and cash equivalents, beginning of year	$ 5,489,143	$ 825,437	$ -	$ 6,314,580
Cash and cash equivalents, end of year	$ 4,494,688	$ 14,213,748	$ -	$ 18,708,436

	2019 Authority*	2019 Other**	2019 Eliminations	2019 Combined
Patient accounts receivable, net	$ 4,802,561	$ 460,693	$ -	$ 5,263,255
Other current assets	26,314,178	976,073	(15,924,503)	11,365,747
Total current assets	31,116,740	1,436,766	(15,924,503)	16,629,002
Property and equipment, net	14,847,815	256,282	-	15,104,097
Other assets	760,939	56,250	-	817,189
Total assets	46,725,494	1,749,298	(15,924,503)	32,550,289
Deferred outflows of resources	4,504,842	-	-	4,504,842
Total assets and deferred outflows of resources	$ 51,230,336	$ 1,749,298	$ (15,924,503)	$ 37,055,130
Current liabilities	$ 9,701,199	$ 16,094,952	$ (15,924,503)	$ 9,871,647
Long-term debt, net of current portion	10,633,971	-	-	10,633,971
Capital leases, net of current portion	125,826	-	-	125,826
Net pension liability	19,262,636	-	-	19,262,636
Total liabilities	39,723,632	16,094,952	(15,924,503)	39,894,080
Deferred inflows of resources	1,328,450	-	-	1,328,450
Net (deficit) position:				
Net investment in capital assets	3,697,688	256,282	-	3,953,970
Unrestricted	6,480,566	(14,601,936)	-	(8,121,370)
Total net (deficit) position	10,178,254	(14,345,654)	-	(4,167,400)
Total liabilities, deferred inflows of resources, and net position	$ 51,230,336	$ 1,749,298	$ (15,924,503)	$ 37,055,130

	2019 Authority*	2019 Other**	2019 Eliminations	2019 Combined
Net patient service revenue	$ 48,668,928	$ 6,202,066	$ -	$ 54,870,994
Other revenue	1,509,398	-	-	1,509,398
Total operating revenue	50,178,326	6,202,066	-	56,380,392
Depreciation	1,860,788	52,598	-	1,913,386
Other operating expenses	47,057,285	7,992,620	-	55,049,905
Total operating expenses	48,918,073	8,045,218	-	56,963,291
Operating income (loss)	1,260,253	(1,843,152)	-	(582,899)
Nonoperating revenues	1,684,330	25,944	-	1,710,274
Excess of revenues over (under) expenses	2,944,583	(1,817,208)	-	1,127,375
Net position (deficit) beginning of year	7,233,671	(12,528,446)	-	(5,294,775)
Net position (deficit), end of year	$ 10,178,254	$ (14,345,654)	$ -	$ (4,167,400)

	2019 Authority*	2019 Other**	2019 Eliminations	2019 Combined
Net cash provided by (used in) operating activities	$ 2,270,023	$ (504,199)	$ -	$ 1,765,824
Net cash provided by non-capital financing activities	$ 1,882,012	$ 16,716	$ -	$ 1,898,728
Net cash (used in) provided by capital and related financing activities	$ (2,146,879)	$ 83,017	$ -	$ (2,063,862)
Net cash provided by (used in) investing activities	$ 231,164	$ (129,562)	$ -	$ 101,602
Cash and cash equivalents, beginning of year	$ 3,252,823	$ 1,359,465	$ -	$ 4,612,288
Cash and cash equivalents, end of year	$ 5,489,143	$ 825,437	$ -	$ 6,314,580

*The Authority includes the accounts of The Jackson County Health Care Authority and its legal components, Highlands Medical Center, Highlands Health & Rehab, Highlands Home Health, Cumberland Health & Rehab, Highlands Surgery Center, Highlands Imaging Center, Highlands Sleep Disorders Center, Highlands Ambulance Service, Highlands Maternity Center, and Highlands Therapy Center.

**Other includes the accounts of Highlands Foundation, Inc. and the wholly owned single member LLC's of the Authority, Highlands Hospitalist Services, LLC, Highlands Family Medicine, LLC, Highlands Surgical Services, LLC, Hodges Clinic, LLC, Jackson County Family Medicine, LLC, North Jackson Urgent Care, LLC, Scottsboro Urgent Care, LLC, Highlands Occupational Medical Center, LLC, and Therapy Unlimited, Inc.

Required Supplementary Information

The Jackson County Health Care Authority
Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2020 and 2019

	2020	2019	2018	2017	2016	2015
Total pension liability:						
Interest	**$ 1,771,948**	$ 1,787,256	$ 1,770,505	$ 1,925,009	$ 1,939,082	$ 1,831,059
Differences between expected and actual experience	**899,213**	(793,507)	1,771,974	1,433,151	462,958	1,994,023
Changes of assumptions	**(1,107,539)**	(52,061)	(2,625,610)	(472,875)	4,669,877	3,242,968
Benefit payments	**(3,266,466)**	(2,189,834)	(4,700,602)	(1,357,249)	(1,673,500)	(1,330,751)
Net change in total pension liability	**(1,702,844)**	(1,248,146)	(3,783,733)	1,528,036	5,398,417	5,737,299
Total pension liability — beginning	**37,022,865**	38,271,011	42,054,744	40,526,708	35,128,291	29,390,992
Total pension liability — ending (a)	**$ 35,320,021**	$ 37,022,865	$ 38,271,011	$ 42,054,744	$ 40,526,708	$ 35,128,291
Plan fiduciary net position:						
Contributions — employer	**$ 1,665,391**	$ 1,398,263	$ 1,522,818	$ 1,644,945	$ 1,107,580	$ 1,369,996
Net investment (loss) income	**690,308**	844,747	1,644,062	1,245,283	(402,945)	1,115,373
Benefit payments, including refunds of employee contributions	**(3,266,466)**	(2,189,834)	(4,700,602)	(1,357,249)	(1,673,500)	(1,330,751)
Administrative expense	**(224)**	(32,731)	(279)	(4,943)	(5,050)	(4,845)
Net change in plan fiduciary net position	**(910,991)**	20,445	(1,534,001)	1,528,036	(973,915)	1,149,773
Plan fiduciary net position — beginning	**17,760,513**	17,740,068	19,274,069	17,746,033	18,719,948	17,570,175
Plan fiduciary net position — ending (b)	**$ 16,849,522**	$ 17,760,513	$ 17,740,068	$ 19,274,069	$ 17,746,033	$ 18,719,948
Authority's net pension liability—ending (a)-(b)	**$ 18,470,499**	$ 19,262,352	$ 20,530,943	$ 22,780,675	$ 22,780,675	$ 16,408,343
Plan fiduciary net position as a percentage of total pension liability	**47.7%**	48.0%	46.4%	45.8%	43.8%	53.3%
Covered-employee payroll	**N/A****	N/A**	N/A**	N/A**	N/A**	N/A**
Net pension liability as a percentage of covered-employee payroll	**N/A****	N/A**	N/A**	N/A**	N/A**	N/A**

* This schedule will increase to become a ten year schedule as information becomes available.
** The Plan was frozen as of September 30, 2010.

Fiscal Year Ended September 30	Actuarially Determined Contribution	Employer Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Employer Contributions as a Percentage of Covered Payroll
2011	$ 1,253,580	$ 1,279,112	$ (25,532)	N/A*	N/A*
2012	$ 1,227,403	$ 1,227,403	$ -	N/A*	N/A*
2013	$ 1,261,494	$ 1,227,458	$ 34,036	N/A*	N/A*
2014	$ 1,370,374	$ 1,369,996	$ 378	N/A*	N/A*
2015	$ 1,328,131	$ 1,107,580	$ 220,551	N/A*	N/A*
2016	$ 1,424,394	$ 1,644,945	$ (220,551)	N/A*	N/A*
2017	$ 1,522,818	$ 1,522,818	$ -	N/A*	N/A*
2018	$ 1,523,565	$ 1,398,263	$ 125,302	N/A*	N/A*
2019	$ 1,538,242	$ 1,665,391	$ (127,149)	N/A*	N/A*
2020	$ 1,451,715	$ 1,451,715	$ -	N/A*	N/A*

***Benefit changes** - In September 2010, benefit terms were modified to freeze benefit accruals for all participants.

Actuarially determined contribution - In fiscal 2015, new accounting guidance was implemented which changed the accounting for the employer pension liability and presentatoin of required supplementary information. The "actuarially determined contribution" for all years prior to fiscal 2015 are the same as previously reported "annual required contribution".

Other Supplementary Information (Unaudited)

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
The Jackson County Health Authority

We have audited, in accordance with the 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, the combined financial statements of The Jackson County Health Care Authority (the Authority) which comprise the combined statements of net position as of September 30, 2020 and 2019, and the related combined statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the combined financial statements, and have issued our report thereon dated February 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 on the Authority's combined financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 may exist that we have not identified. We did identify a deficiency in internal control that we consider to be a significant deficiency that is described below:

Segregation of Duties (Repeated)

Due to the small size of the Authority's staff, as it relates to some satellite locations, it is difficult to fully segregate duties in order to achieve a set of checks and balances in all internal control processes. Checks and balances in internal controls reduce the possibility for errors arising from misunderstanding of instruction or mistakes of judgment, carelessness, distraction, or fatigue. It is our understanding that the billing process at some locations is performed by one individual without formal review or oversight. The Authority performs, and should continue to perform, an independent review of patient accounts receivable aging, write-offs, contractual adjustments, and all allowance calculations to minimize risk to an acceptable level.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying auditee response. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Dixon Hughes Goodman LLP

Atlanta, GA
February 23, 2021

Supplementary Information

The Jackson County Health Care Authority

Auditee Response (Unaudited)
Year Ended September 30, 2020

Findings:

Segregation of Duties (Repeated)

Due to the small size of the Authority's staff, as it relates to some satellite locations, it is difficult to fully segregate duties in order to achieve a set of checks and balances in all internal control processes. Checks and balances in internal controls reduce the possibility for errors arising from misunderstanding of instruction or mistakes of judgment, carelessness, distraction, or fatigue. It is our understanding that the billing process at some locations is performed by one individual without formal review or oversight. The Authority performs, and should continue to perform, an independent review of patient accounts receivable aging, write-offs, contractual adjustments, and all allowance calculations to minimize risk to an acceptable level.

Response:

We concur with the finding of our auditors. We also agree that the size of the Authority prohibits complete adherence to the concept of proper segregation of duties. However, we achieve segregation of duties to the greatest extent possible based on our size through the performance of independent reviews, as well as encourage Board of Directors' oversight to supplement that segregation of duties.