



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

**FINANCIAL STATEMENTS**

**September 30, 2022 and 2021**



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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 Audit of the Financial Statements**

#### ***Opinions***

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Holmes County Hospital Corporation's basic financial statements as listed in the table of contents

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

#### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Substantial Doubt about the Hospital's Ability to Continue as a Going Concern***

The accompanying financial statements have been prepared assuming that the Hospital will continue as a going concern. As discussed in Note 2 to the financial statements, the Hospital incurred substantial net operating losses and used cash in operations in both fiscal years 2022 and 2021, and has a negative equity (deficit) position. Additionally, the Hospital has been unable to make their scheduled principal payments on the Series 2006 Revenue Bonds since November of 2018, requiring forbearance agreements with the bondholders that have been amended annually. Further, the Hospital's available cash and investments at September 30, 2022 are well below currently due trade payables. These conditions, among others discussed in Note 2, raise substantial doubt about the Hospital's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 2. The

financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### ***Emphasis of Matter***

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors’ Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

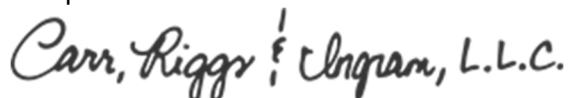
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2023, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.



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

Enterprise, Alabama  
April 14, 2023

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

## ***Introduction***

This management's discussion and analysis of the financial performance of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital" or "DMH") provides an overview of the Hospital's financial activities for the years ended September 30, 2022 and 2021. It should be read in conjunction with the accompanying financial statements of the Hospital.

## ***Financial Highlights***

- Cash and cash equivalents decreased by approximately \$78,000 in 2022, after a decrease of approximately \$4,217,000 in 2021.
- The Hospital's net position decreased by \$990,469 and \$435,632 in 2022 and 2021, respectively.
- The Hospital reported operating loss of \$1,660,961 and \$2,089,929 in 2022 and 2021, respectively.
- Operating expenses increased by \$2,595,161 in 2022 after an increase of \$5,494,857 in 2021.

## ***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 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. 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 any changes. 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 indicators of whether its financial health is improving or deteriorating.

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

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***

#### **Restatement of Prior Year Net Position**

The previously issued financial statements for the year ended September 30, 2021, issued March 3, 2022, have been restated for a change in accounting principle related to the recognition of leases and right-of-use assets (GASB Statement No. 87).

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

<u>September 30, 2021</u>	As Previously Reported	Increase (Decrease)	As Restated
<b>Assets</b>			
Capital assets, net	\$ 6,089,854	\$ 29,484	\$ 6,119,338
<b>Liabilities</b>			
Current liabilities	\$ 4,056,118	\$ 9,083	\$ 4,065,201
Long-term liabilities	\$ 13,959,750	\$ 1,969	\$ 13,961,719
<b>Net Position (Deficit)</b>			
Net investment in capital assets	\$ (8,391,032)	\$ 18,432	\$ (8,372,600)

The Hospital's assets decreased \$467,211 in 2022 and decreased \$341,632 in 2021. The decrease in 2022 was due to the allowance for bad debts increasing by \$340,882, and the charity allowance increasing by \$159,257. The investments of approximately \$1 million were used in operations in 2022. These decreases were offset by an increase in the bond interest fund and patient accounts receivables, net.

The Hospital's total liabilities increased \$523,258 in 2022 and increased \$204,010 in 2021. The decrease in cash flow as well as more costly supplies needed for spinal and robotic surgeries contributed to the increase in liabilities. The increased cost for pharmaceuticals and other supplies that were more difficult to obtain also contributed to the increase in current liabilities. With the Extended Repayment Plans for FY 2021 and Interim Rate Review repayment plan for 2022 (related to Medicare cost reports), there was a reduction in Medicare monies received. All of these factors

**Holmes County Hospital Corporation  
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Management's Discussion and Analysis**

contributed to the increase in accounts payable-trade from \$1,111,862 in 2021 to \$2,027,640 in 2022.

**Table 1: Assets, Liabilities and Net Position (Deficit)**

<i>September 30,</i>	<b>2022</b>	<i>Variance</i>	<i>Restated</i> 2021	<i>Variance</i>	2020
<b>Assets</b>					
Patient accounts receivable, net	\$ 3,164,529	\$ 420,419	\$ 2,744,110	\$ 1,393,293	\$ 1,350,817
Other current assets	1,019,746	(458,802)	1,478,548	(4,368,048)	5,846,596
Capital assets, net	6,492,070	372,732	6,119,338	915,099	5,204,239
Other noncurrent assets	1,229,692	(801,560)	2,031,252	1,718,024	313,228
<b>Total assets</b>	<b>\$ 11,906,037</b>	<b>\$ (467,211)</b>	<b>\$ 12,373,248</b>	<b>\$ (341,632)</b>	<b>\$ 12,714,880</b>
<b>Deferred Outflows of Resources</b>					
Excess consideration provided for acquisition	\$ 110,000	\$ -	110,000	\$ 110,000	\$ -
<b>Liabilities</b>					
Current liabilities	\$ 3,746,975	\$ (318,226)	\$ 4,065,201	\$ 1,834,327	\$ 2,230,874
Long-term liabilities	14,803,203	841,484	13,961,719	(1,630,317)	15,592,036
<b>Total liabilities</b>	<b>18,550,178</b>	<b>523,258</b>	<b>18,026,920</b>	<b>204,010</b>	<b>17,822,910</b>
<b>Net Position (Deficit)</b>					
Net investment in capital assets	(8,666,821)	(294,221)	(8,372,600)	964,611	(9,337,211)
Restricted expendable	607,338	(257,100)	864,438	552,959	311,479
Unrestricted	1,525,342	(439,148)	1,964,490	(1,953,212)	3,917,702
<b>Total net position (deficit)</b>	<b>(6,534,141)</b>	<b>(990,469)</b>	<b>(5,543,672)</b>	<b>(435,642)</b>	<b>(5,108,030)</b>
<b>Total liabilities and net position</b>	<b>\$ 12,016,037</b>	<b>\$ (467,211)</b>	<b>\$ 12,483,248</b>	<b>\$ (231,632)</b>	<b>\$ 12,714,880</b>

***Operating Results and Changes in the Hospital's Net Position***

**Restatement of Prior Year Net Position**

The previously issued financial statements for the year ended September 30, 2021, issued March 3, 2022, have been restated for a change in accounting principle related to the recognition of leases and right-of-use assets (GASB Statement No. 87).

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

<i>For the year ended September 30, 2021</i>	<i>As Previously</i> Reported	<i>Increase</i> (Decrease)	<i>As Restated</i>
<b>Operating Expenses</b>			
Depreciation and amortization	\$ 827,671	\$ 64,985	\$ 892,656
Other operating expenses	\$ 7,418,426	\$ (64,985)	\$ 7,353,441
<b>Nonoperating Revenues (Expenses)</b>			
Interest expense	\$ (817,253)	\$ 18,432	\$ (798,821)



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As shown in *Table 2*, in 2022 the Hospital's net position decreased due to a loss of \$990,469. The primary reason for this decrease was the income from the Payroll Protection Program of \$1,117,100 in 2021 not repeating in 2022. Also, CARES recognized revenues decreased in 2022. Revenues increased by \$3,024,129 with expenses increasing by \$2,595,161, resulting in operating income (loss) improving by \$428,968.

**Table 2: Operating Results and Changes in Net Position**

<i>For the years ended September 30,</i>	<b>2022</b>	<i>Variance</i>	<i>Restated</i> 2021	<i>Variance</i>	2020
<b>Operating Revenues</b>					
Net patient service revenue	\$ 18,701,881	\$ 3,061,971	\$ 15,639,910	\$ 3,404,214	\$ 12,235,696
Other operating revenue	7,869	(37,842)	45,711	(14,243)	59,954
<b>Total operating revenues</b>	<b>18,709,750</b>	<b>3,024,129</b>	<b>15,685,621</b>	<b>3,389,971</b>	<b>12,295,650</b>
<b>Operating Expenses</b>					
Salaries and wages and employee benefits	9,291,691	607,121	8,684,570	2,649,273	6,035,297
Physician and professional fees	1,164,030	319,147	844,883	189,433	655,450
Depreciation and amortization	996,314	103,658	892,656	154,069	738,587
Other operating expenses	8,918,676	1,565,235	7,353,441	2,502,082	4,851,359
<b>Total operating expenses</b>	<b>20,370,711</b>	<b>2,595,161</b>	<b>17,775,550</b>	<b>5,494,857</b>	<b>12,280,693</b>
<b>Operating (loss) income</b>	<b>(1,660,961)</b>	<b>428,968</b>	<b>(2,089,929)</b>	<b>(2,104,886)</b>	<b>14,957</b>
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	14,552	(26,790)	41,342	27,632	13,710
Interest expense	(891,960)	(93,139)	(798,821)	65,209	(864,030)
Loss on impairment	-	-	-	-	-
Noncapital gifts and other	1,547,900	(863,866)	2,411,766	(1,279,207)	3,690,973
<b>Total nonoperating revenues (expenses)</b>	<b>670,492</b>	<b>(983,795)</b>	<b>1,654,287</b>	<b>(1,186,366)</b>	<b>2,840,653</b>
<b>Increase (decrease) in net position</b>	<b>\$ (990,469)</b>	<b>\$ (554,827)</b>	<b>\$ (435,642)</b>	<b>\$ (3,291,252)</b>	<b>\$ 2,855,610</b>

**Operating Income (Loss)**

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 loss for fiscal year 2022 was \$1,660,961 compared to a loss of \$2,089,929 in 2021, which was a decrease from operating income of \$14,957 in 2020.

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

The primary components of the 2022 operating loss are:

- An increase in net patient service revenue of approximately \$3,024,129 or 19.6%.
- A decrease in other operating revenue of approximately \$37,842, or (82.8%).
- An increase in operating expense of approximately \$2,595,161, or 14.6%.

The decrease in other operating revenues was due to cafeteria revenues decreasing by \$10,457 because of providing free meals to staff during the Covid-19 pandemic. Also, the ability to obtain 340B drugs due to shortages resulted in \$26,065 less income.

Operating expense increased due to increases of salaries and wages of \$859,906, increases in professional fees and contract labor of \$646,161, and increases in supplies of \$607,121.

### ***Non-operating Revenues and Expenses***

Non-operating revenues and expenses consist primarily of investment income, interest expense, gains/losses on asset disposals and non-capital grants, gifts, and other. Total non-operating revenues and expenses decreased from approximately \$1,654,000 in 2021 to \$670,000 in 2022, compared with \$2,841,000 in 2020. Non-operating revenue/expense decreased in 2022 by \$983,795. The change in 2022 compared to 2021 is mostly due to no Payroll Protection Program monies in 2022, which were \$1,117,100 in 2021.

### ***Capital Contributions***

There were no capital contributions in 2022 or 2021.

### ***The Hospital's Cash Flows***

As reflected in the statements of cash flows, the Hospital's cash decreased in 2022 by \$77,758, compared to the decrease in 2021 by \$4,216,722. The decrease in cash flow in 2022 was partially due to the purchase of capital assets. This included a 2.7 acre lot for \$231,703, nuclear medicine machine for \$102,000 and a new anesthesia machine for \$55,705. New surgical procedures with high dollar supplies such as the robotics and spine procedures, along with the increased costs of supplies related to shortages in the market, also contributed to cash reductions. The remainder was used as intended, to cover significant operating costs due to the Covid-19 pandemic.

### ***Capital Asset and Debt Administration***

#### **Capital Assets**

The Hospital had \$6,492,070 and \$6,119,338 of capital assets, net of accumulated depreciation and amortization, at the end of 2022 and 2021, respectively. In 2022 the Hospital purchased capital assets in the amount of \$552,328, as discussed above.

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

## Debt

At September 30, 2022 and 2021, respectively, the Hospital had \$15,105,045 and \$14,463,026 in revenue bonds, notes payable and lease obligations. The Hospital's formal debt issuances, revenue bonds, are subject to limitations imposed by state law.

## ***Other Economic Factors***

The 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, road departments and local nursing home.

## ***Strategic Planning for Future Growth***

Fiscal year 2022 for DMH was the 'best of the times, it was the worst of times.' The year encompassed the peak of the Covid-19 Pandemic. For a Hospital committed to increasing its Clinical services and caring for more complex patients than previously, the pandemic forced that transformation. DMH revived its intensive care program by re-opening a four-bed intensive care unit complete with updated equipment such as ventilators and monitors. DMH innovated clinical/workflow processes to provide more monoclonal antibody therapy than any Hospital in the Florida Panhandle. It made the commitment to have more experienced physician coverage in the emergency department (ED) and not rely solely on mid-level practitioners; thereby, it was better positioned to treat critical ill patients in the ED. This transformation translated to a significant increase in operating revenues, but it also came at tremendous increase in operating expenses. Like every American hospital, DMH had to expend additional resources for temporary staffing, increased overtime wages and work incentives, and suffered an exponential rise in supply cost. The Hospital endured a great deal of financial challenges due to the Covid-19 pandemic; however, the CARES funds were very helpful in sustaining the Hospital during the crisis. More importantly, the transformation that began during the Covid-19 pandemic has positioned the Hospital for sustained revenue growth while management aggressively moves to control cost.

For the coming year, management is committed to the following growth areas, many of which had already germinated during the Covid-19 pandemic:

- 1) Sustain the growth in radiology and laboratory services. Both departments billed significantly more services during the Covid-19 pandemic and management is committed to sustaining that growth. An example of this growth was the purchase of a 3-D mammogram. Mammography for DMH increased during the Pandemic and it is expected to accelerate post-Pandemic. The MRI that the Hospital was successful in receiving during the Florida Legislative session of 2016/2017 continues to allow the Hospital to provide MRI services five days per week. Management is looking at mechanisms during this year to increase MRI services by possibly partnering with a large orthopedic practice. A nuclear medical scanner will also be deployed which will further increase radiology volume.

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- 2) Increase surgical volume. The Hospital continues to increase the number of surgeries performed with the addition of a second surgeon. When other Hospitals were shutting down elective surgeries, FY 2021 saw DMH more than double its surgical volume. DMH has begun performing robotic surgery, which is better for patients with a quicker recovery and decrease in Hospital stays. In addition, an experienced spine surgeon has begun to operate at DMH. Therefore, management expects that surgical volume will continue to grow.
- 3) Increase ED Volume. With the addition of physician providers, ED volume has continued to increase. The addition of Board-certified physicians has helped to improve the community perception of the quality of care in the emergency room. The Hospital continues to utilize mid-levels in the clinic as well as complementing the ED physicians to mitigate expenses. Management is expecting that the increase cost for physicians will be more than offset by greater volume and better documentation/coding translating to increased reimbursement.
- 4) Greater specialty care. The Hospital has contracted a Board-certified cardiologist who will provide cardiology consultation out of the rural health clinic, oversee nuclear stress tests, interpret all EKGs, and provide inpatient/ED consultation either in person or via telemedicine. The Hospital has an agreement with Carepoint Blue Star to maintain an affiliation for tele-neurology services. With this agreement, the Hospital has approximately 30 board certified neurologists on-call utilizing a telemedicine robot in the emergency room to provide stroke neurology services.
- 5) Increase rural health clinic volume. The Hospital purchased a rural health clinic earlier in the Covid-19 pandemic, and the clinic was instrumental in supporting the Hospital during the Covid-19 pandemic. In the coming year, the clinic will continue to its primary care panel but will also diversify into providing weight loss management. A nurse practitioner specializing in women's health will continue to provide much needed gynecologic care in our community. A rural healthcare bus was purchased on November 4, 2020, and has two exam rooms. The bus will be utilized for outreach to rural areas to provide needed healthcare to underserved areas of the county. The Hospital is in the process of completing the credential process and licensing to begin the mobile service. Holmes County is providing parking space and the needed electrical equipment to assist with getting this service to the community.

As focused as management is on sustaining growth, it is equally focused post-pandemic to bringing cost under control. The following factors will mitigate cost in the coming years.

- 1) Limit labor cost by minimizing overtime and incentive pay. Management is also looking to explore different cost options for employee healthcare coverage.
- 2) Monitor supply and inventory cost.
- 3) Look to trim any unnecessary cost. For example, administration has begun to renegotiate and trim its malpractice insurance cost in light of the fact that the Hospital has not had any material malpractice suits in recent years.

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- 4) The Medicare cost report for fiscal year 2018 left the Hospital owing a payable in the amount of \$652,000. The repayment should be completely paid by March 2022. Furthermore, Medicare has withheld 25% of its reimbursement as pay back for Medicare Advanced Payment made during the Covid-19 pandemic. The end of these Medicare repayments should result in significant non-operating cost savings.

Administratively, management is focused on the following areas moving forward:

- 1) Refinancing our bond debt. The Hospital has continued to work very closely with the bond holders and a Third Amendment to the Forbearance Agreement was entered into in April of 2023. Management is committed to refinancing the current bond debt via the USDA indirect loan program. This USDA guaranteed program should allow the Hospital to lower its monthly debt burden substantially.
- 2) Continue to renegotiate with insurers. In the coming year, management intends to evaluate and increase our global chargemaster, which is the initial basis for any discount to any insurers. DMH continues to work with the Governor's Appointment Office to recruit two additional board members in order to have a complete a five-person board. Covid-19 has made recruitment difficult as many of the appointment officers were having to work from home.
- 3) The Hospital will continue to take advantage of grant programs that allow for additional training and updates. Hospital management continues to participate in weekly webinar's 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 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.
- 4) The Hospital continues its efforts to meet with legislative officials to request funding for capital equipment needs. The Hospital was successful in obtaining funding in the amount of \$250,000 during the Florida legislative 2020/2021 session toward construction of office space for future growth. The Hospital has filed another appropriation request for 2021/2022 for \$1,000,000 for more funding to put towards completion of the project to provide more clinical space. The Hospital has also completed an application with USDA for \$1,000,000 to further offset the amount needed to complete the medical office building project.
- 5) Holmes County citizens elected to support the Hospital by passing a half-cent local sales tax Referendum on November 3, 2020. Local businesses were instructed to begin collecting 0.5 cent sales tax for the indebtedness of the Hospital January 2021 through December 31, 2026. Easing the debt burden with public support will allow us to continue offering greater level of services than is typical for a critical access Hospital.

**Holmes County Hospital Corporation  
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Management's Discussion and Analysis**

***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) 547-8010.

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

<i>September 30,</i>	<b>2022</b>	Restated 2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 205,617	\$ 542,141
Patient accounts receivable, net of estimated uncollectibles of approximately \$3,581,000 and \$3,055,000 in 2022 and 2021, respectively	<b>3,164,529</b>	2,744,110
Supplies	<b>565,888</b>	625,366
Prepaid expenses and other	<b>248,241</b>	311,041
Total current assets	<b>4,184,275</b>	4,222,658
Noncurrent assets		
Investments, at fair value	-	1,026,016
Restricted cash and cash equivalents		
Surtax account	<b>93</b>	104,739
Building fund	<b>24,465</b>	39,559
Grant fund	<b>1,749</b>	1,749
Bond interest fund	<b>596,047</b>	-
Debt reserve fund	<b>607,338</b>	824,879
Other receivables	-	34,310
Total noncurrent assets	<b>1,229,692</b>	2,031,252
Capital assets		
Land	<b>543,503</b>	319,513
Right-of-use assets, net	<b>734,813</b>	29,484
Depreciable capital assets, net	<b>5,213,754</b>	5,770,341
Total capital assets, net	<b>6,492,070</b>	6,119,338
Total assets	<b>\$ 11,906,037</b>	\$ 12,373,248
<b>Deferred Outflows of Resources</b>		
Excess consideration provided for acquisition	<b>\$ 110,000</b>	\$ 110,000

(Continued)

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

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

<i>September 30,</i>	<b>2022</b>	Restated 2021
<b>Liabilities and Net Position (Deficit)</b>		
Current liabilities		
Current maturities of long-term debt		
Lease liability	\$ 245,419	\$ 19,413
Bonds payable	56,423	481,894
Accounts payable	2,027,640	1,111,862
Accrued compensation and payroll taxes	604,036	867,361
Unearned revenue	39,309	1,749
Other accrued expenses	455,378	246,807
Accrued interest payable	315,053	326,775
Short-term debt	-	69,111
Estimated third-party settlements (including Medicare accelerated payments)	3,717	940,229
<b>Total current liabilities</b>	<b>3,746,975</b>	<b>4,065,201</b>
Long-term liabilities		
Lease liability, less current portion	498,908	5,038
Bonds payable, net of current maturities	14,304,295	13,956,681
<b>Total long-term liabilities</b>	<b>14,803,203</b>	<b>13,961,719</b>
<b>Total liabilities</b>	<b>18,550,178</b>	<b>18,026,920</b>
Net position (deficit)		
Net investment in capital assets	(8,666,821)	(8,372,600)
Restricted for		
Debt service	607,338	824,879
Specified operating activities	-	39,559
Unrestricted	1,525,342	1,964,490
<b>Total net position (deficit)</b>	<b>(6,534,141)</b>	<b>(5,543,672)</b>
<b>Total liabilities and net position (deficit)</b>	<b>\$ 12,016,037</b>	<b>\$ 12,483,248</b>

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



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

<i>For the years ended September 30,</i>	<b>2022</b>	Restated 2021
<b>Operating Revenues</b>		
Net patient service revenue before provision for uncollectible accounts	\$ 24,101,835	\$ 19,693,781
Provision for uncollectible accounts	<b>(5,399,954)</b>	(4,053,871)
Net patient service revenue	<b>18,701,881</b>	15,639,910
Other operating revenue	<b>7,869</b>	45,711
Total operating revenues	<b>18,709,750</b>	15,685,621
<b>Operating Expenses</b>		
Salaries and wages	<b>8,634,345</b>	8,080,481
Supplies and other operating expense	<b>7,660,181</b>	6,272,224
Insurance	<b>1,258,495</b>	1,081,217
Physician and professional fees	<b>1,164,030</b>	844,883
Depreciation and amortization	<b>996,314</b>	892,656
Employee benefits and payroll taxes	<b>657,346</b>	604,089
Total operating expenses	<b>20,370,711</b>	17,775,550
Operating income (loss)	<b>(1,660,961)</b>	(2,089,929)
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	<b>14,552</b>	41,342
Interest expense	<b>(891,960)</b>	(798,821)
CARES PRF income, tax revenues, donations and other	<b>1,547,900</b>	2,411,766
Total nonoperating revenues (expenses)	<b>670,492</b>	1,654,287
Increase (decrease) in net position	<b>(990,469)</b>	(435,642)
Net position (deficit) - beginning of year	<b>(5,543,672)</b>	(5,108,030)
Net position (deficit) - end of year	<b>\$ (6,534,141)</b>	\$ (5,543,672)

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

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

<i>For the years ended September 30,</i>	<b>2022</b>	Restated 2021
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 17,553,521	\$ 14,862,963
Payments to suppliers and contractors	(9,195,827)	(8,182,112)
Payments to and on behalf of employees	(9,403,040)	(8,502,811)
Other receipts (payments), net	(46,776)	(17,615)
Net cash provided by (used in) operating activities	(1,092,122)	(1,839,575)
<b>Noncapital Financing Activities</b>		
Receipt of CARES PRF funding	634,040	406,778
Receipt of other noncapital grants	37,560	261,500
Tax revenues and other	913,860	532,077
Financing of insurance premiums	-	69,111
Principal paid on short-term debt	(69,111)	-
Interest and finance charges paid on trade payables	(37,149)	(19,679)
Net cash provided by (used in) noncapital financing activities	1,479,200	1,249,787
<b>Capital and Related Financing Activities</b>		
Proceeds from sale of assets held for sale	44,310	-
Purchase of capital assets	(1,325,201)	(1,778,843)
Proceeds from lease liability	719,876	24,451
Interest paid on long-term debt	(889,495)	(826,069)
Principal paid on other long-term debt	(54,894)	(61,799)
Net cash provided by (used in) capital and related financing activities	(1,505,404)	(2,642,260)
<b>Investing Activities</b>		
Sale (purchase) of investments	1,026,016	(1,000,000)
Interest Income	14,552	15,326
Net cash provided by (used in) investing activities	1,040,568	(984,674)
Net increase (decrease) in cash and cash equivalents	(77,758)	(4,216,722)
Cash and cash equivalents - beginning of year	1,513,067	5,729,789
Cash and cash equivalents - end of year	\$ 1,435,309	\$ 1,513,067

(Continued)

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

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

<i>For the years ended September 30,</i>	<b>2022</b>	Restated 2021
<b>Reconciliation of Cash to Balance Sheets</b>		
Cash and cash equivalents	\$ 205,617	\$ 542,141
Restricted cash and cash equivalents, noncurrent		
Building fund	24,465	39,559
Grant fund	1,749	1,749
Bond interest fund	596,047	-
Surtax account	93	104,739
Debt reserve fund	607,338	824,879
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,435,309</b>	<b>\$ 1,513,067</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>		
Operating income (loss)	\$ (1,660,961)	\$ (2,089,929)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	996,314	892,656
Provision for bad debts	5,399,954	4,053,871
Other nonoperating income	-	94,311
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources		
(Increase) decrease in assets and deferred outflows of resources		
Patient accounts receivable	(5,820,373)	(5,447,164)
Supplies	59,478	(290,916)
Prepaid expenses and other	62,800	(215,456)
Other noncurrent assets	-	(34,310)
Deferred outflows related to excess consideration	-	(110,000)
(Increase) decrease in liabilities and deferred inflows of resources		
Accounts payable	861,932	440,923
Accrued expenses	(54,754)	348,164
Estimated third-party settlements	(936,512)	518,275
<b>Total adjustments</b>	<b>568,839</b>	<b>250,354</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,092,122)</b>	<b>\$ (1,839,575)</b>
<b>Noncash Investing, Capital and Financing Activities</b>		
Purchase of equipment through accounts payable	\$ 53,846	\$ 28,912
Amortization of bond premium included in interest expense	\$ 23,089	\$ 23,089
Forgiveness of SBA PPP loan	\$ -	\$ 1,117,000

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

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

**Note 1: DESCRIPTION OF HOSPITAL**

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.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with applicable pronouncements of the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus. Revenue, 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.

***Uncertainty Regarding Going Concern***

As shown in the accompanying financial statements, the Hospital incurred a net operating loss of approximately \$1,661,000 in fiscal year 2022 and net losses of approximately \$990,000 and \$436,000 for the years ended September 30, 2022 and 2021, respectively, resulting in deficit net positions of approximately \$6,534,000 and \$5,544,000, respectively, at September 30, 2022 and 2021. In addition, the Hospital experienced negative operating cash flows of approximately \$1,092,000 and an overall decrease of cash of approximately \$78,000 during fiscal 2022.

During fiscal year 2022, the Hospital was unable to meet its obligations to fund its bonds on a monthly basis and to make regularly scheduled principal and interest payments, resulting in a forbearance agreement with the bondholders, described further in Note 8. This agreement deferred bond funding and principal payments through December 2023, subject to compliance with the terms of the agreement, which included, among others, a requirement that the Hospital pursue a refinancing of the Series 2006 Revenue Bonds with the USDA, subject to milestones outlined in the amended forbearance agreement, as well as use any potential income to be received from an Employee Retention Credit (ERC) filed with the IRS in November of 2022 to pay back principal and interest and fully fund the debt service accounts. The terms of forbearance agreement also include monthly monitoring and required compliance with a budget, as well as several other restrictive terms. Failure to comply with the agreement in full may result in the bondholders calling the debt immediately and exercising any and all available remedies, up to and including seizure of assets.

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Uncertainty Regarding Going Concern (continued)***

Management's current plans are to continue to operate the Hospital and generate sufficient cash flow from operations to fund the business. ERC monies, when collected, will be used to pay back principal and interest (if any) on the Series 2006 bonds, per the terms of the third amendment to the forbearance agreement, and fully fund the debt service accounts. Further, management continues to pursue a refinancing of the Series 2006 bonds with the U.S. Department of Agriculture (USDA) or other lender, on terms more favorable to the Hospital, and also pursue available grant funding. While the Hospital believes in the viability of its strategies to generate sufficient cash to fund its business and refinance its debt, there can be no assurances to that effect. The ability of the Hospital to continue as a going concern is dependent upon the Hospital's ability to successfully implement its plans and generate sufficient cash from operations and refinance its debt on favorable terms.

The combined effect of these factors, as well as others, creates substantial doubt about the Hospital's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Hospital is unable to continue as a going concern.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change in the near term are related to 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.

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Risk Management (continued)***

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.

***Restatement of Prior Year Financial Statements***

The previously issued financial statements for the year ended September 30, 2021, issued March 3, 2022, have been restated for a change in accounting principle related to the recognition of GASB Statement No. 87 (GASB 87) for leases and right-of-use assets. The implementation of this statement requires the restatement of the net position in the balance sheet, statement of revenues, expenses and changes in net position, and the statement of cash flows to record the cumulative effect of recording the original basis of the leased assets less accumulated depreciation, net of the respective lease liability as of September 30, 2022.

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

<i>September 30, 2021</i>	As Previously Reported	Increase (Decrease)	As Restated
<b><i>Balance Sheet</i></b>			
<b>Assets</b>			
Capital assets			
Right-of-use assets, net	\$ -	\$ 29,484	\$ 29,484
<b>Liabilities and Net Position (Deficit)</b>			
Current liabilities			
Current maturities of long-term debt	492,224	9,083	501,307
Long-term liabilities			
Capital lease obligation, net of current maturities	3,069	(3,069)	-
Lease liability, less current portion	-	5,038	5,038
<b>Net position (deficit)</b>			
Net investment in capital assets	(8,391,032)	18,432	(8,372,600)
<i>For the year ended September 30, 2021</i>	As Previously Reported	Increase (Decrease)	As Restated
<b><i>Statement of Revenues, Expenses, and Changes in Net Position</i></b>			
<b>Operating Expenses</b>			
Supplies and other operating expense	\$ 6,337,209	\$ (64,985)	\$ 6,272,224
Depreciation and amortization	827,671	64,985	892,656
<b>Nonoperating Revenues (Expenses)</b>			
Interest expense	(817,253)	18,432	(798,821)

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Restatement of Prior Year Financial Statements (continued)***

<i>For the year ended September 30, 2021</i>	As Previously Reported	Increase (Decrease)	As Restated
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***Statement of Cash Flows***

**Operating Activities**

Payments to suppliers and contractors	\$ (8,247,097)	\$ 64,985		\$ (8,182,112)
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**Capital and Related Financing Activities**

Purchase of capital assets	(1,684,374)	(94,469)		(1,778,843)
Proceeds from lease liability	-	24,451		24,451
Interest paid on long-term debt	(831,102)	5,033		(826,069)

<i>For the year ended September 30, 2021</i>	As Previously Reported	Increase (Decrease)	As Restated
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**Reconciliation of Operating Income (Loss) to Net  
Cash Provided by (Used In) Operating Activities**

Adjustments to reconcile operating income (loss) to  
net cash provided by (used in) operating activities

Depreciation and amortization	\$ 827,671	\$ 64,985		\$ 892,656
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***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less. At September 30, 2022 and 2021, 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 non-operating revenue on the statements of revenues, expenses and changes in net position.

***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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Patient Accounts Receivable, Net (continued)***

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.

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 2022 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2022 or 2021.

***Supplies***

Supply inventories are stated at the lower of cost or net realizable value, determined using the first-in, first-out method. When evidence exists that the net realizable value of inventories is lower than its cost, the difference is recognized as a loss in the statement of revenues, expenses, and changes in net position in the period in which it occurs.

***Prepaid Expenses***

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



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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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.

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, 2022 and 2021.

***Deferred Outflows/Inflows of Resources***

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Deferred Outflows/Inflows of Resources (continued)***

The Hospital has one item that qualifies as deferred outflows of resources, the deferred outflow related to excess consideration provided for acquisition. This item is related to the purchase of a physician practice and its assets in fiscal year 2021, and the total of \$110,000 relates to the excess of the consideration paid over the identifiable and capitalized equipment acquired.

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

The Hospital has no items that qualify for reporting as deferred inflows of resources at September 30, 2022 and 2021.

***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 balance sheets.

***Lease Liability***

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Categories and Classification of Net Position***

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

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

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

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

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

***Revenues and Expenses***

The Hospital's statements of revenue, expenses and changes in net position distinguish between operating and non-operating revenue and expenses. Operating revenue result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenue, including investment income, grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

***Net Patient Service Revenue***

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payers.

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

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenues and Expenses (continued)***

*Net Patient Service Revenue (continued)*

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

*Charity Care*

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was \$856,931 and \$674,693 for the years ended September 2022 and 2021, respectively, and estimated costs and expenses incurred to provide charity care totaled \$333,612 and \$262,665, 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 non-operating revenue and expenses.

*Ad Valorem Tax*

Annually, the Hospital receives funding from the Holmes County Tax Collector related to taxes collected on the assessed value of real and personal property. Taxes are recognized as revenues in the year for which there is an enforceable claim. Ad valorem tax revenue is reported as nonoperating revenue.

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenues and Expenses (continued)***

***Ad Valorem Tax (continued)***

Millage rates for property taxes are levied at the first regular meeting of the Holmes County Tax Collector in February of each year. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the Holmes County Tax Collector. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes with a legally enforceable claim in the current year.

2022 property tax calendar:

- October 1 – Taxes due
- December 31 – Last day to pay taxes prior to late fees added
- January 1 – Taxes delinquent

***Advertising Costs***

Advertising costs are expensed as incurred. Advertising expense for the years ended September 30, 2022 and 2021 was \$36,010 and \$25,015, respectively.

***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).

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Electronic Health Records Incentive Program (continued)***

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 2019. No such significant incentive payments were received or recognized in either fiscal 2021 or 2022, 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.

***Recently Issued and Implemented Accounting Pronouncements***

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. All leases with a term greater than 12 months are recognized as a lease liability and an intangible right-of-use lease asset by the lessee. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Hospital adopted Statement No. 87 for the year ended September 30, 2022. For more information on the effects of the adoption of Statement No. 87, see Notes 2, 5, and 8.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). The objectives of GASB 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of GASB 89 are effective for reporting periods beginning after December 15, 2020. The Hospital adopted GASB 89 for the year ended September 30, 2022, and GASB 89 did not have a significant impact on the financial statements.

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

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

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

The requirements of this Statement are effective as follows:

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

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



**Holmes County Hospital Corporation  
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**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

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

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

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (GASB 97). The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of GASB 97 that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The Hospital adopted GASB 97 for the year ended September 30, 2022, and GASB 97 did not have a significant impact on the financial statements.



**Holmes County Hospital Corporation  
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**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98). GASB 98 establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in GAAP for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of GASB 98 are effective for fiscal years ending after December 15, 2021, with early application permitted. The Hospital adopted GASB 98 for the year ended September 30, 2022, and GASB 98 did not have a significant impact on the financial statements.

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

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

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

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

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

(APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

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

The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to the determination of the PPP term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.

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

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the LIBOR is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement No. 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

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

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

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

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

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

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

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 14, 2023. See Note 19 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Note 3: DEPOSITS AND INVESTMENTS**

As of September 30, 2022 and 2021, the deposits and investments of the Hospital consisted of the following:

<i>September 30,</i>	<b>2022</b>	2021
Petty cash and undeposited cash	\$ 215	\$ 215
Cash deposits with financial institutions	<b>1,435,094</b>	1,512,852
Mutual funds	-	1,026,016
<b>Total deposits and investments</b>	<b>\$ 1,435,309</b>	<b>\$ 2,539,083</b>

Deposits and investments are included in the following balance sheet captions:

<i>September 30,</i>	<b>2022</b>	2021
Cash and cash equivalents	\$ 205,617	\$ 542,141
Investments, at fair value	-	1,026,016
Restricted cash and cash equivalents, noncurrent		
Building fund	<b>24,465</b>	39,559
Grant fund	<b>1,749</b>	1,749
Bond interest fund	<b>596,047</b>	-
Debt reserve fund	<b>607,338</b>	824,879
Surtax account	<b>93</b>	104,739
<b>Total</b>	<b>\$ 1,435,309</b>	<b>\$ 2,539,083</b>

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

**Note 3: DEPOSITS AND INVESTMENTS (Continued)**

*Custodial credit risk* – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. For an investment, this 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 investments or collateral securities that are in the possession of an outside party.

*Interest rate risk* – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment.

*Credit risk* – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations.

*Concentration risk* – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments.

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

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

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

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

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

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

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

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 3: DEPOSITS AND INVESTMENTS (Continued)**

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

*All securities* – The fair value is determined by quoted market prices (Level 1).

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

As of September 30, 2021, the Hospital invests solely in various funds (as shown in the table below), all of which are considered Level 1 and are readily marketable (no maturity requirements). The Hospital has not directly purchased debt securities issued by any entity, domestic or foreign.

<i>September 30,</i>	<b>2022</b>	2021
Domestic fixed income	\$ -	639,978
Domestic equity	-	140,237
International fixed income	-	23,536
International equity	-	75,350
Cash equivalents	-	146,915
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,026,016</b>

***Deposits***

The State of Florida’s Public Deposit Act (the “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 Federal Deposit Insurance Corporation (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.

At September 30, 2022 and 2021, respectively, \$1,203,385 and \$824,879 of cash deposits in sinking, interest and reserve fund accounts related to the Hospital’s Series 2006 revenue bonds were held at a financial institution which is not a qualified public depository. \$250,000 of such deposits for both years were collateralized by the FDIC, while the balances were uncollateralized. The remainder of the Hospital’s deposits at September 30, 2022 and 2021 were covered under the FDIC and the Act.

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 3: DEPOSITS AND INVESTMENTS (Continued)**

***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.

**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, 2022 and 2021 was:

<i>September 30,</i>	<b>2022</b>	<b>2021</b>
Medicare	\$ 1,011,123	\$ 518,385
Medicaid	396,842	376,550
Other third-party payers	1,720,581	1,532,289
Patients	3,616,809	3,371,981
<b>Total patient accounts receivable</b>	<b>6,745,355</b>	<b>5,799,205</b>
<b>Less allowance for uncollectible accounts</b>	<b>(3,580,826)</b>	<b>(3,055,095)</b>
<b>Patient accounts receivable, net</b>	<b>\$ 3,164,529</b>	<b>\$ 2,744,110</b>

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 5: CAPITAL ASSETS**

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

	Estimated Useful Lives (in years)	Restated Balance 10/1/2021	Additions	Reductions	Transfers	Balance 9/30/2022
<b>Nondepreciable capital assets</b>						
Land		\$ 319,513	\$ 233,990	\$ (10,000)	\$ -	\$ 543,503
<b>Total nondepreciable</b>		<b>319,513</b>	<b>233,990</b>	<b>(10,000)</b>	<b>-</b>	<b>543,503</b>
<b>Depreciable capital assets</b>						
Land improvements	5 - 40	1,856,984	-	-	-	1,856,984
Buildings and improvements	5 - 40	6,960,315	-	-	-	6,960,315
Right-of-use assets	2 - 7	94,469	825,746	-	16,000	936,215
Furniture and fixtures	7 - 20	203,112	-	-	-	203,112
Machinery and equipment	7 - 20	13,202,249	319,311	-	(16,000)	13,505,560
<b>Total depreciable, at cost</b>		<b>22,317,129</b>	<b>1,145,057</b>	<b>-</b>	<b>-</b>	<b>23,462,186</b>
<b>Less accumulated depreciation/amortization</b>						
Land improvements		(1,442,270)	(58,353)	-	-	(1,500,623)
Buildings and improvements		(4,455,171)	(231,295)	-	-	(4,686,466)
Right-of-use assets		(64,985)	(134,550)	-	(1,867)	(201,402)
Furniture and fixtures		(183,566)	(9,083)	-	-	(192,649)
Machinery and equipment		(10,371,312)	(563,034)	-	1,867	(10,932,479)
<b>Total accumulated depreciation/amortization</b>		<b>(16,517,304)</b>	<b>(996,315)</b>	<b>-</b>	<b>-</b>	<b>(17,513,619)</b>
<b>Depreciable, net</b>		<b>5,799,825</b>	<b>148,742</b>	<b>-</b>	<b>-</b>	<b>5,948,567</b>
<b>Total capital assets, net</b>		<b>\$ 6,119,338</b>	<b>\$ 382,732</b>	<b>\$ (10,000)</b>	<b>\$ -</b>	<b>\$ 6,492,070</b>



**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 5: CAPITAL ASSETS (Continued)**

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

	Estimated Useful Lives (in years)	Balance 10/1/2020	Additions	Reductions	Transfers	Restated Balance 9/31/2021
<b>Nondepreciable capital assets</b>						
Land		\$ 319,513	\$ -	\$ -	\$ -	<b>319,513</b>
Construction in progress		-	-	-	-	-
<b>Total nondepreciable</b>		<b>319,513</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>319,513</b>
<b>Depreciable capital assets</b>						
Land improvements	5 - 40	1,856,984	-	-	-	<b>1,856,984</b>
Buildings and improvements	5 - 40	6,960,315	-	-	-	<b>6,960,315</b>
Right-of-use assets	2 - 7	-	86,469	-	8,000	<b>94,469</b>
Furniture and fixtures	7 - 20	203,112	-	-	-	<b>203,112</b>
Machinery and equipment	7 - 20	11,488,963	1,721,286	-	(8,000)	<b>13,202,249</b>
<b>Total depreciable, at cost</b>		<b>20,509,374</b>	<b>1,807,755</b>	<b>-</b>	<b>-</b>	<b>22,317,129</b>
<b>Less accumulated depreciation/amortization</b>						
Land improvements		(1,383,917)	(58,353)	-	-	<b>(1,442,270)</b>
Buildings and improvements		(4,223,877)	(231,294)	-	-	<b>(4,455,171)</b>
Right-of-use assets		-	(64,985)	-	-	<b>(64,985)</b>
Furniture and fixtures		(176,031)	(7,535)	-	-	<b>(183,566)</b>
Machinery and equipment		(9,840,823)	(530,489)	-	-	<b>(10,371,312)</b>
<b>Total accumulated depreciation/amortization</b>		<b>(15,624,648)</b>	<b>(892,656)</b>	<b>-</b>	<b>-</b>	<b>(16,517,304)</b>
<b>Depreciable, net</b>		<b>4,884,726</b>	<b>915,099</b>	<b>-</b>	<b>-</b>	<b>5,799,825</b>
<b>Total capital assets, net</b>		<b>\$ 5,204,239</b>	<b>\$ 915,099</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,119,338</b>

Depreciation expense, which includes amortization of right-of-use (ROU) assets, totaled to \$996,314 and \$892,656, as restated, for the years ended September 30, 2022 and 2021 respectively. No interest was capitalized during the years ended September 30, 2022 and 2021.

**Holmes County Hospital Corporation  
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**Note 6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

<i>September 30,</i>	<b>2022</b>	2021
Payable to suppliers and contractors	\$ 2,027,640	\$ 1,111,862
Payable to employees (including payroll taxes and benefits)	604,036	867,361
Accrued interest payable	315,053	326,775
Due to patients and their insurers	455,378	246,807
	<b>\$ 3,402,107</b>	<b>\$ 2,552,805</b>

**Note 7: SHORT-TERM DEBT**

In October 2021, the Hospital financed \$69,111 related to its fiscal 2021 Property, Cyber and Directors and Officers insurance premiums. Under the financing agreement, which bears interest at 4.95%, principal and interest payments are due in 10 consecutive monthly installments of \$7,069 beginning in November 2021. The balance of this financing agreement was paid off in August 2022. There were no such borrowings during fiscal year 2022.

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

	Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022	Due Within One Year
Insurance premium financing	\$ 69,111	\$ -	\$ (69,111)	\$ -	\$ -

	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021	Due Within One Year
Insurance premium financing	\$ -	\$ 69,111	\$ -	\$ 69,111	\$ 69,111

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 8: LONG-TERM LIABILITIES**

***Bonds Payable***

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

<i>September 30,</i>	<b>2022</b>	2021
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.	<b>13,875,000</b>	13,875,000
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.	<b>114,984</b>	169,878
Plus: unamortized portion of premium on Series 2006 bonds	<b>370,734</b>	393,697
	<b>14,360,718</b>	14,438,575
Less: current portion	<b>(56,423)</b>	(481,894)
<b>Total</b>	<b>\$ 14,304,295</b>	<b>\$ 13,956,681</b>

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, minimum days of cash on hand, minimum debt service, and sinking and interest fund balances. There are also limits to the amount of additional indebtedness that can be incurred.

As of September 30, 2021 and 2022, the Hospital had violated certain of its bond covenants. The Hospital has received a waiver of these events for the current year, due to a renewed forbearance agreement (see below). 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.

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 8: LONG-TERM LIABILITIES (Continued)**

***Bonds Payable (continued)***

On September 30, 2019, the Hospital entered into a forbearance agreement with bondholders, whereby the bondholders agreed to forbear any remedies throughout a specified forbearance period (through October 30, 2020, absent any triggering events) subject to compliance with the terms therein. Under the provisions of the agreement, \$400,000 was released from the debt service fund to pay selected vendors, and the debt service deposits and November 2019 principal payment were delayed until after the forbearance period.

For the agreement to remain in effect, the Hospital was required pay all expenses, including consulting fees, related to the agreement and comply with a new budget and various other terms, including keeping the aging of accounts payable to a certain limit and remitting any excess of days cash on hand over 20 to the debt service fund (among others). The Hospital was also required to search for an affiliation partner and choose one by February 2020. No affiliation was executed.

On December 30, 2020, an amendment to the original forbearance agreement was executed, retroactive to September 15, 2020 and extending the agreement through June 30, 2021. The amendment requires the Hospital to resume debt service deposits and make full payment on the scheduled Series 2006 bond principal due November 2021. It also requires compliance with a new budget and various other terms, including keeping the aging of accounts payable to a certain limit. In addition, it requires the Hospital to submit an application to the U.S. Department of Agriculture seeking financing sufficient to refinance the Series 2006 bonds for the full amount outstanding.

In February of 2022, a second amendment to the forbearance agreement was successfully executed, extending the period of time covered by the agreement through October of 2022. All other significant terms remain similar to the first amendment.

In April of 2023, a third amendment to the forbearance agreement was successfully executed, extending the period of time covered by the agreement through December of 2023. All other significant terms remain similar to the first amendment.

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 8: LONG-TERM LIABILITIES (Continued)**

***Bonds Payable (continued)***

Scheduled principal and interest payments on revenue bonds payable are as follows:

<i>For the years ending September 30,</i>	Revenue Bonds Payable	
	Principal	Interest
2023	\$ 511,476	\$ 743,018
2024	538,508	714,584
2025	505,000	684,669
2026	535,000	654,769
2027	565,000	623,144
2028-2032	3,380,000	2,550,900
2033-2037	4,520,000	1,374,600
2038-2042	3,435,000	2,501,513
<b>Total</b>	<b>\$ 13,989,984</b>	<b>\$ 9,847,197</b>

The table above reflects the scheduled principal and interest payments on the outstanding Revenue Bonds; however, as noted above and throughout these Notes to Financial Statements, the Hospital has been unable to make the scheduled principal payments on the Series 2006 Revenue Bonds since 2018. The third amendment to the forbearance agreement (as discussed above) extends the terms of the agreement through December of 2023, with a requirement that any potential receipts of ERC monies will be used first to pay back principal and interest amounts, as well as fully fund the debt service accounts. As the ultimate timing and amount of the ERC receipts, if any, cannot be known, it is not deemed reasonably certain that any payments of principal on the Series 2006 bonds will be made in fiscal year 2023. Accordingly, the accompanying Balance Sheet as of September 30, 2022 does not show any amount as a current maturity for the Series 2006 Revenue Bonds.

***Notes Payable***

During the fiscal year ended September 30, 2020, the Hospital was granted a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan of \$1,117,100 to assist with keeping its workforce employed during the Coronavirus (COVID-19) crisis. The loan, which bears interest at 1% has a maturity date of 2022 and has deferred payments until fiscal 2022. PPP loans are subject to loan forgiveness. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels over a 24-week covered period following the receipt of the PPP loan, and may be reduced if full-time headcount declines, or if salaries and wages decrease. The Hospital's forgiveness application was approved during fiscal year 2021, and, accordingly, outstanding principal and accrued interest was removed and \$1,123,129 was recorded in non-operating revenue in the accompanying statements of revenues, expenses, and changes in net position for the year ended September 30, 2021.

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 8: LONG-TERM LIABILITIES (Continued)**

***Leases – Lessee***

The Hospital has entered into lease agreements to obtain the right-to-use to various specialized medical equipment and office equipment. The leases range from 24 to 60 months, often with one year renewal periods.

With the implementation of GASB 87, the initial lease liability was recorded in the amount of \$42,736 (October 1, 2020). As of September 30, 2022, the value of lease liability was \$744,327. The Hospital is required to make monthly principal and interest payments totaling approximately \$27,000. The leases have interest rates of approximately 6%.

Minimum future lease payments under lease liability as of September 30, 2022 are as follows:

<i>For the years ending September 30,</i>	Principal Payments	Interest Expense	Total
2023	\$ 245,419	\$ 37,869	\$ 283,288
2024	255,207	22,992	278,199
2025	149,438	8,762	158,200
2026	33,454	4,746	38,200
2027	35,517	2,682	38,199
2028-2032	25,292	652	25,944
<b>Total</b>	<b>\$ 744,327</b>	<b>\$ 77,703</b>	<b>\$ 822,030</b>

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 8: LONG-TERM LIABILITIES (Continued)**

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

	Restated Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022	Due Within One Year
Lease liability	\$ 24,451	\$ 719,876	\$ -	\$ 744,327	\$ 245,419
Revenues bonds payable					
Series 2006	13,875,000	-	-	13,875,000	-
Series 2017	169,878	-	(54,894)	114,984	56,423
Premium on Series 2006	393,697	-	(22,963)	370,734	-
Revenues bonds payable	14,438,575	-	(77,857)	14,360,718	56,423
<b>Total long-term debt</b>	<b>\$ 14,463,026</b>	<b>\$ 719,876</b>	<b>\$ (77,857)</b>	<b>\$ 15,105,045</b>	<b>\$ 301,842</b>

	Balance 10/1/2020	Additions	Reductions	Restated Balance 9/30/2021	Due Within One Year
Lease liability	\$ 42,736	\$ -	\$ (18,285)	\$ 24,451	\$ 19,413
Revenues bonds payable					
Series 2006	13,875,000	-	-	13,875,000	427,000
Series 2017	223,285	-	(53,407)	169,878	54,894
Premium on Series 2006	416,659	127	(23,089)	393,697	-
Revenues bonds payable	14,514,944	127	(76,496)	14,438,575	481,894
Notes payable - PPP loan	1,117,100	-	(1,117,100)	-	-
<b>Total long-term debt</b>	<b>\$ 15,674,780</b>	<b>\$ 127</b>	<b>\$ (1,211,881)</b>	<b>\$ 14,463,026</b>	<b>\$ 501,307</b>

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 9: NET INVESTMENT IN CAPITAL ASSETS**

The Hospital's net investment in capital assets, as presented on the accompanying balance sheets, is calculated as follows:

<i>September 30,</i>	<b>2022</b>	<b>2021</b>
Capital assets, net	\$ 6,492,070	\$ 6,119,338
Less outstanding accounts payable related to capital assets	(53,846)	(28,912)
Less debt related to capital assets:		
Leases	(744,327)	(24,451)
Bonds payable, net of premium	(14,360,718)	(14,438,575)
<b>Net investment in capital assets</b>	<b>\$ (8,666,821)</b>	<b>\$ (8,372,600)</b>

**Note 10: 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.

*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.



**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 10: NET PATIENT SERVICE REVENUE (Continued)**

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

<i>For the years ended September 30,</i>	<b>2022</b>	2021
Medicare	<b>26%</b>	31%
Medicaid (Traditional)	<b>3%</b>	2%
Blue Cross	<b>14%</b>	16%
Commercial/HMO/PPO	<b>48%</b>	43%

The composition of net patient service revenue was as follows:

<i>For the years ended September 30,</i>	<b>2022</b>	2021
Gross patient service revenue	\$ <b>61,520,557</b>	\$ 49,654,472
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	<b>(37,418,722)</b>	(29,960,691)
Provision for bad debts	<b>(5,399,954)</b>	(4,053,871)
<b>Net patient service revenue</b>	<b>\$ 18,701,881</b>	\$ 15,639,910

**Note 11: 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 (net of required IGTs) were approximately \$1,177,000 and \$647,000 for fiscal years 2022 and 2021, respectively.

In fiscal year 2022, the State of Florida began making payments under a new Directed Payment Program (DPP), retroactively for model years beginning October 1, 2020. Under this program, approximately \$96,000 was received by the Hospital in fiscal year 2022 (net of required IGTs).

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 the State of Florida. No accompanying liabilities have been recorded to these financial statements, as no such exposures are currently known or determinable.

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS (Continued)**

During fiscal year 2022, net patient service revenue decreased by approximately \$98,000 due to changes in estimates for outstanding and filed cost reports, 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 \$202,000 and \$153,000 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 2022 and 2021, respectively. Estimated assessments payable totaling \$185,000 and \$149,000 at both September 30, 2022 and 2021 are included in estimated third-party payer settlements on the accompanying balance sheets.

**Note 12: 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 \$1,061 and \$27,126 for the years ended September 30, 2022 and 2021, respectively, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. 340B program expenses of \$816,150 and \$291,235 for the years ended September 30, 2022 and 2021, 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.

**Holmes County Hospital Corporation  
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**Note 13: 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.

**Note 14: 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, 2022 and 2021.

**Note 15: COMMITMENTS AND CONTINGENCIES**

*Contracts*

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

*Litigation*

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

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 15: COMMITMENTS AND CONTINGENCIES (Continued)**

*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. The estimate of potential liability is described in Note 11.

*Contingencies*

The Hospital may be subject to some financial risk associated with potential violations of certain healthcare laws. The potential amount of exposure to the Hospital as a result of this matter cannot be estimated at this time, but it is not expected to be material.

Net patient service revenue is reported at estimated net realizable amounts from patients, third party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

*Current Healthcare Environment*

Revenue from the Medicare and Medicaid programs accounted for approximately 26 percent and 3 percent, respectively, of the Hospital's net patient revenue for the year ended 2022. Revenue from the Medicare and Medicaid programs accounted for approximately 34 percent and 2 percent, respectively, of the Hospital's net patient revenue for the year ended 2021. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**Note 16: UNCERTAINTIES**

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

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Notes to Financial Statements**

**Note 16: UNCERTAINTIES (Continued)**

***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.

**Note 17: CARES ACT FUNDING**

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

**Holmes County Hospital Corporation  
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Notes to Financial Statements**

**Note 17: CARES ACT FUNDING (Continued)**

*Public Health and Social Services Emergency Fund.* To address the fiscal burdens on healthcare providers created by the COVID-19 public health emergency, the CARES Act and the Paycheck Protection Program authorized \$175 billion for the Relief Fund. During 2020, U.S. Department of Health and Human Services (HHS) commenced distribution of Relief Fund monies, later increased by subsequent legislation.

Payments from the Relief Fund are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost operating revenues and COVID-related costs, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider. Furthermore, HHS has indicated that it will be closely monitoring and, along with the Office of Inspector General, auditing providers to ensure that recipients comply with the terms and conditions of relief programs and to prevent fraud and abuse. All providers will be subject to civil and criminal penalties for any deliberate omissions, misrepresentations or falsifications of any information given to HHS. The Hospital has formally accepted the terms and conditions associated with the receipt of its Relief Fund payments.

During the years ended September 30, 2022 and 2021, the Hospital recognized approximately \$628 thousand and \$490 thousand of Relief Fund income, respectively, included as non-operating income, associated with lost operating revenue and COVID-related costs.

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

- Effective May 1, 2020, the 2% sequestration reduction on Medicare FFS and Medicare Advantage payments to hospitals, physicians and other providers authorized by the Sequestration Transparency Act of 2020 was suspended and resumed in April 2022.
- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency as declared by the Secretary of HHS.
- The scheduled reduction of \$4 billion in federal Medicaid DSH allotments in FFY 2020, as mandated by the Affordable Care Act, is suspended until December 1, 2020. Also, the federal DSH allotment reduction for FFY 2021 will be reduced from \$8 billion to \$4 billion. Notwithstanding these adjustments, the ACA-mandated reduction is not expected to be extended past its original termination in FFY 2025.

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Notes to Financial Statements**

**Note 17: CARES ACT FUNDING (Continued)**

- The CARES Act expanded the Medicare accelerated payment program, which provides prepayment of claims to providers in certain circumstances, such as national emergencies or natural disasters. Under this measure, providers could request accelerated payments that may be retained for 120 days during which time providers continue to receive payments for services. At the end of the 120-period, the accelerated payment will be repaid via a 100% offset of payments on claims that would otherwise be paid. The repayment period for hospitals and other providers is one year and 210 days, respectively, from the date of receipt of the accelerated payment, after which interest is assessed on the unpaid balance. During the fiscal year ended September 30, 2020, the Hospital applied for and received accelerated payments totaling approximately \$1.1 million, which was included in estimated third party settlements on the balance sheet at September 30 2020. As anticipated, the Medicare Administrative Contractor began withholding payments during fiscal year 2021 to repay this balance, and the total outstanding amount at September 30, 2022 and 2021, respectively, was approximately \$468 thousand and \$0, included in estimated third party settlements on the accompanying statements of net position.
- A 6.2% increase in the Federal Medical Assistance Percentage (“FMAP”) matching funds was instituted to help states respond to the COVID-19 pandemic. The additional funds are available to states from January 1, 2020 through the quarter in which the public health emergency period ends, provided that states meet certain conditions. An increase in states’ FMAP leverages Medicaid’s existing financing structure, which allows federal funds to be provided to states more quickly and efficiently than establishing a new program or allocating money from a new funding stream. Increased federal matching funds support states in responding to the increased need for services, such as testing and treatment during the COVID-19 public health emergency, as well as increased enrollment as more people lose income and qualify for Medicaid during the economic downturn.

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

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

**Note 18: CARES PRF INCOME, TAX REVENUES, DONATIONS AND OTHERS**

<i>For the years ended September 30,</i>	<b>2022</b>	2021
PPP forgiveness	\$ -	\$ 1,117,100
Holmes County tax revenues	<b>913,860</b>	532,077
CARES PRF	<b>628,049</b>	406,778
Donated hospital equipment	-	261,500
Grants, donations and other miscellaneous	<b>5,991</b>	94,311
<b>CARES PRF, tax revenues, donations, grants and other</b>	<b>\$ 1,547,900</b>	<b>\$ 2,411,766</b>

Effective January 1, 2021, the Hospital began receiving sales tax funds from Holmes County, via voter approval of an indigent care one-half cent sales surtax. Proceeds of these taxes are recorded as non-operating income, in the amounts shown in the table above. Additionally, due to timing differences between when the taxes are received by Holmes County and remitted to the Hospital, an amount totaling approximately \$187,000 was recorded as a receivable at September 30, 2022, included in other current assets on the accompanying balance sheet.

In November of 2020, the SBA approved the Hospital's forgiveness application for its PPP loan. Accordingly, outstanding principal and accrued interest were removed from the balance sheet and recorded as non-operating income, in the amounts show in the table above.

The Hospital received CARES PRF funding, in the amounts shown in the table above, during fiscal year 2022. Per federal guidance, these amounts must be spent on qualifying expenditures during the period of availability, which extends into calendar year 2023. Management of the Hospital made the determination that qualifying expenditures were made in fiscal year 2022, and, accordingly, such amounts were recorded as non-operating income for fiscal year 2022.

The Hospital received CARES PRF funding, in the amounts shown in the table above, during fiscal year 2021. Per federal guidance, these amounts must be spent on qualifying expenditures during the period of availability, which extends into calendar year 2022. Management of the Hospital made the determination that qualifying expenditures were made in fiscal year 2021, and, accordingly, such amounts were recorded as non-operating income for fiscal year 2021.

During fiscal year 2021, the State of Florida donated hospital beds and other equipment to assist the Hospital with its COVID-19 response. The estimated fair market value of these assets, which were capitalized and are being depreciated, was recorded as non-operating income in fiscal year 2021, in the amounts shown in the table above.



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

**Note 19: SUBSEQUENT EVENTS**

Management evaluated all events or transactions that occurred after September 30, 2022 through April 14, 2023, the date the Hospital's financial statements were available to be issued. The following items occurred:

As described in Note 8, the Hospital signed an additional, third amendment to the forbearance agreement.



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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 Section 218.415, Florida Statutes, during the year ended September 30, 2022. Management is responsible for the Hospital's compliance with those requirements. Our responsibility is to express an opinion on the Hospital's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Hospital complied, in all material respects, with the 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 did not comply, in all material respects, with the aforementioned requirements of Section 218.415 during the year ended September 30, 2022. This noncompliance, and management's response, is addressed in finding 2021-001 in the accompanying Schedule of Findings and Responses.

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

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

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

Enterprise, Alabama  
April 14, 2023



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**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 financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated April 14, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing 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.

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

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

## Report on Compliance and Other Matters

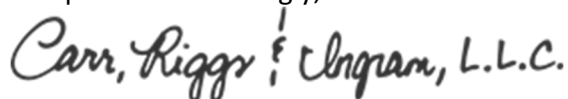
As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as findings 2019 – 003 and 2021-001.

## Hospital's Responses to Findings

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

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Enterprise, Alabama  
April 14, 2023

**Holmes County Hospital Corporation  
d/b/a Doctors Memorial Hospital  
Schedule of Findings and Responses  
For the Year Ended September 30, 2022**

**2018 – 002 Accruals and Balance Sheet Presentation (Partial Repeat)**

**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 estimated third party payer settlements, accounts receivable, payroll accruals, accounts payable, County tax receivables / revenues, and others.

**Cause:** Internal controls 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 record all assets and liabilities. Financial close procedures should include an analysis of all prepaid expenses, accrued expenses, debt and related accounts and estimated third party payer settlements.

**Views of Responsible Officials and Planned Corrective Actions:** We agree with the above recommendation. The Hospital is comparing all general ledger accounts balances to worksheets that calculate and support the current balances. The Hospital will be strengthening internal controls surrounding financial reporting and the proper presentation of financial statements with GAAP and take steps to ensure that appropriate measures are taken to record all balances.

The Hospital will be strengthening internal controls surrounding financial reporting and the proper presentation of financial statements with GAAP and take steps to ensure that appropriate measures are taken to record all assets and liabilities.

**2019 – 003 Public Deposit Act Compliance (Repeat)**

**Criteria:** The State of Florida's Public Deposit Act requires that public deposits may only be made at qualified public depositories.

**Condition:** During the year ended September 30, 2019, the Hospital transferred its Series 2006 bond reserve and interest and sinking fund cash accounts to a new financial institution which is not a qualified public depository of the State of Florida. This condition remains in fiscal year 2022.

**Holmes County Hospital Corporation  
d/b/a Doctors Memorial Hospital  
Schedule of Findings and Responses  
For the Year Ended September 30, 2022**

**Cause:** Cash balances related to the Series 2006 revenue bond were transferred to a new financial institution at the time the financial institution became the new custodian of the related bonds.

**Effect:** The Hospital is not in compliance with the requirements of the State of Florida's Public Deposit Act.

**Recommendation:** Management should consult with bondholders and financial institution representatives to ensure that all public deposits are held in qualified public depositories, as required.

**Views of Responsible Officials and Planned Corrective Actions:** The Hospital attorney has communicated to the bond holders the necessity to transfer funds from the account to a qualified public depository with the State of Florida; however, we do not control this decision. Future transfers will include an analysis of the bank status regarding its qualification as a public depository with the State of Florida.

**2021 – 001 Local Government Investments Compliance (Repeat)**

**Criteria:** The State of Florida's Statutes for 2021, Chapter 218, Section 415 outlines requirements for local governments related to the investment of funds and the creation of policies governing those funds.

**Condition:** During the year ended September 30, 2021, the Hospital invested \$1 million of excess funds with an investment manager (Regions), which was invested in various financial instruments. These funds were liquidated during fiscal year 2022.

The Hospital has an investment policy, dated September of 2020, which outlines various directions of the Board related to any future investments. However, the Hospital's investment policy does not meet all of the requirements of Florida Statutes 218.415. Additionally, the Hospital does not have an Investment Committee currently in place, as contemplated by its investment policy. As such, the Hospital is not in compliance with Florida Statutes as of September 30, 2022.

**Cause:** The Hospital's investment policy was not drafted in a format that meets Florida Statutes, and an Investment Committee has not been appointed or actively managing the investment portfolio.

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

**Recommendation:** Management should consult with its legal counsel and revise its current investment policy to meet the requirements of the Florida Statutes. Additionally, an Investment Committee of the Board should be appointed and actively meet and fulfill their role in monitoring and supervising the investment portfolio, as well as ensuring all statutory obligations are met.

**Holmes County Hospital Corporation  
d/b/a Doctors Memorial Hospital  
Schedule of Findings and Responses  
For the Year Ended September 30, 2022**

**Views of Responsible Officials and Planned Corrective Actions:** The investment has been liquidated and will not be renewed. The Hospital is in the process of forming an investment committee, which will include the Hospital Board, and will comply with the State of Florida Statutes, when the Hospital has future opportunities for investing.

**2022 – 001 Going Concern / Deteriorating Financial Condition**

**Criteria:** Management should have a formalized process for evaluating risk factors challenging the Hospital's ability to continue as a going concern (as well as measurement of and response to Florida's required assessment of deteriorating financial condition) and for preparing a formalized response plan when substantial doubt about the Hospital's ability to continue as a going concern and/or financial deterioration exists.

**Condition and Effect:** During the course of our audit, we evaluated the Hospital's ability to continue as a going concern, as required of us by our professional standards. We also measured the Hospital's financial metrics, as required by the rules of the Florida Auditor General. The results of our procedures indicated the existence of multiple risk factors challenging the Hospital's ability to continue as a going concern, as well as a deteriorating financial condition, namely: failure during fiscal 2022 to meet bond funding obligations and recurring negative trends such as net losses, negative cash flows and equity deficits. These factors raise substantial doubt about the Hospital's ability to continue as a going concern and indicate a deteriorating financial condition. As such, we added an explanatory paragraph to our audit opinion and management included disclosure in the notes to the consolidated financial statements addressing these factors.

**Recommendation:** GASB Statement No. 56 states that "financial statement preparers have a responsibility to evaluate whether there is substantial doubt about a government's ability to continue as a going concern..." We recommend the Hospital develop a formal, written plan to identify, evaluate, and address each of the risk factors challenging the Hospital's ability to continue as a going concern.

We further recommend that the Hospital continue to work closely with its bondholders, trustee, vendors and lenders to alleviate their concerns and work towards a mutually beneficial solution that will result in the continued viability of the Hospital.

**Views of Responsible Officials and Planned Corrective Actions:** Hospital management is in the process of finalizing a strategic plan that includes priorities and objectives summarized below.

Hospital management entered into a third amendment to the forbearance agreement with the bondholders to continue our financial agreement with them. The Hospital engaged a consulting group to complete the application to receive funds from the Retention Tax Credit Program. It was completed in October 2022, and the Hospital qualified for a total Retention Tax Credit of \$2.7 million dollars. When funds are received, it should allow the Hospital to catch up everything owed to the

**Holmes County Hospital Corporation  
d/b/a Doctors Memorial Hospital  
Schedule of Findings and Responses  
For the Year Ended September 30, 2022**

bondholders, as covered by the third amendment to the Forbearance Agreement. Hospital management has implemented goals to increase revenue and decrease costs.

The Hospital's management plans to improve revenues by increasing swing bed utilization and rehabilitation services, increasing emergency department volumes, expanding Rural Health Clinic services, increasing ancillary services through recruitment of additional physicians, re-opening the ICU and restarting nuclear medicine services. The Hospital has recruited a Spine Surgeon, who began in 2022, and an ENT surgeon that is expected to begin in May 2023. Increased cash collections are anticipated to be achieved through improving coding and billing processes. A new EHR system has been implemented in the emergency department that has greatly improved the documentation process. The Hospital has been successful in having a ½ cent sales tax referendum passed in November 2020 which has generated over \$945,000 per year.

The Hospital is vigorously pursuing refinancing of the bonds to obtain a more favorable interest rate. The Hospital is currently working with a consultant to explore all refinancing options, including USDA Programs.





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## 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, 2022 and have issued our report thereon dated April 14, 2023.

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 14, 2023, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audits, we determined that finding 2021-001 of the first preceding annual financial audit report, finding 2019-003 of the third preceding annual financial audit report, and finding 2018-002 in the fourth preceding annual financial audit report (identified as finding 2017-001 in the fiscal year 2017 audit), were all or partially repeated, as described 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 condition(s) met. In connection with our audit, we determined that the Hospital met the following conditions in Section 218.503(1) as a result of deteriorating financial conditions.

- (a) Failure within the same fiscal year in which due to pay short-term loans or failure to make bond debt service or other long-term debt payments when due, as a result of a lack of funds.
- (b) Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of a lack of funds.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Hospital. Of 7 key financial indicators, 5 indicated an unfavorable rating. 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.

As noted above, we concluded that the Hospital's financial condition was deteriorating. This determination was made based on the results of our assessment and the fact that the Hospital was not able to generate enough revenues to meet its expenditures without causing the occurrence of the two conditions described in s. 218.503(1)(a) and (b).

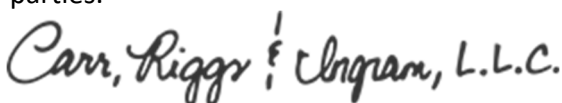
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we included recommendations in the accompanying schedule of findings and responses.

#### **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 noted that certain deposits were not held at a Qualified Public Depository in accordance with the Public Deposit Act Compliance. This is described in finding 2019 – 003 in the accompanying schedule of findings and responses. Additionally, we determined that the Hospital's investment policy was not in compliance with current Florida statutes. This is described in finding 2021 – 001 in the accompanying schedule of findings and responses.

#### **Purpose of this Letter**

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



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

Enterprise, Alabama  
April 14, 2023