

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

For the Years Ended September 30, 2018 and 2017



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**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
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September 30, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Bonifay, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital"), as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of September 30, 2018 and 2017, and the changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Restatement of Prior Period Financial Statements

As discussed in Note 1 to the financial statements, the balance sheet as of September 30, 2017 has been restated for the correction of errors. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 13, 2019 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama

March 13, 2019

Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital Management's Discussion and Analysis (Unaudited)

Introduction

This management's discussion and analysis of the financial performance of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the Hospital) provides an overview of the Hospital's financial activities for the years ended September 30, 2018 and 2017. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and investments increased by approximately \$389,000, or 13.2%, in 2018 after a decrease of \$1,148,000, or 28.1%, between 2017 and 2016.
- The Hospital's net position decreased by approximately \$603,000 and \$1,550,000 in 2018 and 2017, respectively.
- The Hospital reported operating income (loss) of approximately \$181,000 and \$(1,173,000) in 2018 and 2017, respectively.
- Net nonoperating expenses decreased by approximately \$20,000, or 7.5%, in 2018 and \$11,000, or 1.4%, in 2017.
- Capital contributions decreased to \$0 in 2018, \$417,000 in 2017.

Using This Annual Report

The Hospital's financial statements consist of three types of statements—balance sheets; statements of revenues, expenses and changes in net position; and statements of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheets and Statements of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheets and the Statements of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, all liabilities and all deferred inflows and outflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two types of statements report the Hospital's net position and changes in it. The Hospital's total net position—the difference between assets, liabilities and deferred inflows and outflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Management's Discussion and Analysis (Unaudited)**

Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statements of Cash Flows

The Statements of Cash Flows report cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities, and provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Hospital's Balance Sheets

The Hospital's assets decreased approximately \$932,000, or 7.5%, in 2018 and \$1,904,000, or 13.3%, in 2017. The decrease in 2018 was primarily due to the decrease in the value of fixed equipment. The decrease in 2017 was primarily due to an audit performed by AHCA for the years 2006-2013 resulting in an overpayment of approximately \$890,000.

The Hospital's total liabilities decreased by approximately \$329,000, or 1.7%, in 2018 and \$344,000, or 1.8%, in 2017. This decrease in 2018 was primarily due to a decrease in the long-term debt. This decrease in 2017 was primarily due to a decrease in the estimated amounts due to third-party payers.

Table 1: Assets, Liabilities and Net Deficit

<i>September 30,</i>	2018	<i>Variance</i>	2017	<i>Variance</i>	2016
			<i>(as restated)</i>		<i>(as restated)</i>
Assets					
Patient accounts receivable, net	\$ 1,095,920	\$ (247,365)	\$ 1,343,285	\$ (244,472)	\$ 1,587,757
Other current assets	2,013,456	257,359	1,756,097	(1,480,678)	3,236,775
Capital assets, net	6,690,580	(809,457)	7,500,037	(493,950)	7,993,987
Other noncurrent assets	1,694,961	(132,433)	1,827,394	315,044	1,512,350
Total assets	\$11,494,917	\$ (931,896)	\$ 12,426,813	\$ (1,904,056)	\$ 14,330,869
Liabilities					
Current liabilities	\$ 3,916,439	\$ 76,432	\$ 3,840,007	\$ (300,188)	\$ 4,140,195
Long-term liabilities	14,644,955	(405,048)	15,050,003	(43,997)	15,094,000
Total liabilities	18,561,394	(328,616)	18,890,010	(344,185)	19,234,195
Net Position (Deficit)					
Net investment in capital assets	(8,430,774)	(480,661)	(7,950,113)	(520,810)	(7,429,303)
Restricted expendable	1,587,951	21,366	1,566,585	25,633	1,540,952
Unrestricted	(223,654)	(143,985)	(79,669)	(1,064,694)	985,025
Total net position (deficit)	(7,066,477)	(603,280)	(6,463,197)	(1,559,871)	(4,903,326)
Total liabilities and net position	\$ 11,494,917	\$ (931,896)	\$ 12,426,813	\$ (1,904,056)	\$ 14,330,869

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Management's Discussion and Analysis (Unaudited)**

Operating Results and Changes in the Hospital's Net Position

As shown in *Table 2*, in 2018, the Hospital net position decreased by approximately \$603,000, while in 2017, the Hospital's net position decreased by approximately \$1,560,000 compared to the decrease of approximately \$1,357,000 in 2016. In 2018, the total operating revenues increased approximately \$1,241,000, or 11.8%, over 2017 and the total operating expenses decreased approximately \$113,000, or 1%. However, the interest on the long term debt was not covered, leading to the overall decrease in position. The decrease in 2017 was largely due to an audit performed by AHCA for the years 2006-2013 resulting in an overpayment of approximately \$890,000. The decrease in 2016 was due to several different components.

Table 2: Operating Results and Changes in Net Position

<i>Years ended September 30,</i>	2018	<i>Variance</i>	2017	<i>Variance</i>	2016
					<i>(as restated)</i>
Operating Revenues					
Net patient service revenue	\$11,483,183	<i>\$ 1,204,386</i>	\$ 10,278,797	<i>\$ (720,836)</i>	\$ 10,999,633
Other operating revenue	248,024	<i>36,636</i>	211,388	<i>162,410</i>	48,978
Total operating revenues	11,731,207	<i>1,241,022</i>	10,490,185	<i>(558,426)</i>	11,048,611
Operating Expenses					
Salaries and wages and employee benefits	8,651,102	<i>106,399</i>	8,544,703	<i>131,266</i>	8,413,437
Physician and professional fees	992,101	<i>(133,388)</i>	1,125,489	<i>44,398</i>	1,081,091
Depreciation and amortization	373,707	<i>26,077</i>	347,630	<i>(25,005)</i>	372,635
Other operating expenses	1,533,240	<i>(111,971)</i>	1,645,211	<i>(78,318)</i>	1,723,529
Total operating expenses	11,550,150	<i>(112,883)</i>	11,663,033	<i>72,341</i>	11,590,692
Operating loss	181,057	<i>1,353,905</i>	(1,172,848)	<i>(630,767)</i>	(542,081)
Nonoperating Revenues (Expenses)					
Investment income	23,934	<i>10,710</i>	13,224	<i>2,641</i>	10,583
Interest expense	(847,580)	<i>19,341</i>	(866,921)	<i>16,214</i>	(883,135)
Loss on disposal of capital asset:	3,420	<i>3,420</i>	-	<i>3,640</i>	(3,640)
Loss on impairment	-	-	-	<i>160,000</i>	(160,000)
Noncapital gifts and other	35,889	<i>(13,785)</i>	49,674	<i>(171,162)</i>	220,836
Total nonoperating revenues (expenses)	(784,337)	<i>19,686</i>	(804,023)	<i>11,333</i>	(815,356)
Loss before capital contributions	(603,280)	<i>1,373,591</i>	(1,976,871)	<i>(619,434)</i>	(1,357,437)
Capital Contributions	-	<i>(417,000)</i>	417,000	<i>417,000</i>	-
Decrease in net position	\$ (603,280)	<i>\$ 956,591</i>	\$ (1,559,871)	<i>\$ (202,434)</i>	\$ (1,357,437)

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Management's Discussion and Analysis (Unaudited)**

Operating Losses

The first component of the overall change in the Hospital's net position is its operating income or loss— generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In two of the past three years, the Hospital has reported operating losses. This is consistent with the Hospital's recent operating history as the Hospital was formed and is operated primarily to serve residents of Holmes County, Florida and the surrounding area. The Hospital does not have the authority to levy property taxes to provide sufficient resources to help the Hospital to serve lower income and other residents.

The operating gain for fiscal year 2018 was a positive result of approximately \$1,354,000, or 115.4%, over 2017. The primary components of the operating gain are:

- An increase in net patient service revenue of approximately \$1,204,000, or 11.7%.
- An increase in other operating revenue of approximately \$37,000, or 17.3%.
- A decrease in operating expense of approximately \$113,000, or 1.0%.

Net patient service revenue increased because of an increase in gross patient revenue of approximately \$5.04 million.

Other operating revenue increased because of increased activity in the 340B program with participating pharmacies.

Operating expense decreased because of decreases of professional fees.

Non-operating Revenues and Expenses

Non-operating revenues and expenses consist primarily of investment income, interest expense, loss on impairment and non-capital grants and other. Total non-operating expenses decreased by approximately \$19,700, or 2.5%, in 2018; \$11,000, or 1.4%, in 2017; and \$153,000, or 15.8%, in 2016. The change in 2018 compared to 2017 and 2016 is primarily due to a decrease in interest expense.

Capital Contributions

Capital contributions decreased to \$0 in 2018 from the increase of \$417,000 in 2017, from \$0 in 2016, due to a state grant for the purchase of an MRI for the facility.

The Hospital's Cash Flows

As reflected in the Statements of Cash Flows, the Hospital's cash increased in 2018 by approximately \$386,000 compared to a decrease in 2017 of approximately \$1,151,000. The increase in the ending cash balance for 2018 was primarily due to an increase in receipts from net patient revenue. The decrease in the ending cash balance for 2017 was primarily due to a decrease in net patient revenue due to a decrease in gross revenue and the reduction in LIP and DSH funding.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Management's Discussion and Analysis (Unaudited)**

Capital Asset and Debt Administration

Capital Assets

The Hospital had approximately \$6,691,000 and \$7,500,000 invested in capital assets, net of accumulated depreciation at the end of 2018 and 2017, respectively. In 2018 and 2017, the Hospital purchased new capital assets costing approximately \$186,000 and \$632,000 respectively.

Debt

At September 30, 2018 and 2017, the Hospital had approximately \$15,064,000 and \$15,446,000 in revenue bonds, notes payable and capital lease obligations, respectively. The Hospital's formal debt issuances, revenue bonds, are subject to limitations imposed by state law. There have been no changes in the Hospital's debt ratings in the past three years.

Other Economic Factors

Doctors Memorial Hospital is located within an economically distressed rural area. There is no manufacturing industry in the area. The major employers are governmental in nature. The largest employer in the area is the Holmes County school system, followed by the state correctional and road departments and local nursing home.

Strategic Planning for Future Growth

The Hospital currently has one active surgeon on staff as well as eight active general practice physicians. In addition, nine nurse practitioners rotate in the Emergency Room to reduce expense to the hospital.

The Modular Medical Office Building is currently being used by two sub-specialists from Nemours Children's Clinic in Pensacola, Florida who come to see patients in the surrounding areas. The sub-specialties are cardiology and pulmonology. The Modular Medical Office Building is also currently being used to house one general practitioner and specialty physicians in the fields of dermatology, general surgery and cardiology.

The hospital has maintained an affiliation agreement with HCA Gulf Coast Hospital, Panama City, Florida for tele-neurology services. With this agreement, the Hospital has approximately 30 board certified neurologists on call utilizing a telemedicine robot to provide a sub-specialist technologist to our rural community. The Hospital continues to seek affiliation agreements with Bay Medical Center, Panama City, Florida to help provide new specialty services to the community. Hurricane Michael and Ascension Health's acquisition of Bay Medical have caused delays in the affiliation moving forward until they recover. In the meantime, the Hospital is reaching out to Jackson Hospital, Marianna, Florida and HCA Gulf Coast Hospital for some type of an affiliation to meet the medical needs of the community. At present, the hospital has engaged PYA to complete a financial proforma to weigh the benefits of having a hospital-based Rural Health Clinic to utilize specialists from the different affiliations. The Hospital is also exploring financing options with local banks.

Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital Management's Discussion and Analysis (Unaudited)

The Hospital was successful in obtaining designation as a National Health Service Corp (NHSC) site. The NHSC offers loan repayment and scholarships to primary care providers and students for serving at NHSC sites. This designation will assist the Hospital with its recruitment efforts. The hospital is also looking to recruit, from Tallahassee Medical Center and Florida State University, residents wishing to moonlight in the Emergency Room at a reduced cost to meet the needs of the community.

The Hospital has continued its agreement to provide medical stabilization services. This program offers patients a chance to eliminate dependence on alcohol and certain physician prescribed medications. The hospital has met with legislative officials to request funding in the amount of \$499,000 for the uninsured patients wishing to participate in the program but do not have the means to obtain these services that are available at the Hospital. The Hospital has submitted the request for this year's funding of the program.

First Baptist Church in Holmes County is still providing a free clinic to the populace that meet certain guidelines for receiving free care to improve health care to residents.

The Hospital is continuing its efforts to meet with legislative officials to request funding for capital equipment needs. The MRI that the hospital was successful in receiving during the Florida Legislative session of 2016 continues to allow the hospital to provide services five days per week. This allows the patients to stay in the community for their healthcare needs.

The hospital has improved outside patient billing since contracting with Trubridge for the outsourcing of self-pay accounts.

Hospital management continues to participate in weekly webinars hosted by Hometown Health, LLC to keep the Hospital informed on industry best practices and abreast of the new legislative changes that are forthcoming that will affect the Hospital. The Hospital continues to participate in the State for Rural Health FLEX Program to ensure the successful continuation of performance improvement interventions for Florida's Critical Access Hospitals (CAHs) participating in the FLEX program for Financial and Quality Improvement.

In view of the changing political view points in the federal government, the future look and amount of LIP Program and disproportionate share (DSH) funding has been reduced. The Hospital receives DSH funding from the State of Florida in relation to the percentage of Medicaid and indigent population that is served. Members of the Florida legislature are hopeful that the State of Florida will receive favorable consideration with respect to these programs.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Business Administration by telephoning (850) 547-8000.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Balance Sheets**

<i>September 30,</i>	2018	2017 Restated
Assets		
Current assets		
Cash and cash equivalents	\$ 935,337	\$ 553,707
Certificates of deposit	21,490	61,727
Restricted cash and cash equivalents		
Bond sinking fund	328,883	317,103
Bond interest fund	348,228	359,849
Patient accounts receivable, net of estimated uncollectibles of approximately \$2,577,000 and \$2,888,000 in 2018 and 2017, respectively	1,095,920	1,343,285
Supplies	265,883	295,029
Prepaid expenses and other	113,635	168,682
Total current assets	3,109,376	3,099,382
Noncurrent assets		
Certificates of deposit	415,144	372,163
Restricted cash and cash equivalents		
Building fund	31,824	32,804
Grant fund	20,749	25,749
Bond interest fund	-	5,569
Debt reserve fund	1,227,244	1,211,109
Total noncurrent assets	1,694,961	1,647,394
Capital assets		
Land	319,513	319,513
Construction in progress	1,700	11,398
Depreciable capital assets, net	6,369,367	7,169,126
Total capital assets, net	6,690,580	7,500,037
Assets held for sale, net	-	180,000
Total assets	\$ 11,494,917	\$ 12,426,813

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**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Balance Sheets (Continued)**

<i>September 30,</i>	2018	2017 Restated
Liabilities and Net Position (Deficit)		
Current liabilities		
Current maturities of long-term debt	\$ 418,914	\$ 396,035
Accounts payable	639,318	735,193
Accrued compensation and payroll taxes	516,959	489,262
Unearned revenue	20,749	25,749
Other accrued expenses	213,838	168,707
Accrued interest payable	5,262	6,045
Accrued interest payable from restricted assets	351,583	359,849
Short-term debt	-	45,044
Estimated third-party settlements	1,749,816	1,614,123
Total current liabilities	3,916,439	3,840,007
Long-term liabilities		
Capital lease obligation, net of current maturities	32,000	3,534
Bonds payable, net of current maturities	14,612,955	15,046,469
Total long-term liabilities	14,644,955	15,050,003
Total liabilities	18,561,394	18,890,010
Net position (deficit)		
Net investment in capital assets	(8,430,774)	(7,950,113)
Restricted - expendable for		
Debt service	1,556,127	1,533,781
Specified operating activities	31,824	32,804
Unrestricted	(223,654)	(79,669)
Total net position (deficit)	(7,066,477)	(6,463,197)
Total liabilities and net position	\$ 11,494,917	\$ 12,426,813

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Statements of Revenues, Expenses and Changes in Net Position**

<i>Years ended September 30,</i>	2018	2017
Operating Revenues		
Net patient service revenue before provision for uncollectible accounts	\$ 14,191,972	\$ 12,260,388
Provision for uncollectible accounts	(2,708,789)	(1,981,591)
Net patient service revenue	11,483,183	10,278,797
Other operating revenue	248,024	211,388
Total operating revenues	11,731,207	10,490,185
Operating Expenses		
Salaries and wages	5,147,035	5,149,027
Supplies and other operating expense	3,504,067	3,395,676
Depreciation and amortization	992,101	1,125,489
Insurance	786,738	788,894
Physician and professional fees	746,502	856,317
Employee benefits and payroll taxes	373,707	347,630
Total operating expenses	11,550,150	11,663,033
Operating income (loss)	181,057	(1,172,848)
Nonoperating Revenues (Expenses)		
Investment income	23,934	13,224
Interest expense	(847,580)	(866,921)
Gain on disposal of assets held for sale	3,420	-
Noncapital gifts and other	35,889	49,674
Total nonoperating revenues (expenses)	(784,337)	(804,023)
Loss before capital contributions	(603,280)	(1,976,871)
Capital Contributions - Intergovernmental Grant	-	417,000
Decrease in net position	(603,280)	(1,559,871)
Net Position (Deficit) - beginning of year	(6,463,197)	(4,903,326)
Net Position (Deficit) - end of year	\$ (7,066,477)	\$ (6,463,197)

Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Statements of Cash Flows

<i>Years ended September 30,</i>	2018	2017
Operating Activities		
Receipts from and on behalf of patients	\$ 11,911,372	\$ 10,019,168
Payments to suppliers and contractors	(5,141,556)	(4,907,217)
Payments to and on behalf of employees	(5,453,895)	(5,477,564)
Other receipts (payments), net	268,140	230,970
Net cash provided by (used in) operating activities	1,584,061	(134,643)
Noncapital Financing Activities		
Receipt of noncapital grants	-	8,928
Donations, net	9,806	20,418
Financing of insurance premiums	-	45,044
Principal paid on short-term debt	(45,044)	(44,919)
Interest paid on short-term debt	(786)	(610)
Interest and finance charges paid on trade payables	(11,471)	(8,860)
Net cash (used in) provided by noncapital financing activities	(47,495)	20,001
Capital and Related Financing Activities		
Receipt of capital grants	-	417,000
Proceeds from sale of assets held for sale	183,420	-
Purchase of capital assets	(88,152)	(627,427)
Proceeds from bonds payable	-	375,000
Interest paid on long-term debt	(867,335)	(882,154)
Principal paid on long-term debt	(399,206)	(329,290)
Net cash used in capital and related financing activities	(1,171,273)	(1,046,871)
Investing Activities		
Reinvestment of interest into certificates of deposits	(2,744)	(2,355)
Receipt of interest on investments	23,826	13,143
Net cash provided by investing activities	21,082	10,788
Net increase (decrease) in cash and cash equivalents	386,375	(1,150,725)
Cash and Cash Equivalents - beginning of year	2,505,890	3,656,615
Cash and Cash Equivalents - end of year	\$ 2,892,265	\$ 2,505,890

-Continued-

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Statements of Cash Flows (Continued)**

<i>Years ended September 30,</i>	2018	2017
Reconciliation of Cash to Balance Sheets		
Cash and cash equivalents	\$ 935,337	\$ 553,707
Restricted cash and cash equivalents, current		
Bond sinking fund	328,883	317,103
Bond interest fund	348,228	359,849
Restricted cash and cash equivalents, noncurrent		
Building fund	31,824	32,804
Grant fund	20,749	25,749
Bond interest fund	-	5,569
Debt reserve fund	1,227,244	1,211,109
Cash and Cash Equivalents - end of year	\$ 2,892,265	\$ 2,505,890
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:		
Operating income (loss)	\$ 181,057	\$ (1,172,848)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	992,101	1,125,489
Construction in progress expensed	2,993	-
Provision for bad debts	2,708,789	1,981,591
Other nonoperating income	21,083	18,639
Changes in:		
Patient accounts receivable	(2,461,424)	(1,737,119)
Supplies	29,146	15,471
Prepaid expenses and other	55,155	1,874
Accounts payable	(153,360)	167,349
Accrued expenses	72,828	(1,875)
Estimated third-party settlements	135,693	(533,214)
Net cash provided by (used in) operating activities	\$ 1,584,061	\$ (134,643)
Noncash Investing, Capital and Financing Activities:		
Purchase of equipment through accounts payable	\$ 57,485	\$ 4,112
Purchase of equipment through capital lease	40,000	-
Amortization of bond premium included in interest expense	22,963	22,962

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

Holmes County Hospital Corporation, operating as Doctors Memorial Hospital (the “Hospital”), was organized under Senate Bill No. 45, Chapter 30843, Laws of Florida, Acts of 1955, filed with the Office of the Secretary of State on April 25, 1956. It reincorporated on April 27, 1992 by filing its present Articles of Incorporation. The Hospital is administered by a five-member board of trustees appointed by the Governor of the State of Florida. The Hospital operates a 20-bed critical access hospital in Bonifay, Florida providing inpatient and outpatient services.

Basis of Accounting and Presentation

The Hospital prepares its financial statements in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

In accordance with GASB standards, the accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met.

Liquidity

As shown in the accompanying financial statements, the Hospital incurred net losses of approximately \$603,000 and \$1,560,000, respectively, for the years ended September 30, 2018 and 2017, resulting in deficit net positions of approximately \$7,066,000 and \$6,463,000, respectively, at September 30, 2018 and 2017. In addition, at September 30, 2018, the Hospital’s current liabilities exceeded its current assets by approximately \$807,000.

The Hospital is actively managing its cash flows. Hospital management believes existing cash, future revenues and the cessation of Medicaid recoupment withholdings upon the anticipated fiscal 2019 pay-off of the liability discussed in Note 2, will provide sufficient cash to fund operations for the foreseeable future. Funding needs of the Hospital have historically been satisfied through operating cash flows. If additional cash to support operations is required, the Hospital has the ability to redeem certain certificates of deposit.

In view of these matters, realization of a major portion of assets in the accompanying statements of net position is dependent upon the success of its future operations. There can be no assurance, however, that these actions will be successful or that additional funding, if necessary, can be obtained.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Restatement of Prior Year Financial Statements

The previously issued financial statements for the year ended September 30, 2017, issued April 30, 2018, have been restated to correct errors related to the classification of restricted cash and net position. The balance sheet as of September 30, 2017 was affected by the restatement as follows:

<i>September 30, 2017</i>	As Previously Reported	Increase (Decrease)	As Restated
Restricted cash and cash equivalents, current			
Bond sinking fund	\$ -	\$ 317,103	\$ 317,103
Bond interest fund	-	359,849	359,849
Restricted cash and cash equivalents, noncurrent			
Bond sinking fund	317,103	(317,103)	-
Bond interest fund	365,418	(359,849)	5,569
Net position (deficit)			
Restricted - expendable for			
Debt service	1,216,678	317,103	1,533,781
Unrestricted	237,434	(317,103)	(79,669)

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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Significant items subject to such estimates include the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payer settlements. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Risk Management

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

The Hospital purchases medical malpractice under claims-made policies. Under these policies, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2018 and 2017, cash equivalents consisted primarily of demand deposits.

Investments and Investment Income

Investments in nonnegotiable certificates of deposit are carried at amortized cost. Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities notes, bills, and bonds of the U.S. government and its agencies) are carried at amortized cost. Any other investments are carried at fair value. Investment income includes interest income from certificates of deposit and is included in nonoperating revenue on the statements of revenues, expenses and changes in net position.

Fair Value Measurements

The Hospital categorizes its fair value measurements, if any, within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the following valuation inputs and techniques used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets. Quoted price data is generally obtained from exchange or dealer markets.
- Level 2 inputs are significant other observable inputs. Inputs are obtained from various sources, including market participants, dealers, and brokers.
- Level 3 inputs are significant unobservable inputs as they trade infrequently or not at all.

The Hospital did not have any significant assets measured at fair value on a recurring basis requiring disclosure of fair value inputs at either September 30, 2018 or 2017.

Patient Accounts Receivable, Net

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

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Patient Accounts Receivable, Net (Continued)

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

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

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2018 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2018 or 2017.

Supplies

Supply inventories are stated at the lower of cost or market, determined using the first-in, first-out method.

Prepaid Expenses

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	5 to 40 years
Buildings, improvements and fixed equipment	5 to 40 years
Major moveable equipment, computers and furniture	7 to 20 years

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Capital Assets (Continued)

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the statement of revenues, expenses and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs are charged to expense when incurred.

Cost of Borrowing

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

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the years ended September 30, 2018 and 2017.

Compensated Absences

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

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Position

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

Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

Restricted net position – made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

Unrestricted net position – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

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

Operating Revenues and Expenses

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

Net Patient Service Revenues

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews, and investigations.

During fiscal year 2017, net patient service revenue increased by approximately \$14,000 due to changes in estimates related to prior cost reporting periods and removals of allowances previously estimated that are no longer considered necessary as a result of final settlements and years that are no longer subject to audits, reviews and investigations. There were no significant changes in cost report estimates during fiscal 2018.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Patient Service Revenues (Continued)

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

Charity Care

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was approximately \$746,000 and \$662,000 for the years ended September 2018 and 2017, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$273,000 and \$285,000, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital’s cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

Grants and Contributions

From time to time, the Hospital receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted either for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisition are reported after nonoperating revenue and expenses.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended September 30, 2018 and 2017 was \$23,542 and \$22,740, respectively.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Income Taxes

As an essential government function of Holmes County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Electronic Health Records Incentive Program

The Electronic Health Records (EHR) Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. Critical access hospitals (CAHs) are eligible to receive incentive payments in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met. The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare share fraction, which includes a 20% incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the Hospital is subject to penalties that would reduce future payments for services. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). The final amount for any payment year under both programs is determined based upon an audit by the Medicare Administrative Contractor.

The Hospital received and recognized EHR incentive payments prior to fiscal 2017. No such incentive payments were received or recognized in either fiscal 2017 or 2018, and management believes it is unlikely that any additional significant meaningful use incentives will be received in the future, as the terms of the program are coming to a close. However, prior incentive payments remain subject to future audits and recoupments.

New Accounting Standards

During the year ended September 30 2018, the Hospital adopted four new statements of financial accounting standards issued by GASB, as follows:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75)
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81)
- GASB Statement No. 85, *Omnibus 2017* (GASB 85)
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86)

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

New Accounting Standards (Continued)

GASB 75 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB 75 also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurement by Agent Employers and Agent Employers and Agent Multiple-Employer Plans*. For defined benefit OPEB plans, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. Note disclosure and required supplementary information are addressed. The adoption of GASB 75 had no impact on the Hospital's financial statements.

GASB 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources as the inception of the agreement. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. There was no material impact on the Hospital's financial statements as a result of the implementation of GASB 81.

GASB 85 addresses practice issues that were identified during the implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The adoption of GASB 85 had no impact on the Hospital's current accounting practices or its financial reporting.

GASB 86 establishes standards of accounting and financial reporting requirements, for in-substance defeasance of debt transactions in which cash and other monetary assets acquired with only existing resources – that is, resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of future repayment of outstanding debt. There was no material impact on the Hospital's financial statements as a result of the implementation of GASB 86.

Pronouncements Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Hospital upon implementation. Management has not yet evaluated the effect of implementation of these standards.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Pronouncements Issued But Not Yet Effective (Continued)

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
88	<i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>	2019
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2021
90	<i>Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61</i>	2020

Current Healthcare Environment

The Hospital monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

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

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

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

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Subsequent Events

The Hospital has evaluated subsequent events through March 13, 2019, the date these financial statements were issued.

In October 2018, the Hospital financed \$44,115 related to its fiscal 2019 Property and Directors and Officers insurance premiums. Under the financing agreement, which bears interest at 4.7%, principal and interest payments will be due in 10 consecutive monthly installments of \$4,507 beginning in November 2018.

In October of 2018, Hurricane Michael made landfall as the strongest hurricane on record to hit the Florida Panhandle and the fourth strongest hurricane to ever hit the contiguous United States. Although the Hospital was spared significant damage, its operations were impacted directly for a period of time and will be indirectly impacted for years to come while Holmes County and the surrounding areas continue their recovery efforts. Management is not able to accurately estimate the potential financial impact of Hurricane Michael on the Hospital for the upcoming fiscal years, and any such impacts could be significant.

NOTE 2 – NET PATIENT SERVICE REVENUE

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

Medicare – Inpatient and substantially all outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid contractor. The inpatient rates are established by the Agency for Health Care Administration (“AHCA”) for which the Hospital is a provider. Outpatient services are reimbursed based on a per diem amount established by utilization on a semi-annual basis.

During fiscal year 2017, overpayments made to the Hospital of approximately \$889,000 were identified by AHCA as a result of the audit of state fiscal years 2006 – 2013 and reprocessing of claims based on the audit results. This amount was included as a decrease in net patient revenue for the year ended September 30, 2017. A related liability of \$396,327 and \$889,000 is accrued in estimated third-party settlements at September 30, 2018 and 2017, respectively, on the accompanying financial statements.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 2 – NET PATIENT SERVICE REVENUE (Continued)

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

A summary of gross revenue from patient services provided under contracts with third-party payers follows:

<i>For the years ended September 30,</i>	2018	2017
Medicare	41%	47%
Medicaid	2%	2%
Blue Cross	12%	11%
Commercial/HMO/PPO	36%	32%

The composition of net patient service revenue was as follows:

<i>For the years ended September 30,</i>	2018	2017
Gross patient service revenue	\$ 34,221,943	\$ 29,181,247
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	(20,029,971)	(16,920,859)
Provision for bad debts	(2,708,789)	(1,981,591)
Net patient service revenue	\$ 11,483,183	\$ 10,278,797

NOTE 3 – MEDICAID SUBSIDIES AND ASSESSMENTS

The Agency for Health Care Administration (“AHCA”) is the entity designated by the State of Florida to administer its Medicaid program. AHCA and the State of Florida have established various programs that provide additional payments from the state to qualifying Florida hospitals that service a disproportionate share of Medicaid, underinsured, uninsured and low-income patients. Notably, these programs include Medicaid disproportionate share (“DSH”) and the low income pool (“LIP”). The Hospital generally qualifies as a DSH and LIP provider and receives payments based on formulas established by AHCA. The possibility exists that the formulas may continue to change, pending federal and/or state legislation. Total proceeds of DSH and LIP payments were approximately \$744,000 and \$814,000 for fiscal years 2018 and 2017, respectively.

These program payments, in connection with other payments received from the State of Florida for providing health services to Medicaid, uninsured and underinsured people of the State of Florida, are subject to audit, and payments received in excess of costs may be required to be refunded to

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 3 – MEDICAID SUBSIDIES AND ASSESSMENTS (Continued)

the State of Florida. While the State of Florida has not requested recoupment of program payments from any facility participating in the DSH and LIP Programs, liabilities of approximately \$516,000 and \$775,000 for the DSH program and \$432,000 and \$648,000 for the LIP program are included in estimated third-party payer settlements on the accompanying balances sheets at September 30, 2018 and 2017, respectively, as provision for program payments in excess of cost. During fiscal year 2018, net patient service revenue increased by approximately \$474,000 due to changes in such provisions and it is reasonably possible that these estimates could further materially change in the near term.

Section 395.701 of the Florida Statutes imposes an annual assessment on all hospitals operating in the State of Florida. The assessment is currently calculated as 1.5% of annual net operating revenues for inpatient services; 1% of annual net operating revenues for outpatient services; and .4% of annual gross operating expenses (per AHCA's definition). The assessments are due on a quarterly basis to AHCA and are used, among other purposes, to obtain federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients, which serve to increase payments to Medicaid provider hospitals throughout the state. Approximately \$126,000 and \$125,000 of expenses related to these assessments are included in operating expenses on the accompanying statements of revenues, expenses and changes in net position for fiscal years 2018 and 2017, respectively. Estimated assessments payable totaling \$160,000 at both September 30, 2018 and 2017 are included in estimated third-party payer settlements on the accompanying balances sheets.

NOTE 4 – PATIENT ACCOUNTS RECEIVABLE

The Hospital is located in Bonifay, Florida. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2018 and 2017 was:

<i>September 30,</i>	2018	2017
Medicare	\$ 407,423	\$ 536,930
Medicaid	141,111	238,071
Other third-party payers	398,137	365,560
Patients	2,726,025	3,090,661
Total patient accounts receivable	3,672,696	4,231,222
Less allowance for uncollectible accounts	(2,576,776)	(2,887,937)
Patient accounts receivable, net	\$ 1,095,920	\$ 1,343,285

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 5 – DEPOSITS AND INVESTMENTS

As of September 30, 2018 and 2017, the deposits and investments of the Hospital consisted of the following:

<i>September 30,</i>	2018	2017
Petty cash and undeposited cash	\$ 215	\$ 215
Cash deposits with financial institutions	987,695	612,045
Money market accounts (Moody's rating: AAA)	1,904,355	1,893,630
Certificates of deposits	436,634	433,890
Total deposits	\$ 3,328,899	\$ 2,939,780

Deposits are included in the following balance sheet captions:

<i>September 30,</i>	2018	2017
Cash and cash equivalents	\$ 935,337	\$ 553,707
Certificates of deposit, current	21,490	61,727
Restricted cash and cash equivalents, current		
Bond sinking fund	328,883	317,103
Bond interest fund	348,228	359,849
Certificates of deposit, noncurrent	415,144	372,163
Restricted cash and cash equivalents, noncurrent		
Building fund	31,824	32,804
Grant fund	20,749	25,749
Bond interest fund	-	5,569
Debt reserve fund	1,227,244	1,211,109
	\$ 3,328,899	\$ 2,939,780

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The State of Florida's Public Deposit Act requires that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

FDIC limits and proceeds from the sale of securities pledged by the defaulting depository are assessed against other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

The Hospital had no bank balances exposed to custodial credit risk at September 30, 2018 and 2017. The Hospital's deposits at September 30, 2018 and 2017 were covered under the FDIC and State of Florida's Public Deposit Act.

Investments

The Hospital is authorized by statute to invest public funds in the Local Government Surplus Funds Trust Fund; direct obligations of the United States government, its agencies and instrumentalities; Securities and Exchange Commission registered money market funds with the highest quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories; commercial paper; and certain registered open-end or closed-end management investment companies. The Hospital places no limit on the amount that may be invested in any one issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from changing interest rates. However, interest rate risk has been effectively limited by only investing in securities with maturities of less than five years.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. All of the underlying securities for the Hospital's investments at September 30, 2018 and 2017 are held by the counterparties in other than the Hospital's name.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 6 – CAPITAL ASSETS

Capital asset activity and balances for the years ended September 30, 2018 and 2017 were as follows:

	Balance 10/1/2017	Additions	Reductions	Transfers	Balance 9/30/2018
Nondepreciable capital assets					
Land	\$ 319,513	\$ -	\$ -	\$ -	\$ 319,513
Construction in progress	11,398	658	-	(10,356)	1,700
Total nondepreciable	330,911	658	-	(10,356)	321,213
Depreciable capital assets					
Land improvements	1,856,984	-	-	-	1,856,984
Buildings and improvements	6,960,315	-	-	-	6,960,315
Furniture and fixtures	203,112	-	-	-	203,112
Machinery and equipment	11,333,442	184,979	(49,930)	7,363	11,475,854
Total depreciable, at cost	20,353,853	184,979	(49,930)	7,363	20,496,265
Less accumulated depreciation					
Land improvements	(1,194,484)	(72,727)	-	-	(1,267,211)
Buildings and improvements	(3,492,702)	(268,585)	-	-	(3,761,287)
Furniture and fixtures	(148,221)	(12,019)	-	-	(160,240)
Machinery and equipment	(8,349,320)	(638,770)	49,930	-	(8,938,160)
Total accumulated depreciation	(13,184,727)	(992,101)	49,930	-	(14,126,898)
Depreciable, net	7,169,126	(807,122)	-	7,363	6,369,367
Total capital assets, net	\$ 7,500,037	\$ (806,464)	\$ -	\$ (2,993)	\$ 6,690,580

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 6 – CAPITAL ASSETS (Continued)

	Balance 10/1/2016	Additions	Reductions	Transfers	Balance 9/30/2017
Nondepreciable capital assets					
Land	\$ 319,513	\$ -	\$ -	\$ -	\$ 319,513
Construction in progress	9,154	11,091	-	(8,847)	11,398
Total nondepreciable	328,667	11,091	-	(8,847)	330,911
Depreciable capital assets					
Land improvements	1,856,984	-	-	-	1,856,984
Buildings and improvement	6,960,315	-	-	-	6,960,315
Furniture and fixtures	203,112	-	-	-	203,112
Machinery and equipment	10,733,555	620,448	(29,408)	8,847	11,333,442
Total depreciable, at cost	19,753,966	620,448	(29,408)	8,847	20,353,853
Less accumulated depreciation					
Land improvements	(1,107,305)	(87,179)	-	-	(1,194,484)
Buildings and improvement	(3,186,795)	(305,907)	-	-	(3,492,702)
Furniture and fixtures	(132,337)	(15,884)	-	-	(148,221)
Machinery and equipment	(7,662,209)	(716,519)	29,408	-	(8,349,320)
Total accumulated depreciation	(12,088,646)	(1,125,489)	29,408	-	(13,184,727)
Depreciable, net	7,665,320	(505,041)	-	8,847	7,169,126
Total capital assets, net	\$ 7,993,987	\$ (493,950)	\$ -	\$ -	\$ 7,500,037

Depreciation expense for the years ended September 30, 2018 and 2017 totaled \$992,101 and \$1,125,489, including \$2,596 and \$2,529, respectively, related to equipment under capital lease. No interest was capitalized during the years ended September 30, 2018 and 2017.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses included in current liabilities consisted of the following:

<i>September 30,</i>	2018	2017
Payable to suppliers and contractors	\$ 639,318	\$ 735,193
Payable to employees (including payroll taxes and benefits)	516,959	489,262
Accrued interest payable	356,845	365,894
Due to patients and their insurers	213,838	168,707
	\$ 1,726,960	\$ 1,759,056

NOTE 8 – SHORT-TERM DEBT

In September 2016, the Hospital financed \$44,919 related to its fiscal 2017 Property and Directors and Officers insurance premiums. Under the financing agreement, which bore interest at 2.95%, principal and interest payments were due in 10 consecutive monthly installments of \$4,553 beginning in November 2016. The balance of this financial agreement was paid off in August 2017.

In September 2017, the Hospital financed \$45,044 related to its fiscal 2018 Property and Directors and Officers insurance premiums. Under the financing agreement, which bears interest at 3.7%, principal and interest payments will be due in 10 consecutive monthly installments of \$4,581 beginning in November 2017. The balance of this financial agreement was \$45,044 at September 30, 2017.

A summary of changes in the Hospital's short-term debt for the years ended September 30, 2018 and 2017 follows:

<i>September 30,</i>	2018	2017
Payable to suppliers and contractors	\$ 639,318	\$ 735,193
Payable to employees (including payroll taxes and benefits)	516,959	489,262
Accrued interest payable	356,845	365,894
Due to patients and their insurers	213,838	168,707
	\$ 1,726,960	\$ 1,759,056

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 9 – LONG-TERM DEBT

The Hospital's long-term debt, including capital lease obligations, consisted of the following obligations:

<i>September 30,</i>	2018	2017
Capital lease obligation, interest rate of 9.90%, monthly payments of \$848, maturing January 2023, collateralized by leased equipment with an amortized cost of \$38,000 and \$0 at September 30, 2018 and 2017, respectively.	\$ 36,828	\$ -
Capital lease obligation, interest rate of 7.78%, monthly payments of \$182, maturing June 2020, collateralized by leased equipment with an amortized cost of \$3,900 and \$5,700 at September 30, 2018 and 2017, respectively.	3,534	5,365
Hospital Revenue Bonds Series 2006, original principal amount of \$16,935,000. The bond is comprised of two individual issues, the first in the principal amount of \$6,820,000 with an interest rate of 5.75%, and the second in the principal amount of \$10,115,000 with an interest rate of 6.00%. Principal payments are due annually on November 1, and interest is payable semiannually on May 1 and November 1. Proceeds from the bonds were used to construct a replacement facility which was placed into service on April 1, 2008. The bonds mature in 2039.	14,235,000	14,580,000
Hospital Revenue Bonds Series 2017, original principal amount of \$375,000, bearing an interest rate of 2.75%. Principal and interest payments in the amount of \$59,625 are due annually beginning on February 22, 2018 through February 22, 2024. Proceeds from the bonds were used for the reimbursement and purchase of imaging equipment.	325,797	375,000
Plus: unamortized portion of premium on Series 2006 bonds	462,710	485,673
	15,063,869	15,446,038
Less: current portion	(418,914)	(396,035)
	\$ 14,644,955	\$ 15,050,003

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 9 – LONG-TERM DEBT (Continued)

The Hospital is subject to certain financial and nonfinancial covenants and restrictions related to its revenue bonds payable, which require, among other things, a minimum long-term debt service coverage ratio, a minimum days of cash on hand, and minimum debt service, sinking and interest fund balances. There are also limits to the amount of additional indebtedness that can be incurred.

As of September 30, 2018, the Hospital had violated certain of its bond covenants. The Hospital has received a waiver of these events for the current year. The financial statements do not include any adjustments related to the events of default or that would result from the Hospital's inability to cure such defaults in the future.

A summary of changes in the Hospital's long-term debt, including capital lease obligations, for the years ended September 30, 2018 and 2017 follows:

	Balance 10/1/2017	Additions	Reductions	Balance 9/30/2018	Due Within One Year
Capital lease obligation	\$ 5,365	\$ 50,880	\$ (15,883)	\$ 40,362	\$ 8,362
Revenues bonds payable					
Series 2006	14,580,000	-	(345,000)	14,235,000	360,000
Series 2017	375,000	-	(49,203)	325,797	50,552
Premium on Series 2006	485,673	-	(22,963)	462,710	-
Revenues bonds payable	15,440,673	-	(417,166)	15,023,507	410,552
Total long-term debt	\$ 15,446,038	\$ 50,880	\$ (433,049)	\$ 15,063,869	\$ 418,914

	Balance 10/1/2016	Additions	Reductions	Balance 9/30/2017	Due Within One Year
Capital lease obligation	\$ 9,655	\$ -	\$ (4,290)	\$ 5,365	\$ 1,831
Revenues bonds payable					
Series 2006	14,905,000	-	(325,000)	14,580,000	345,000
Series 2017	-	375,000	-	375,000	49,204
Premium on Series 2006	508,635	-	(22,962)	485,673	-
Revenues bonds payable	15,413,635	375,000	(347,962)	15,440,673	394,204
Total long-term debt	\$ 15,423,290	\$ 375,000	\$ (352,252)	\$ 15,446,038	\$ 396,035

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 9 – LONG-TERM DEBT (Continued)

Scheduled principal and interest payments on revenue bonds payable and future minimum lease payments on capital lease obligations are as follows:

<i>Year ending September 30,</i>	Capital Lease Obligation		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2019	\$ 8,362	\$ 3,150	\$ 410,552	\$ 842,407
2020	10,877	2,559	437,281	819,594
2021	8,461	1,715	458,494	795,450
2022	9,338	838	484,965	769,973
2023	3,324	68	511,476	743,018
2024-2028	-	-	2,743,029	3,266,065
2029-2033	-	-	3,580,000	2,342,100
2034-2038	-	-	4,795,000	1,095,150
2039	-	-	1,140,000	34,200
	\$ 40,362	\$ 8,330	\$ 14,560,797	\$ 10,707,957

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS

The Hospital's net investment in capital assets, as presented on the accompanying statements of net position, is calculated as follows:

<i>September 30,</i>	2018	2017
Capital assets, net	\$ 6,690,580	\$ 7,500,037
Less outstanding accounts payable related to capital assets	(57,485)	(4,112)
Less debt related to capital assets:		
Capital leases	(40,362)	(5,365)
Bonds payable, net of premium	(15,023,507)	(15,440,673)
Net investment in capital assets	\$ (8,430,774)	\$ (7,950,113)

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 11 – 340B DRUG PRICING PROGRAM

The Hospital participates in the 340B Drug Pricing Program (340B Program), enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Hospital operates an internal pharmacy and has partnered with a network of participating local pharmacies that dispense the pharmaceuticals to its patients under a contractual arrangement with the Hospital.

The Hospital recorded 340B Program revenues of \$201,630 and \$165,683 for the years ended September 30, 2018 and 2017, respectively, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. 340B program expenses of \$180,169 and \$132,693 for the years ended September 30, 2018 and 2017, respectively, are included in supplies and other operating expense in the accompanying statements of revenues, expenses and changes in net position.

This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

NOTE 12 – MEDICAL MALPRACTICE INSURANCE

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance, if any. It is reasonably possible that this estimate could change materially in the near term.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 13 – 403(B) DEFERRED COMPENSATION PLAN

The Hospital sponsors a deferred compensation plan, which qualifies as a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code. The Plan covers all employees who elect to participate. The plan allows participants to defer a portion of their annual compensation. The amount of annual contributions to the plan by participants is subject to certain limitations as defined in the plan document. Plan participants vest 100% immediately in their contributions and investment earnings thereon. The plan does not require or provide for employer contributions, and, accordingly, no contribution expense was recognized for the years ended September 30, 2018 and 2017.

NOTE 14 – SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 1, 2 and 3.

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Supplemental Medicaid Reimbursements

The Hospital receives reimbursements from various programs in relation to the Medicaid uninsured and underinsured patients they serve. Funding received in excess of costs to provide these services is subject to audit and payments received in excess of costs may be required to be refunded to the State of Florida. Estimate of potential liability is described in Note 3.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Hospital leases various pieces of equipment under operating leases expiring at various dates through 2023. Total rental expense for the years ended September 30, 2018 and 2017 for all operating leases was approximately \$185,000 and \$160,000, respectively.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Financial Statements**

NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued)

The following is a schedule by year of expiration of approximate future minimum lease payments under non-cancelable operating leases as of September 30, 2018 that have initial or remaining lease terms in excess of one year:

<i>Year ending September 30,</i>	Amount
2019	\$ 111,372
2020	67,324
2021	61,263
2022	53,210
2023	15,237
	<hr/> <hr/> \$ 308,406

Florida Blue Toxicology Refunds

In July 2016, the Hospital entered into a services agreement with a reference laboratory to provide specialized urine toxicology services. In September 2016, the Hospital received a letter from Florida Blue Cross and Blue Shield (Florida Blue) denying payment to the Hospital for claims billed for services provided by independent clinical laboratories not participating in the Florida Blue's network. As a result, the Hospital removed approximately \$20,000 and \$3,178,000 of net patient service revenue and accounts receivable related to these reference lab charges during the years ended September 30, 2017 and 2016, respectively.

In September 2017, Florida Blue Cross and Blue Shield (Florida Blue) notified the Hospital that additional claims totaling approximately \$110,000 remained to be recouped. The Hospital disputes that any amounts are due, contending that substantially all Florida Blue receipts related to the toxicology matter were recouped prior to September 30, 2017. Hospital management responded to Florida Blue with documentation that they believe supports this position. While no recoupment or further requests for recoupment have been made related to these claims, the Hospital is committed to vigorously defending itself in this matter. Accordingly, no amounts have been accrued related to this matter in the accompanying financial statements. There can be no assurances that the Hospital will be successful in their defense.



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**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION
CONDUCTED IN ACCORDANCE WITH AICPA PROFESSIONAL STANDARDS,
AT-C SECTION 315, REGARDING COMPLIANCE REQUIREMENTS IN
ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Board of Trustees
Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Bonifay, Florida

We have examined Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government investment Policies*, during the year ended September 30, 2018. Management of the Hospital is responsible for the Hospital's compliance with the specified requirements. Our responsibility is to express an opinion on the Hospital's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Hospital complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Hospital complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Hospital's compliance with specified requirements.

In our opinion, the Hospital complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government investment Policies*, for the year ended September 30, 2018.

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

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

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

Enterprise, Alabama

March 13, 2019

**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 Trustees
Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Bonifay, Florida

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 consolidated financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 13, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in finding 2018-001 in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in finding 2018-002 on the accompanying schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's 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 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*.

Hospital's Responses to Findings

The Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

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

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

Enterprise, Alabama

March 13, 2019

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Schedule of Findings and Responses
For the Year Ended September 30, 2018**

2018 – 001 Accounts Receivable Reserves and Net Patient Revenue

Criteria: Generally accepted accounting principles require that accounts receivable be presented net of a provision for uncollectible accounts receivables, based on management's assessment of collectability.

Condition: The Hospital's unadjusted reserves for patient accounts receivable were materially understated, requiring audit adjustments to the allowance for uncollectible accounts, allowance for contractual and other adjustments, provision for bad debts, and revenue deductions for contractual and other adjustments. Certain patient accounts receivable adjustments were also improperly credited to gross patient revenue rather than to revenue deductions for contractual and other adjustments, requiring an audit reclassification within these two components of net patient revenue.

Cause: The Chief Financial Officer resigned from the Hospital before the fiscal year-end ledger was completely closed, which likely resulted in certain routine adjustments not being recorded and other reconciling items not being corrected in a timely manner.

In any event, deficiencies in the Hospital's reserving methodologies were noted, including that the current methodology calculates reserves based on patient account receivable net of credit balances payable to patients and insurers, rather than gross of such amounts. In addition, the current methodology for calculating the allowance for bad debts does not consider the entire population of the private pay financial class of patient accounts receivable. Contractual reserve percentages used in reserving for certain third-payer payer classes of patient accounts receivable were also low, based on actual collections experience.

Effect: Material audit adjustments were required to properly state the accounts.

Recommendation: The Hospital should routinely monitor its collections percentages through the use of a comprehensive "lookback analysis," or comparable information, using a sufficiently long (yet current) look back period in determining the reserve percentages to be used in its patient accounts receivable reserve methodology. In addition, the Hospital should ensure that its reserve methodology considers the entire population of patient accounts receivable, gross of any credit balances payable to patients and insurers.

Views of Responsible Officials and Planned Corrective Actions: We agree with the findings and are taking steps to correct in fiscal year 2019 which will include hiring a new, experienced CFO.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Schedule of Findings and Responses
For the Year Ended September 30, 2018**

2018 – 002 Accruals and Balance Sheet Presentation (Partial repeat of findings 2017-001 and 2016-001)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and presenting financial statements in accordance with generally accepted accounting principles.

Condition: Audit adjustments were required to adjust prepaid expense and accounts payable for fiscal 2019 amounts not yet paid at September 30, 2018; to adjust accounts payable and capital assets to record outstanding liabilities associated with capital purchases; and to correct accumulated depreciation and depreciation expense for a client entry which was recorded in reverse.

Cause: The Chief Financial Officer resigned from the Hospital before the fiscal year-end ledger was completely closed, which likely resulted in certain routine adjustments not being recorded and other reconciling items not being corrected in a timely manner.

In any event, internal controls surrounding accounts payable, prepaid expense, and capital assets were not sufficient to detect certain misstatements in the financial statements.

Effect: Material audit adjustments were required to properly state the accounts.

Recommendation: Management should continue to focus on strengthening internal controls surrounding financial reporting and the proper presentation of financial statements in accordance with GAAP and ensure that appropriate measures are taken to capture all assets and liabilities. Financial close procedures should include reconciliations of all capital asset and related accumulated depreciation accounts and an analysis of prepaid expenses.

Views of Responsible Officials and Planned Corrective Actions: Management recognizes the required audit adjustments were significant to the financial statements. A complete year-end review will ensure all adjustments are completed prior to the audit.

MANAGEMENT LETTER

Board of Trustees
Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Bonifay, Florida

Report on the Financial Statements

We have audited the financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital"), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 13, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 13, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, we determined that finding 2017-001 of the preceding annual financial audit report, which was a partial repeat of 2016-001 of the second preceding annual financial audit report, was again partially repeated as current year finding 2018-002 in the accompanying schedule of findings and responses.

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we included recommendations in the accompanying schedule of findings and responses.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Hospital for the fiscal year ended September 30, 2018, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2018. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of this Letter

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

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

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

Enterprise, Alabama

March 13, 2019



Carr, Riggs & Ingram, LLC
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March 13, 2019

To the Board of Trustees of
Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital

Dear Board of Trustees:

We are pleased to present the results of our audit of the 2018 financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital").

This report to the Board of Trustees (the "Board") summarizes our audit, the reports issued and various analyses and observations related to the Hospital's accounting and reporting. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express an opinion on the Hospital's 2018 financial statements. We considered the Hospital's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you, the Board, expect. We received the full support and assistance of the Hospital's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work, in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the information and use of the Board and Management and should not be used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 334-348-1325 or bhall@cricpa.com.

Very truly yours,

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

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

Enterprise, Alabama

Required Communications

As communicated with Management and the Board of Trustees during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Hospital's financial statements. Specifically, we planned and performed our audits to:

- Perform audit services, 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 of the United States of America, in order to express an opinion on the Hospital's financial statements as of and for the year ended September 30, 2018;
- Obtain an understanding of internal control over financial reporting sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed;
- Communicate directly with the Board and Management regarding the results of our procedures;
- Address with the Board and Management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board and Management; and
- Address other audit-related projects as they arise and upon request.

Required Communications

We have audited the financial statements of the Hospital as of and for the year ended September 30, 2018 and have issued our report thereon dated March 13, 2019. Professional standards require that we provide you with the following information related to our audits.

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Auditor's responsibility under Generally Accepted Auditing Standards and Governmental Auditing Standards</p>	<p>As stated in our engagement letter dated September 17, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Hospital. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p>Management's responsibility</p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i> • <i>Auditors should also discuss the auditors' judgment about the quality, not just the</i> 	<p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Hospital are described in Note 1 to the financial statements and addressed in the following section titled "Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality".</p> <p>New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncements:</p> <ul style="list-style-type: none"> • GASB Statement No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i> (GASB 75)

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><i>acceptability, of the Hospital's accounting policies as applied in their financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Hospital in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations.</i></p> <ul style="list-style-type: none"> <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i> 	<ul style="list-style-type: none"> • GASB Statement No. 81, <i>Irrevocable Split-Interest Agreements</i> (GASB 81) • GASB Statement No. 85, <i>Omnibus 2017</i> (GASB 85) • GASB Statement No. 86, <i>Certain Debt Extinguishment Issues</i> (GASB 86) <p>We noted no transactions entered into by the Hospital during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.</p>
<p>Management judgments and accounting estimates</p> <p><i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality".</p>
<p>Potential effect on the financial statements of any significant risks and exposures</p> <p><i>Major risks and exposures facing the Hospital and how they are disclosed.</i></p>	<p>No such risks or exposures were noted other than those disclosed in the notes to the financial statements and those discussed in the following sections.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Difficulties encountered in performing the audit</p> <p><i>Any significant difficulties that related to the performance of the audit, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p>Disagreements with management</p> <p><i>Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Hospital's financial statements or the auditor's report.</i></p>	None.
<p>Corrected and Uncorrected Misstatements</p> <p><i>All significant audit adjustments arising from the audit, whether or not recorded by the Hospital, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We should also inform the Board about any internal control deficiencies that could have prevented the misstatements.</i></p>	Please see the following section titled "Summary of Audit Adjustments".
<p>Material uncertainties related to events and conditions, specifically going concern issues</p> <p><i>Any doubt regarding the Hospital's ability to continue as a going concern (if extended procedures, communicate results), and any other material uncertainties.</i></p>	Management performed an assessment and concluded that disclosure in the notes to the financial statements related to that assessment (liquidity) was warranted. We reviewed and concurred with management's assessment and disclosure. See Note 1 to the financial statements.
<p>Financial statement disclosures</p> <p><i>Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.</i></p>	The financial statement disclosures are neutral, consistent, and clear. Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality" for description of disclosures identified as sensitive.

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p>Major issues discussed with management prior to retention</p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.
<p>Management consultations with other independent accountants</p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.
<p>Written representations</p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p>Internal control deficiencies</p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i></p>	Please see the "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" and "Schedule of Findings and Responses" which are included in the compliance section that accompanies the financial statements.
<p>Fraud and illegal acts</p> <p><i>Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p>Other material written communications</p> <ul style="list-style-type: none"> • <i>Management representation letter</i> • <i>Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards</i> 	<p>Please see the following section titled "Management Representation Letter".</p> <p>Report is included with the financial statements and is dated March 13, 2019.</p>

Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<ul style="list-style-type: none"> • <i>Schedule of findings and responses</i> • <i>Independent accountants' report on an examination conducted in accordance with AICPA professional standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General</i> • <i>Management Letter</i> 	<p>The Schedule of Findings and Responses is included with the financial statements and is dated March 13, 2019.</p> <p>Report is included with the financial statements and is dated March 13, 2019.</p> <p>Management Letter is included with the financial statements and is dated March 13, 2019.</p>
<p>Other information in documents containing audited financial statements</p> <p><i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>
<p>Other matters</p> <p><i>Communication of other pertinent matters.</i></p>	<p>We applied certain limited procedures to the management discussion and analysis, which is required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p> <p><i>Reclassifications to and Restatement of Prior Year Financial Statements</i></p> <p>Please see Note 1 of the financial statements for details concerning restatements (to correct for errors) of the previously issued financial statements.</p>

Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Hospital's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Accounts receivable	Management's estimate of the allowance for uncollectible accounts is based on assessments of the ultimate collectability of patient charges and the overall creditworthiness of insurers and uninsured patients.	We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole (after audit adjustments).
Net patient service revenue	Management's estimate of the allowance for contractual deductions and presentation of net patient service revenue at estimated net realizable amounts is based upon management's assessment and understanding of payment arrangements with major third-party payers and consideration of current realizable amounts of charges to these payers.	We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole. Management's presentation of net patient service revenue at net realizable amounts and estimation of related contractual allowances and discounts appeared appropriate and properly applied (after audit adjustments).
Due to/from third-party payers	Management's estimate of the reserve (or receivable) for amounts due to/from third-party payers is based on management's assessment of potential settlements of current and prior year cost reports and other in future periods and possible recoupments related to other third party program payments. Management's estimates are based in large part on recent experience and information gained from the audits of previous year cost reports and program payments.	We evaluated the key factors and assumptions used to estimate the liabilities (or receivables) in determining that they are reasonable in relation to the financial statements taken as a whole (after audit adjustments).

Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the Hospital and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Hospital or passed (uncorrected).

We noted multiple adjustments, both corrected and uncorrected, that were discovered as a result of our audit procedures. We have attached a listing of these adjustments to this communication document, for your consideration. See the following section titled “Corrected and Uncorrected Audit Adjustments”.

QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate
- Whether the difference masks a change in earnings or other trends
- Whether the difference changes a net decrease in assets to an addition, or vice versa
- Whether the difference concerns an area of the Hospital's operating environment that has been identified as playing a significant role in the Hospital's operations or viability
- Whether the difference affects compliance with regulatory requirements
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation
- Whether the difference involves concealment of an unlawful transaction

Corrected and Uncorrected Audit Adjustments

RECORDED ADJUSTMENTS

Adjusting Journal Entries JE # 101			
To adjust AR reserves at 9/30/2018.			
41200344	PROV BD PATIEN-CREDIT & COLL	500,000	
51012000	CONT DED MC - OP CHARGES	25,000	
51112000	CONT DED MCD - OP CHARGES	100,000	
11121000	HOS ALLOW BAD DEBTS		500,000
11190054	MC CONT ALLOW - OP		25,000
11191009	MCD CONT ALLOW - OP		100,000
Total		625,000	625,000
Adjusting Journal Entries JE # 102			
To reclass elimination of toxicology contra-AR account.			
31200031	OP REVENUE-LAB-CLINICAL	233,400	
51410000	CONT DED BC - OP CHARGES		233,400
Total		233,400	233,400
Adjusting Journal Entries JE # 103			
To accrue outstanding invoices related to FY18 capital purchase.			
11335300	P & E - MME COMPUTERS	24,697	
22070002	AP - MANUAL ACCRUAL		24,697
Total		24,697	24,697
Adjusting Journal Entries JE # 104			
To correct entries for reversal of excess negative accumulated depreciation.			
61706000	OTHER NON OP - DEPR MAJOR MOV	45,022	
61706000	OTHER NON OP - DEPR MAJOR MOV	2,078	
11385100	ACCUM DEPR - MAJ MOV EQ OWNED		45,022
11385100	ACCUM DEPR - MAJ MOV EQ OWNED		2,078
Total		47,100	47,100
Adjusting Journal Entries JE # 105			
To relieve 1/3 of LIP and DSH reserves not deemed necessary.			
11132004	LIP RESERVE LIAB	258,214	
11132005	DSH RESERVE LIAB	215,867	
51106001	CRI		474,081
	PY ADJ - DSH LIP		474,081
Total		474,081	474,081

Corrected and Uncorrected Audit Adjustments

Adjusting Journal Entries JE # 106

To adjust estimated third party payer settlements.

11131995	MEDICARE YES 2018	355,514	
11133000	COMM-TOX REFUND REQUESTS 2017	20,412	
51000000	CONT DED MC - IP CHARGES	50,310	
51012000	CONT DED MC - OP CHARGES	52,450	
51026000	CONT DED MC - SWING BED CHARGE	79,049	
11131993	MEDICARE BD YES		433,558
11131993	MEDICARE BD YES		52,450
51012000	CONT DED MC - OP CHARGES		51,315
51502000	CONT DED COMM - TOX REFUNDS 2017		20,412
Total		557,735	557,735

RECORDED RECLASSIFICATIONS

Reclassifying Journal Entries JE # 201

To reclass accrued interest payable from restricted assets.

22292000	ACCR LIAB - ACR INT LT DEBT	351,583	
CRI 3	LIABILITIES PAYABLE FROM RESTRICTED ASSETS		351,583
Total		351,583	351,583

Reclassifying Journal Entries JE # 202

To reclass restricted net position and net investment in capital asset balances for FS presentation.

CRI 15	RECLASS FOR NET INVESTMENT IN CAPITAL ASSETS	8,430,774	
CRI 16	RECLASS FOR RESTRICTED - DEBT SERVICE		1,507,636
CRI 17	RECLASS FOR RESTRICTED - SPECIFIED OPERATING		31,824
CRI 18	RECLASS FROM UNRESTRICTED NET POSITION		6,891,314
Total		8,430,774	8,430,774

Reclassifying Journal Entries JE # 203

To eliminate prepaid AHCA assessment and prepaid insurance not paid as of 9/30/2018.

22050000	AP - TRADE ACCTS PAYABLE	29,493	
22050000	AP - TRADE ACCTS PAYABLE	12,829	
11231002	PREPAID - PHY MALPRAC INS		12,829
11234004	PREPAID -AHCA QTR ASSESSMENT		29,493
Total		42,322	42,322

Reclassifying Journal Entries JE # 204

To reclass noncurrent CDs to LT.

CRI 1	LONG-TERM INVESTMENTS	415,144	
11030001	AUTHORITY INVEST CD		415,144
Total		415,144	415,144

Corrected and Uncorrected Audit Adjustments

PASSED ADJUSTMENTS

Proposed Journal Entries		
Passed Journal Entries JE # 301		
To reclass deposit of last month's pmt on MRI service agreement to prepaid.		
11239005	PREPAID - MAINTENANCE CONTRACT	7,267
41571064	MRI - MAINTENANCE CONTRACT	<u>7,267</u>
Total		<u>7,267</u>
Passed Journal Entries JE # 302		
To expense prepaid JCAHO survey follow-up cost.		
41560381	LICENSES & JOINT CO-HOSP ADM	5,200
11234003	PERPAID - JCAHO	<u>5,200</u>
Total		<u>5,200</u>
Passed Journal Entries JE # 303		
To adjust LIP accrual at 9/30/18.		
51108000	C DED MCD - UPL SMP FUNDS	4,170
11132001	YES - UPL SMP LIP FUNDS AHCA	<u>4,170</u>
Total		<u>4,170</u>
Passed Journal Entries JE # 304		
To record effect of accumulated depreciation true-ups flowing through CY depreciation expense.		
2910.000	RET. EARNINGS PR YEAR	17,369
61706000	OTHER NON OP - DEPR MAJOR MOV	<u>17,369</u>
Total		<u>17,369</u>
Passed Journal Entries JE # 305		
To record additional AHCA claim recoupments outstanding at 9/30/18.		
51112000	CONT DED MCD - OP CHARGES	12,255
11132099	MCD REIMBURSEMENT RATE - 2017	<u>12,255</u>
Total		<u>12,255</u>

Management Representation Letter

March 13, 2019

Carr, Riggs & Ingram, LLC
Attn: Bryan Hall
PO Box 311070
Enterprise, Alabama 36331

This representation letter is provided in connection with your audits of the financial statements of Holmes County Hospital Corporation, which comprise the statements of net position as of September 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 13, 2019, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 17, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all financial information of the entity and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the

Management Representation Letter

representation letter. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts. We are in agreement with those adjustments.

- 9) The effects of all known actual or possible litigation, claims, and assessments, including those related to asserted and unasserted malpractice, health insurance, worker's compensation, and any other claims, have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the health care entity is contingently liable, if any, have been properly recorded or disclosed.
- 11) There are no instances of noncompliance with laws or regulations with respect to Medicare and Medicaid antifraud and abuse statutes, in any jurisdiction, whose effects we believe should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, other than those disclosed or accrued in the financial statements. This is including, but not limited to, the antikickback statute of the Medicare and Medicaid Patient and Program Protection Act of 1987, limitations on certain physician referrals (the Stark law), and the False Claims Act.
- 12) Billings to third-party payors comply in all material respects with applicable coding guidelines and laws and regulations, including those dealing with Medicare and Medicaid antifraud and abuse. Such billings include only those charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.
- 13) There have been no investigations, either internal or external, and there are no investigations in progress, relating to compliance with applicable laws and regulations that would have an effect on the amounts reported or disclosed in the financial statements.
- 14) There have been no oral or written communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, in any jurisdiction, including those related to deficiencies in financial reporting practices; Medicare and Medicaid antifraud and abuse statutes; or other matters that could have a material adverse effect on the financial statements.
- 15) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of net position date and have been reduced to their estimated net realizable value.
- 16) We have made an adequate provision for estimated adjustments to revenue resulting from issues such as denied claims, changes to home health resource group, resource utilization group, ambulatory payment classification, and diagnostic-related group (DRG) assignments.
- 17) The valuation allowances we have recorded are necessary, appropriate, and properly supported.
- 18) We have made available to you all peer review organization, fiscal intermediary, and third-party payor reports and information.
- 19) Note 1 to the financial statements discloses all of the matters of which we are aware that are relevant to the Hospital's current liquidity situation, including significant conditions and events, and management's plans. Management believes existing cash, future revenues, and the cessation of Medicaid recoupment withholdings upon the anticipated fiscal 2019 pay-off the liability discussed in Note 2, will provide sufficient cash to fund operations for the foreseeable future. If additional cash to support operations is required, the Hospital has the ability to redeem its certificates of deposit. It is management's belief that, as of the date of this letter, there is not any substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time and no disclosures in the notes to our 2018 financial statements regarding going concern are necessary or appropriate.
- 20) In regards to the reference lab matters discussed in Note 15 to the financial statements, we represent that the financial statements and disclosures have been adjusted to reflect all known material expenses and liabilities related to this matter and that no further disclosures or adjustments related to this matter are warranted given the information currently available.

Information Provided

- 21) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the health care entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Trustees and related committees or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e) All peer review organization, fiscal intermediary, and third-party payor reports and information.
- 22) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 23) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 24) We have no knowledge of any fraud or suspected fraud that affects the health care entity, including financial reporting related to compliance with existing laws and regulations governing reimbursement from third-party payors, and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 25) We have no knowledge of any allegations of fraud or suspected fraud affecting the health care entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 26) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 27) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 28) We have disclosed to you the identity of the health care entity's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 29) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, or noncompliance or deficiencies related to existing laws and regulations governing reimbursement from third-party payors.
- 30) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
- 31) We have a process to track the status of audit findings and recommendations.
- 32) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 33) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 34) For cost reports filed with third parties:

Management Representation Letter

- a) We have properly filed all required Medicare, Medicaid, and similar reports with third parties.
 - b) We are responsible for the accuracy and propriety of all filed cost reports.
 - c) Filed cost reports include costs that are appropriate, allowable under applicable reimbursement rules and regulations, patient-related, and properly allocated to applicable payors.
 - d) The reimbursement methodologies and principles we use are in accordance with applicable rules and regulations.
 - e) We have given adequate consideration to, and made appropriate provision for, audit adjustments by intermediaries, third-party payors, or other regulatory agencies.
 - f) We have made provisions, when material, for estimated retroactive adjustments by third-party payors under reimbursement agreements.
 - g) We have fully disclosed in the cost report all items required to be disclosed, including disputed costs that are claimed to establish a basis for a subsequent appeal.
 - h) We have recorded third-party settlements that include differences between filed (and to-be-filed) cost reports and calculated settlements that we believe are necessary based on historical experience or new or ambiguous regulations that may be subject to differing interpretations. Although we believe the entity is entitled to all amounts claimed on the cost reports, we also believe the differences reflected therein are appropriate.
- 35) The health care entity has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 36) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 37) The Hospital is in compliance with IRS arbitrage regulations.
- 38) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 39) We have identified and disclosed to you all instances, that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 40) We have identified and disclosed to you all instances, that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 41) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants (other than the debt covenant violations for the Series 2006 revenue bonds that have been disclosed to you and in the notes to the financial statements) whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 42) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

Management Representation Letter

- 43) The health care entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you.
- 44) The Hospital has complied with all aspects of contractual agreements, including existing laws and regulations governing reimbursement from third-party payors that would have a material effect on the financial statements in the event of noncompliance, with the exception of certain covenants related to its Series 2006 revenue bonds. We have fully disclosed these exceptions to you as well as in the notes to the financial statements.
- 45) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 46) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
- 47) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 48) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 49) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 50) Provisions for uncollectible receivables have been properly identified and recorded.
- 51) Expenses have been appropriately classified in the statement of revenues, expenses, and changes in net position, and allocations have been made on a reasonable basis.
- 52) Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.
- 53) Internal and intra-entity activity and balances have been appropriately classified and reported.
- 54) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 55) Capital assets, including intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 56) We have appropriately disclosed the health care entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 57) We are following our established accounting policy regarding which resources (that is, restricted or unrestricted) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the net position classifications for financial reporting purposes.
- 58) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 59) It is our belief and assertion that no single audit is required for the year ended September 30, 2018 due to the Hospital not spending over \$750,000 in federal or \$500,000 in state funds during the year then ended.
- 60) We acknowledge the current circumstances and challenges for the health care industry. Hospitals are facing declines in reimbursement, constraints on liquidity and difficulty obtaining financing. We understand the values of assets and liabilities recorded in the financial statements could change

Management Representation Letter

rapidly, resulting in material future adjustments to asset values, allowances for accounts receivable, etc. that could negatively impact the Hospital's ability to maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current legislative, regulatory or economic environment and the resulting impact on the Hospital's financial statements. Further, management and the Board are solely responsible for all aspects of managing our business, including questioning the quality and valuation of assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

61) In regard to the tax preparation and any other nonattest services performed by you, we have—

- a) Assumed all management responsibilities.
- b) Designated an individual within senior management, JoAnn Baker, who has suitable skill, knowledge, or experience to oversee the services.
- c) Evaluated the adequacy and results of the services performed.
- d) Accepted responsibility for the results of the services.

Signature: _____ Signature: _____

Title: _____ Title: _____

Management Representation Letter

Uncorrected (Minor) Passed Entries

Passed Journal Entries JE # 301

To reclass deposit of last month's pmt on MRI service agreement to prepaid.

11239005	PREPAID - MAINTENANCE CONTRACT	7,267	
41571064	MRI - MAINTENANCE CONTRACT		7,267
Total		7,267	7,267

Passed Journal Entries JE # 302

To expense prepaid JCAHO survey follow-up cost.

41560381	LICENSES & JOINT CO-HOSP ADM	5,200	
11234003	PERPAID - JCAHO		5,200
Total		5,200	5,200

Passed Journal Entries JE # 303

To adjust LIP accrual at 9/30/18.

51108000	C DED MCD - UPL SMP FUNDS	4,170	
11132001	YES - UPL SMP LIP FUNDS AHCA		4,170
Total		4,170	4,170

Passed Journal Entries JE # 304

To record effect of accumulated depreciation true-ups flowing through CY depreciation expense.

2910.000	RET. EARNINGS PR YEAR	17,369	
61706000	OTHER NON OP - DEPR MAJOR MOV		17,369
Total		17,369	17,369

Passed Journal Entries JE # 305

To record additional AHCA claim recoupments outstanding at 9/30/18.

51112000	CONT DED MCD - OP CHARGES	12,255	
11132099	MCD REIMBURSEMENT RATE - 2017		12,255
Total		12,255	12,255