



**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital**

**FINANCIAL STATEMENTS**

**September 30, 2021 and 2020**



	<b>Page</b>
<b>REPORT</b>	
Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	3
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Position .....	10
Statements of Revenues, Expenses and Changes in Net Position .....	11
Statements of Cash Flows .....	12
Notes to Financial Statements .....	14
<b>Compliance Section</b>	
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, <i>Rules of the Auditor General</i> .....	38
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 <i>Government Auditing Standards</i> .....	39
Schedule of Findings and Responses .....	41
Management Letter .....	45

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
George E. Weems Memorial Hospital  
Franklin County, Florida  
Apalachicola, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital"), an enterprise fund of Franklin County, Florida, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## Opinions

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, 2021 and 2020, and the changes in its financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 2, the financial statements present only the financial information of the Hospital and do not purport to, and do not, present fairly the financial position of Franklin County, Florida as of September 30, 2021 and 2020, and the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 a report dated February 23, 2022, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama  
February 23, 2022

# **Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital Management's Discussion and Analysis (Unaudited)**

## ***Introduction***

This management's discussion and analysis of the financial performance of Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the Hospital) provides an overview of the Hospital's financial activities for the years ended September 30, 2021, and 2020. It should be read in conjunction with the accompanying financial statements of the Hospital.

## ***Financial Highlights***

- Cash and cash equivalents decreased by approximately \$307,000 in 2021 after an increase of approximately \$4,124,000 between 2020 and 2019.
- The Hospital's net position increased by approximately \$560,000 in 2021 after an increase of approximately \$2,015,000 between 2020 and 2019.
- The Hospital reported operating (loss) of approximately (\$2,375,000) and (\$2,841,000) in 2021 and 2020, respectively.
- Operating expenses increased by approximately \$75,000 in 2021 after a decrease of \$216,000 in 2020.

## ***Using This Annual Report***

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

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

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

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

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Management's Discussion and Analysis (Unaudited)**

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

***The Statements of Cash Flows***

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

***The Hospital's Balance Sheets***

The Hospital's assets increased approximately \$831,000 in 2021 after an increase of approximately \$2,985,000 in 2020. The increase in 2020 was largely driven by the receipt of \$3,640,148 in Cares Act monies, \$930,855 in Paycheck Protection Program monies and \$517,771 in Medicare Advanced Payments. Most of this funding did not repeat in 2021.

The Hospital's total liabilities increased approximately \$271,000 in 2021 and increased approximately \$970,000 in 2020. The increase in 2020 was primarily due to recognizing the related liability of the \$930,855 in Paycheck Protection Program monies. These monies are considered a liability until a Notice of Paycheck Protection Program Forgiveness letter is received, which was received on November 10, 2021.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Management's Discussion and Analysis (Unaudited)**

**Table 1: Assets, Liabilities and Net Deficit**

<i>September 30,</i>	<b>2021</b>	<i>Variance</i>	<b>2020</b>	<i>Variance</i>	<b>2019</b>
<b>Assets</b>					
Patient accounts receivable, net	\$ 1,012,382	\$ 367,009	\$ 645,373	\$ (102,515)	\$ 747,888
Other Current Assets	4,945,733	(191,974)	5,137,707	4,039,679	1,098,028
Capital Assets, net	4,055,120	656,714	3,398,406	(951,248)	4,349,654
<b>Total assets</b>	<b>\$ 10,013,235</b>	<b>\$ 831,749</b>	<b>\$ 9,181,486</b>	<b>\$ 2,985,916</b>	<b>\$ 6,195,570</b>
<b>Liabilities</b>					
Current liabilities					
Current liabilities	\$ 2,500,961	\$ 1,202,245	\$ 1,298,716	\$ 39,293	\$ 1,259,423
Long-term liabilities	-	(930,855)	930,855	930,855	-
<b>Total liabilities</b>	<b>2,500,961</b>	<b>271,390</b>	<b>2,229,571</b>	<b>970,148</b>	<b>1,259,423</b>
<b>Net Position (Deficit)</b>					
Net investment in capital assets	4,055,120	656,714	3,398,406	(951,248)	4,349,654
Unrestricted	3,457,154	(96,355)	3,553,509	2,967,016	586,493
<b>Total net position (deficit)</b>	<b>7,512,274</b>	<b>560,359</b>	<b>6,951,915</b>	<b>2,015,768</b>	<b>4,936,147</b>
<b>Total liabilities and net position</b>	<b>\$ 10,013,235</b>	<b>\$ 831,749</b>	<b>\$ 9,181,486</b>	<b>\$ 2,985,916</b>	<b>\$ 6,195,570</b>

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

As shown in *Table 2*, in 2021 the Hospital's net position increased by approximately \$560,000, after increasing by approximately \$2,015,000 in 2020, compared to the increase of approximately \$1,840,000 in 2019. In 2021, the total operating revenues increased approximately \$741,000 over 2020 and the total operating expenses increased approximately \$75,000. The increase in 2021 total operating revenues was largely due to Bad Depts decreasing by \$205,631 and Charity Write Off's decreasing by \$246,997. The increase in 2021 total operating expenses was largely due to contracted services utilization increasing as salaries and wages decreased due to demands of the Covid-19 pandemic.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Management's Discussion and Analysis (Unaudited)**

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

<i>For the years ended September 30,</i>	<b>2021</b>	<i>Variance</i>	<b>2020</b>	<i>Variance</i>	<b>2019</b>
<b>Operating Revenues</b>					
Net patient service revenue	\$ 8,104,157	\$ 525,428	\$ 7,578,729	\$ 1,432,447	\$ 6,146,282
Other operating revenue	24,705	15,791	8,914	(71,575)	80,489
<b>Total operating revenues</b>	<b>8,128,862</b>	<b>541,219</b>	<b>7,587,643</b>	<b>1,360,872</b>	<b>6,226,771</b>
<b>Operating Expenses</b>					
Salaries, wages, and benefits	5,397,942	\$ (337,319)	5,735,261	736,265	4,998,996
Other contract services	1,582,629	\$ 456,188	1,126,441	319,911	806,530
Professional services	870,517	\$ (51,333)	921,850	2,033	919,817
Clinical supplies	835,591	\$ 88,718	746,873	93,476	653,397
Insurance	393,409	\$ (31,078)	424,487	99,421	325,066
Depreciation	327,396	\$ 47,219	280,177	68,353	211,824
Minor equipment	285,687	\$ 7,809	277,878	125,242	152,636
Other current expenses	250,176	\$ 71,603	178,573	16,187	162,386
Utilities	187,698	\$ 19,810	167,888	(54,043)	221,931
Repairs and maintenance	123,161	\$ (455)	123,616	29,383	94,233
Licenses, permits and fees	90,274	\$ (154,281)	244,555	161,059	83,496
Communications	77,005	\$ 357	76,648	10,571	66,077
Other patient care related costs	51,930	\$ (27,407)	79,337	(43,281)	122,618
Supplies	31,105	\$ (14,402)	45,507	13,106	32,401
<b>Total operating expenses</b>	<b>10,504,520</b>	<b>\$ 75,429</b>	<b>10,429,091</b>	<b>1,577,683</b>	<b>8,851,408</b>
<b>Operating income (loss)</b>	<b>(2,375,658)</b>	<b>\$ 465,790</b>	<b>(2,841,448)</b>	<b>(216,811)</b>	<b>(2,624,637)</b>
<b>Nonoperating Revenue (Expenses)</b>					
Interest income	6,438	5,858	580	(1,927)	2,507
Noncapital grants and contributions	1,459,017	1,318,890	140,127	129,471	10,656
CARES PRF income (repayment)	(1,046,173)	(4,327,980)	3,281,807	3,281,807	-
Other income	115,735	78,871	36,864	(1,410,611)	1,447,475
Gain (loss) on disposal of capital assets	-	1,101,681	(1,101,681)	(1,117,791)	16,110
Interest expense	(1,292)	(1,252)	(40)	197	(237)
<b>Total nonoperating revenues (expenses)</b>	<b>533,725</b>	<b>(1,823,932)</b>	<b>2,357,657</b>	<b>881,146</b>	<b>1,476,511</b>
Transfers in	2,402,292	(97,267)	2,499,559	(513,834)	3,013,393
<b>Total transfers</b>	<b>2,402,292</b>	<b>(97,267)</b>	<b>2,499,559</b>	<b>(513,834)</b>	<b>3,013,393</b>
<b>Increase (decrease) in net position</b>	<b>\$ 560,359</b>	<b>\$ (1,455,409)</b>	<b>\$ 2,015,768</b>	<b>\$ 150,501</b>	<b>\$ 1,865,267</b>



# **Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital Management's Discussion and Analysis (Unaudited)**

## ***Operating Losses***

The first component of the overall change in the Hospital's net position is its operating income or loss— generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In all 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 Franklin County, Florida and the surrounding area.

The operating loss for fiscal year 2021 was approximately \$2,175,000, up approximately \$665,000 from an operating loss of approximately \$2,841,000 in 2020. The primary components of the 2021 operating income are:

- An increase in net patient service revenue of approximately \$725,000 or 9.57%.
- An increase in other operating revenue of approximately \$16,000, or 177.15%.
- An increase in operating expense of approximately \$75,000, or 0.72%.

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

Operating expense increased primarily because of increases in supply costs.

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

Non-operating revenues and expenses consist primarily of interest expense, gains/losses on asset disposals and non-capital grants, gifts, and other. Total non-operating revenues and expenses improved from approximately \$1,476,000 in 2019 to approximately \$2,357,000 in 2020, compared to a decline from approximately \$2,357,000 in 2020 to \$333,700 in 2021. The change in 2020 compared to 2019 is primarily due to the receipt of \$3,281,000 in Cares Act Monies.

Transfers decreased from approximately \$2,499,000 in 2020 to \$2,402,00 in 2021 primarily due to the hospital not utilizing the sales tax capital contribution fund to purchase capital related items that were instead funded with Cares Act funds.

## ***Capital Contributions***

There were no capital contributions in 2021 or 2020.

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

As reflected in the Statements of Cash Flows, the Hospital's cash decreased in 2021 by approximately 107,000, and by approximately \$4,124,000 in 2020. The Hospital's cash decreased by approximately \$485,000 in 2019. The decrease in the ending cash balance for 2021 was primarily due to the repayment of advanced Medicare payments and the increase in 2020 was primarily due to the receipt of \$3,281,807 in Cares Act monies, \$930,855 in Paycheck Protection Program monies and \$645,447 in Medicare Advanced Payments. The decrease in the ending cash balance for 2019 was primarily due to a decrease in receipts caused by a large rate adjustment on the 2018 cost report.

# **Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital Management's Discussion and Analysis (Unaudited)**

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

### Capital Assets

The Hospital had approximately \$4,055,000 and \$3,398,000 of capital assets, net of accumulated depreciation, at the end of 2021 and 2020, respectively. In 2021 and 2020, the Hospital purchased new capital assets costing approximately \$856,000 and \$453,000, respectively.

### Debt

At September 30, 2021, 2020 and 2019, the Hospital had no significant debt.

## ***Other Economic Factors***

Weems Memorial Hospital is located within an economically distressed geographically isolated 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 County and County school system, followed by the hospital and road departments.

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

George E. Weems Memorial Hospital has partnered with Alliant Management Services to help the hospital identify and achieve a sustainable business model. With the help of Alliant, who provides the CEO and CFO to the Hospital, George E. Weems will be better equipped to meet the needs of the community, now and in the future.

To prepare for the coming years the Hospital administration has put into place several internal controls to safeguard over the financial reporting and proper presentation of the financial statements both at month-end and year-end to be in compliance with GAAP. The Hospital has retained staff to assist with the proper reconciliation, with supporting documentation, of balance sheet accounts, bank statements, internal processes, and inventory controls. Additionally, the Hospital has moved forward with plans to change the electronic medical record, financial processing and reporting service to CPSI to allow for proper and timely coding, billing, and posting of Patient Accounts. This move is in response to several findings on the current 2021 and prior audited financial statements. The Hospital has begun the review and updating of several policies and procedures to further assist with the proper presentation of financial information.

The Hospital has endured different barriers over some time. Even with these barriers, it is significant to note the current strengths of George E. Weems Hospital. The Hospital currently has four active general practice physicians operating in the RHC. The emergency room is staffed by board certified emergency room physicians provided by Southland Emergency Medical Services of FL.

To address many of the Hospitals barriers for growth, George E Weems Memorial Hospital continues to work with State Legislators and other parties to obtain funds for a new building. A new building will allow for expanded services to provide for the ongoing health and wellbeing of the community. The goal is to be able to provide services that the community needs without requiring extensive travel.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Management's Discussion and Analysis (Unaudited)**

The Hospital is continuing its efforts to meet with legislative officials and will be pursuing all grant opportunities to request funding for capital equipment needs.

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

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

***Contacting the Hospital's Financial Management***

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to Hospital Administration by telephoning (850) 653-8853.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Statements of Net Position**

<i>September 30,</i>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,088,651	\$ 4,395,588
Patient accounts receivable, net of estimated uncollectibles of \$3,844,003 in 2021 and \$2,733,941 in 2020	1,012,382	645,373
Due from other funds	373,927	195,026
Other receivables	325,187	320,043
Prepaid expenses	6,086	137,581
Supplies inventory	151,882	89,469
<b>Total current assets</b>	<b>5,958,115</b>	<b>5,783,080</b>
Capital assets		
Land	13,400	13,400
Depreciable assets, net	4,041,720	3,385,006
<b>Total capital assets, net</b>	<b>4,055,120</b>	<b>3,398,406</b>
<b>Total assets</b>	<b>\$ 10,013,235</b>	<b>\$ 9,181,486</b>
<b>Liabilities and Net Position</b>		
Current liabilities		
Accounts payable	\$ 793,539	\$ 776,734
Accrued compensation	68,076	48,454
Other accrued liabilities	64,000	64,000
Estimated third party settlements (including Medicare accelerated payments)	1,411,055	248,686
Compensated absences	164,291	160,842
<b>Total current liabilities</b>	<b>2,500,961</b>	<b>1,298,716</b>
Payroll Protection Program loan	-	930,855
<b>Total liabilities</b>	<b>2,500,961</b>	<b>2,229,571</b>
Net position		
Net investment in capital assets	4,055,120	3,398,406
Unrestricted	3,457,154	3,553,509
<b>Total net position</b>	<b>7,512,274</b>	<b>6,951,915</b>
<b>Total liabilities and net position</b>	<b>\$ 10,013,235</b>	<b>\$ 9,181,486</b>

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

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Statements of Revenues, Expenses and Changes in Net Position**

<i>For the years ended September 30,</i>	<b>2021</b>	<b>2020</b>
<b>Operating Revenue</b>		
Net patient service revenue before provision for uncollectible accounts	\$ 9,922,499	\$ 8,572,098
Provision for uncollectible accounts	(1,818,342)	(993,369)
Net patient service revenue	<b>8,104,157</b>	7,578,729
Other operating revenue	<b>24,705</b>	8,914
Total operating revenue	<b>8,128,862</b>	7,587,643
<b>Operating Expenses</b>		
Salaries, wages, and benefits	5,397,942	5,735,261
Other contract services	1,582,629	1,126,441
Professional services	870,517	921,850
Clinical supplies	835,591	746,873
Insurance	393,409	424,487
Depreciation	327,396	280,177
Minor equipment	285,687	277,878
Other current expenses	250,176	178,573
Utilities	187,698	167,888
Repairs and maintenance	123,161	123,616
Licenses, permits and fees	90,274	244,555
Communications	77,005	76,648
Other patient care related costs	51,930	79,337
Supplies	31,105	45,507
Total operating expenses	<b>10,504,520</b>	10,429,091
Operating income (loss)	<b>(2,375,658)</b>	(2,841,448)
<b>Nonoperating Revenue (Expenses)</b>		
Interest income	6,438	580
PPP forgiveness, grants and contributions	1,459,017	140,127
CARES PRF income (repayment)	(1,046,173)	3,281,807
Other income (expense)	115,735	36,864
Gain (loss) on disposal of capital assets	-	(1,101,681)
Interest expense	(1,292)	(40)
Total nonoperating revenues (expenses)	<b>533,725</b>	2,357,657
Change in net position before transfers	<b>(1,841,933)</b>	(483,791)
Transfers In	<b>2,402,292</b>	2,499,559
Increase (decrease) in net position	<b>560,359</b>	2,015,768
Net position - beginning of year	<b>6,951,915</b>	4,936,147
Net position - end of year	<b>\$ 7,512,274</b>	\$ 6,951,915

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

**Hospital Fund of Franklin County, Florida**  
**d/b/a George E. Weems Memorial Hospital**  
**Statements of Cash Flows**

<i>For the years ended September 30,</i>	<b>2021</b>	<b>2020</b>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 8,320,780	\$ 7,226,192
Payments to suppliers and others	(4,690,650)	(4,605,842)
Payments to and on behalf of leased employees	(5,378,803)	(5,780,524)
Other receipts (payments), net	24,705	8,914
Net cash provided by (used in) operating activities	<b>(1,723,968)</b>	(3,151,260)
<b>Noncapital Financing Activities</b>		
Receipt (repayment) of CARES Act funds	200,000	3,281,807
Receipt (repayment) of advanced Medicare payments	(472,580)	645,447
Proceeds from Payroll Protection Program loan	-	930,855
Receipt of noncapital grants and contributions	-	140,127
Other receipts (payments), net	115,735	36,864
Interest paid	(1,292)	(40)
Noncapital related transfers in	2,223,391	2,458,232
Net cash provided by (used in) noncapital financing activities	<b>2,065,254</b>	7,493,292
<b>Capital and Related Financing Activities</b>		
Purchase of capital assets	(654,661)	(218,409)
Net cash provided by (used in) capital and related financing activities	<b>(654,661)</b>	(218,409)
<b>Investing Activities</b>		
Interest income	6,438	580
Net cash provided by investing activities	<b>6,438</b>	580
Net increase (decrease) in cash and cash equivalents	<b>(306,937)</b>	4,124,203
Cash and cash equivalents - beginning of year	<b>4,395,588</b>	271,385
Cash and cash equivalents - end of year	<b>\$ 4,088,651</b>	\$ 4,395,588

(Continued)

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

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Statements of Cash Flows (Continued)**

*For the years ended September 30,* **2021** 2020

**Reconciliation of Operating Income (Loss) to Net  
Cash Provided by (Used In) Operating Activities**

Operating income (loss)	\$ (2,375,658)	\$ (2,841,448)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	327,396	280,177
Provision for bad debts	1,818,342	993,369
Changes in operating assets and liabilities		
Patient accounts receivable	(2,185,351)	(890,854)
Supplies	(62,413)	(15,329)
Prepaid expenses	131,495	(47,145)
Other receivables	(5,144)	(25,163)
Accounts payable	19,450	(130,356)
Accrued compensation and payroll taxes	15,690	27,144
Other accrued liabilities	-	(111,000)
Compensated absences	3,449	39,162
Estimated third-party settlements	588,776	(429,817)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,723,968)</b>	<b>\$ (3,151,260)</b>

**Noncash Investing, Capital and Financing Activities**

Purchase of equipment directly by the County	\$ -	\$ 213,488
Disposal of abandoned Hospital project (CIP)	\$ -	\$ (1,101,681)
Receipt of donated equipment from State of Florida	\$ 299,500	\$ -
Forgiveness of PPP loan (with related interest)	\$ 959,517	\$ -

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

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

**Note 1: DESCRIPTION OF HOSPITAL**

The Hospital Fund of Franklin County, Florida, operating as George E. Weems Memorial Hospital (the "Hospital"), is administered by a nine-member board of directors appointed by Franklin County, Florida Board of County Commissioners. The Hospital operates a 25-bed critical access hospital in Apalachicola, Florida providing inpatient and outpatient services, as well as ambulance services and two physician clinics in Franklin County.

Activity and financial position of the Hospital make up the Hospital Fund, which is an enterprise fund of Franklin County, Florida.

**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, 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.

***Use of Estimates***

The preparation of financial statements 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.



**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems 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.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

***Patient Accounts Receivable, Net***

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

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 2021 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2021 or 2020.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

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

***Due from Other Funds***

Due from other funds relates to sales tax receivable from Franklin County.

***Prepaid Expenses***

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

***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.

Pharmaceutical inventories are subject to a capitalization threshold, resulting in the expensing of insignificant drugs during the year.

***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.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

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

***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, 2021 and 2020.

***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 statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The Hospital's estimated accrual for accumulated vacation leave is recorded as a current liability on the accompanying statements of net position.

***Net Position***

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

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

*Unrestricted net position* – the remaining net position that does not meet the definition of net investment in capital assets described above.

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

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

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

***Operating Revenue and Expenses***

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating 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 nonoperating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

***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.

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

***Charity Care***

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was approximately \$636,000 and \$1,011,000 for the years ended September 30, 2021 and 2020, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$340,000 and \$540,000, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

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

***Grants and Contributions***

From time to time, 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 nonoperating revenues. Amounts restricted to capital acquisition are reported after nonoperating revenue and expenses.

***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.

***Advertising Costs***

Advertising costs are expensed as incurred. Advertising expense for the years ended September 30, 2021 and 2020 was \$83,068 and \$40,555, respectively.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

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

***Income Taxes***

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

***Electronic Health Records Incentive Program***

The Electronic Health Records (EHR) Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. Critical access hospitals (CAHs) are eligible to receive incentive payments in the cost reporting period beginning in the federal fiscal year in which meaningful use criteria have been met.

The Medicare incentive payment is for qualifying costs of the purchase of certified EHR technology multiplied by the Hospital's Medicare share fraction, which includes a 20% incentive. This payment is an acceleration of amounts that would have been received in future periods based on reimbursable costs incurred, including depreciation. If meaningful use criteria are not met in future periods, the Hospital is subject to penalties that would reduce future payments for services. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services (CMS). The final amount for any payment year under both programs is determined based upon an audit by the Medicare Administrative Contractor.

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 January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 is effective for the fiscal years beginning after December 15, 2019. The implementation of this statement had no impact on the financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

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

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

a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The implementation of this statement had no impact on the financial statements.

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

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 lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement 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. This statement 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 this statement are effective for reporting periods beginning after December 15, 2020.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

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

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

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 January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. 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:

- 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.



**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

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

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

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 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 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 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.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this statement 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 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 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, 2022. All other requirements of this statement are effective for reporting periods beginning after June 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 (PPPAs). As used in this statement, a PPPA 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 PPPA asset), for a period of time in an exchange or exchange-like transaction. Some PPPAs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPPA 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

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

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

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

entitled to significant residual interest in the service utility of the underlying PPPA asset at the end of the arrangement.

This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. 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 June 2020, the GASB issued GASB 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*. The primary objectives of this statement 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 other postemployment benefit (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 IRC Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

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

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

The requirements of this statement 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.

In October 2021, the GASB issued GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement 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 generally accepted accounting principles 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 this statement are effective for fiscal years ending after December 15, 2021.

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, February 23, 2022. See Note 16 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

***Reclassifications***

Certain reclassifications were made to prior year balances to conform with current year presentation.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

**Note 3: DEPOSITS AND INVESTMENTS**

As of September 30, 2021 and 2020, the deposits of the Hospital consisted of the following:

<u>September 30,</u>	<u>2021</u>	<u>2020</u>
Petty cash and undeposited cash	\$ 900	\$ 900
Cash deposits with financial institutions	4,087,751	4,394,688
<b>Total deposits</b>	<b>\$ 4,088,651</b>	<b>\$ 4,395,588</b>

Deposits are included in the cash and cash equivalents statements of net position caption.

***Deposits***

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

The State of Florida's Public Deposit Act (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.

The Hospital had no bank balances exposed to custodial credit risk at September 30, 2021 and 2020. The Hospital's deposits at September 30, 2021 and 2020 were covered under the FDIC and the Act.

***Investments***

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

The Hospital held no investments at September 30, 2021 or 2020.

**Hospital Fund of Franklin County, Florida**  
**d/b/a George E. Weems Memorial Hospital**  
**Notes to Financial Statements**

**Note 4: PATIENT ACCOUNTS RECEIVABLE**

The Hospital is located in Apalachicola, 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, 2021 and 2020 was:

<i>September 30,</i>	<b>2021</b>	<b>2020</b>
Medicare	\$ 2,231,857	\$ 760,619
Medicaid	1,523,805	367,203
Other third-party payers	1,327,977	485,211
Patients	2,316,236	3,670,930
<b>Total patient accounts receivable</b>	<b>7,399,875</b>	<b>5,283,963</b>
Less allowance for contractual and other adjustments	<b>(2,543,490)</b>	(1,904,649)
Less allowance for uncollectible accounts	<b>(3,844,003)</b>	(2,733,941)
<b>Patient accounts receivable, net</b>	<b>\$ 1,012,382</b>	<b>\$ 645,373</b>

**Note 5: CAPITAL ASSETS**

Capital asset activity and balances for the year ended September 30, 2021 and 2020 were as follows:

	Estimated Useful (in years)	Balance 10/1/2020	Additions	Reductions	Transfers	Balance 9/30/2021
<b>Nondepreciable capital assets</b>						
Land		\$ 13,400	-	-	-	\$ 13,400
<b>Total nondepreciable</b>		<b>13,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,400</b>
<b>Depreciable capital assets</b>						
Buildings	20 - 50	3,097,155	-	-	-	3,097,155
Equipment and furniture	3 - 10	2,459,861	984,111	-	-	3,443,972
<b>Total depreciable, at cost</b>		<b>5,557,016</b>	<b>984,111</b>	<b>-</b>	<b>-</b>	<b>6,541,127</b>
<b>Less accumulated depreciation</b>						
Buildings		(423,043)	(73,107)	-	-	(496,150)
Equipment and furniture		(1,748,967)	(254,290)	-	-	(2,003,257)
<b>Total accumulated depreciation</b>		<b>(2,172,010)</b>	<b>(327,397)</b>	<b>-</b>	<b>-</b>	<b>(2,499,407)</b>
<b>Depreciable, net</b>		<b>3,385,006</b>	<b>656,714</b>	<b>-</b>	<b>-</b>	<b>4,041,720</b>
<b>Total capital assets, net</b>		<b>\$ 3,398,406</b>	<b>\$ 656,714</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,055,120</b>

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

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

	Estimated Useful Lives (in years)	Balance 10/1/2019	Additions	Reductions	Transfers	Balance 9/30/2020
Nondepreciable capital assets						
Land		\$ 13,400	\$ -	\$ -	\$ -	\$ 13,400
Construction in progress		2,575,437	-	(1,124,212)	(1,451,225)	-
Total nondepreciable		2,588,837	-	(1,124,212)	(1,451,225)	13,400
Depreciable capital assets						
Buildings	20 - 50	1,641,286	4,644	-	1,451,225	3,097,155
Equipment and furniture	3 - 10	2,011,364	448,497	-	-	2,459,861
Total depreciable, at cost		3,652,650	453,141	-	1,451,225	5,557,016
Less accumulated depreciation						
Buildings		(350,873)	(72,170)	-	-	(423,043)
Equipment and furniture		(1,540,960)	(208,007)	-	-	(1,748,967)
Total accumulated depreciation		(1,891,833)	(280,177)	-	-	(2,172,010)
Depreciable, net		1,760,817	172,964	-	1,451,225	3,385,006
Total capital assets, net		\$ 4,349,654	\$ 172,964	\$ (1,124,212)	\$ -	\$ 3,398,406

Depreciation expense for the years ended September 30, 2021 and 2020 totaled \$327,396 and \$280,177, respectively.

In fiscal year 2020, the Hospital and the County made the decision to abandon the effort to construct a new hospital. As a result, the Hospital wrote-off costs totaling approximately \$1.102 million and recorded a loss on the disposal.

In fiscal year 2021, the State of Florida donated hospital beds and other equipment items to support COVID treatment in the amount of \$299,500. These assets, which have been capitalized in "equipment and furniture", were recorded as income in "grants and contributions" on the accompanying statement of revenues, expenses and changes in net position.

**Note 6: INTERFUND RECEIVABLE, TRANSFERS, AND ACCOUNTS PAYABLE**

Interfund balances as of September 30, 2021 and 2020, consisted of the following:

<i>September 30,</i>	<b>2021</b>	<b>2020</b>
Due from Hospital Trust Fund	\$ <b>373,927</b>	\$ 195,026

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

**Note 6: INTERFUND RECEIVABLE, TRANSFERS, AND ACCOUNTS PAYABLE (Continued)**

Interfund transfers for the years ended September 30, 2021 and 2020 consisted of the following:

<i>For the years ended September 30,</i>		<b>2021</b>	<b>2020</b>
<b>Transfers in from:</b>			
Hospital Trust Fund	Transfer of ½ cent sales tax	\$ 1,499,290	\$ 1,157,355
Hospital Trust Fund	Purchase of equipment	-	213,488
General Fund	Operation of hospital	18,750	244,460
General Fund	Operation of clinic	120,000	120,000
General Fund	Operation of ambulance services	764,252	764,252
		<b>\$ 2,402,292</b>	<b>\$ 2,499,555</b>

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

<i>September 30,</i>	<b>2021</b>	<b>2020</b>
Payable to employees (including payroll taxes, accrued compensation, and compensated absences)	\$ 232,367	\$ 217,737
Payable to suppliers and contractors	222,142	196,896
Due to Tallahassee Memorial Hospital	571,397	571,397
	<b>\$ 1,025,906</b>	<b>\$ 986,030</b>

**Note 7: LONG-TERM DEBT**

During the fiscal year ended September 30, 2020, the Hospital was granted a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan of \$930,855 to assist with keeping its workforce employed during the Coronavirus (COVID-19) crisis. The loan, which bore interest at 1%, had a maturity date of 2022 and 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 \$959,017 was recorded in nonoperating revenue in the accompanying statement of revenues, expenses and changes in net position.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

**Note 8: NET INVESTMENT IN CAPITAL ASSETS**

The elements of this calculation are as follows:

<u>September 30,</u>	<u>2021</u>	<u>2020</u>
Capital assets, net	\$ 4,055,120	\$ 3,398,406
Less outstanding accounts payable related to capital assets	-	-
Less debt related to capital assets	-	-
<b>Net investment in capital assets</b>	<b>\$ 4,055,120</b>	<b>\$ 3,398,406</b>

**Note 9: 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.

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

<u>For the years ended September 30,</u>	<u>2021</u>	<u>2020</u>
Medicare	<b>36%</b>	37%
Medicaid	<b>12%</b>	14%
Blue Cross	<b>12%</b>	10%
Commercial/HMO/PPO	<b>15%</b>	12%



**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

**Note 9: NET PATIENT SERVICE REVENUE (Continued)**

The composition of net patient service revenue was as follows:

<i>For the years ended September 30,</i>	<b>2021</b>	2020
Gross patient service revenue	\$ 15,074,769	\$ 12,999,162
Less provision for contractual and other adjustments	(5,152,270)	(4,427,064)
Less provision for doubtful accounts	(1,818,342)	(993,369)
<b>Net patient service revenue</b>	<b>\$ 8,104,157</b>	<b>\$ 7,578,729</b>

**Note 10: EMPLOYEE LEASING**

On April 16, 2019, the Hospital entered into an agreement with Paychex Business Solutions, to provide employees for the Hospital. Under the agreement, Paychex Business Solutions was the employer of all persons working at the Hospital during the year ended September 30, 2020 and through July 4, 2021, and was reimbursed by the Hospital for all wages and management fees associated with the lease. On July 5, 2021, the Hospital entered into a similar employee leasing agreement with Modern Business Associates, Inc. which remains in effect. Employee leasing costs totaled \$4,482,623 and \$4,611,415 for the years ended September 30, 2021 and 2020, respectively.

**Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS**

The 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.

The net amount of DSH and LIP payments recognized in net patient service revenue (included in contractual deductions) was approximately \$1,257,000 and \$1,193,000 for fiscal years 2021 and 2020, respectively. DSH and LIP payments receivable of approximately \$325,000 and \$320,000 as of September 30, 2021 and 2020, respectively, are included in other receivables on the accompanying statements of net position.

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. It is reasonably possible that these estimates could further materially change in the near term.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

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

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 \$85,000 and \$70,000 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 2021 and 2020, respectively. Estimated assessments payable totaling approximately \$145,000 and \$152,000 as of September 30, 2021 and 2020, respectively, are included in estimated third-party payer settlements on the accompanying statements of net position.

**Note 12: MEDICAL MALPRACTICE INSURANCE**

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

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

**Note 13: COMMITMENTS AND CONTINGENCIES**

***Litigation***

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

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

**Note 13: COMMITMENTS AND CONTINGENCIES (Continued)**

***Provision for Workers Compensation Claim***

During the transition between the two employee leasing contracts discussed in Note 10, the Hospital's workers compensation insurance policy lapsed, and, during this lapse, an employee was injured. As of September 30, 2021 and 2020, the Hospital has provisioned \$64,000, included in other accrued liabilities, for future expenses related to this claim.

***Industry***

The healthcare industry is subject to laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Over the past several years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

***Healthcare Reform***

Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in material compliance with all fraud and abuse statutes as well as other applicable government laws and regulations.

In March of 2010, the *Patient Protection and Affordable Care Act* ("PPACA") was signed into law. The PPACA represents a comprehensive reform of the United States healthcare system and institutes, among other things, many provisions that change payments from Medicare, Medicaid and other insurance companies. Starting in 2014, the legislation required the establishment of health insurance exchanges which provide individuals without employer-provided healthcare coverage the opportunity to purchase insurance. Reimbursement rates paid by insurers participating in the insurance exchanges are often substantially different than rates paid under previously existing health insurance products.

Another significant component of the PPACA is the extension of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs are being substantially decreased. Each state's participation in an expanded Medicaid program is optional, and the State of Florida has currently opted not to expand its Medicaid program.

**Hospital Fund of Franklin County, Florida**  
**d/b/a George E. Weems Memorial Hospital**  
**Notes to Financial Statements**

**Note 13: COMMITMENTS AND CONTINGENCIES (Continued)**

***Healthcare Reform (continued)***

The PPACA is extremely lengthy and complex and has been difficult for the federal government and each state to implement. While the overall, continuing impact of the PPACA cannot currently be estimated, it is likely that it will have a negative impact on the Hospital's net patient service revenue for years to come.

***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.

***Operating Leases***

The Hospital leases various pieces of equipment under operating leases expiring at various dates through 2023. Total rental expense for the years ended September 30, 2021 and 2020 for all operating leases was approximately \$97,000 and \$102,000, respectively.

The following is a schedule by year of expiration of approximate future minimum lease payments under non-cancelable operating leases as of September 30, 2021 that have initial or remaining lease terms in excess of one year:

*For the years ending September 30,*

2022	\$	5,646
2023		1,882
Total	\$	7,528

**Note 14: 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.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

**Note 15: CARES ACT FUNDING**

Additional funding for the Public Health and Social Services Emergency Fund (“Relief Fund”) was among the provisions of the CARES Act, which was signed into law on March 27, 2020, and other legislation. In the year ended September 30, 2020, the Hospital received cash payments of approximately \$3,282,000 from the Relief Fund and state grant programs, associated with lost operating revenues and COVID-related costs, which is reported as nonoperating revenues in the accompanying statement of revenues, expenses and changes in net position. Approximately \$200,000 of federal funding was received during fiscal year 2021.

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. The Hospital recognizes grant payments as income when there is reasonable assurance of compliance with the conditions associated with the grant. The Hospital’s estimates could change materially in the future based on the Hospital’s operating performance or COVID-19 activities, as well as the evolving grant compliance guidance provided by the government.

*The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation.* The CARES Act and the 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 Hospital’s business. Please note that this summary is not exhaustive, and additional legislative action and regulatory developments may evolve rapidly. There is no assurance that the Hospital will continue to receive or remain eligible for funding or assistance under the CARES Act or similar measures.

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

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

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

**Note 15: CARES ACT FUNDING (Continued)**

In fiscal year 2021, during completion of the reporting portal for expenditures of CARES PRF funds, management of the Hospital reported expenses and lost revenues for the period of availability that were less than the funds received for the corresponding period. Accordingly, a payable totaling approximately \$1,046,000 was recorded to “estimated third party settlements” with a corresponding nonoperating expense on the accompanying financial statements. This amount was paid, in full, in early fiscal year 2022. No revisions were made to the previously issued fiscal year 2020 financial statements, as a result of this change in estimate.

*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 through December 31, 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 is suspended and will resume at a future date.
- 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.
- 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 \$645,000, which is included in estimated third party settlements on the accompanying statements of net position. During fiscal year 2021, these amounts were recouped by the Medicare contractor, with a remaining balance totaling approximately \$172,000 at September 30, 2021, recorded as estimated third party settlements.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Notes to Financial Statements**

**Note 15: CARES ACT FUNDING (Continued)**

- 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 enrollments 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.

**Note 16: SUBSEQUENT EVENTS**

In November of 2021, as described in Note 15, CARES PRF funds totaling approximately \$1,046,000 were refunded to the grantor, as these were determined by management to be unspent during the period of availability. Also in November of 2021, the Hospital received approximately \$254,000 of American Rescue Act funding, with an additional \$31,000 of CARES PRF funding received in January of 2022.



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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**

To the Board of Directors  
George E. Weems Memorial Hospital  
Franklin County, Florida  
Apalachicola, Florida

We have examined the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital") compliance with Section 218.415, Florida Statutes, during the year ended September 30, 2021. 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 complied, in all material respects, with the aforementioned requirements of Section 218.415 during the year ended September 30, 2021.

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

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

Enterprise, Alabama  
February 23, 2022



**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***

To the Board of Directors  
George E. Weems Memorial Hospital  
Franklin County, Florida  
Apalachicola, 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 the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated February 23, 2022.

***Internal Control Over Financial Reporting***

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider all of the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses.

### ***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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Hospital's Responses to Findings***

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

Enterprise, Alabama  
February 23, 2022

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Schedule of Findings and Responses  
For the Year Ended September 30, 2021**

**2018 – 001 Accrual Basis Accounting (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:** Multiple accounts and financial statement line items required adjustment or reclassification in order for the financial statements to be presented in accordance with generally accepted accounting principles. Such adjustments included proper presentation of cash, accounts receivable and related reserves, prepaid expenses, other assets, accounts payable, other liabilities, estimated third-party payer settlements, property, plant and equipment, and related party accounts, among others. Further, various accounts were not reconciled (or not reconciled timely) to the subsidiary ledgers at fiscal year-end, resulting in some of these adjustments.

**Cause:** Internal processes and controls were not sufficient (either non-existent or ineffective) to detect material misstatements of the financial statements. The high level of management and accounting staff turnover in recent years was a contributing factor.

**Effect:** Material misstatement of the financial statements (before auditor adjustments).

**Recommendation:** Management should focus on strengthening internal controls surrounding financial reporting and the proper presentation of financial statements in accordance with GAAP.

**Views of Responsible Officials and Planned Corrective Actions:** The Chief Financial Officer (CFO) in coordination with the addition of a Controller will reconcile balance sheet accounts monthly.

**2018 – 002 Inventory (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. Additionally, management is responsible for ensuring that inventory and supplies are properly controlled, counted, monitored and safeguarded on an ongoing basis.

**Condition:** Though physical inventory counts were conducted at fiscal year-end, various valuation issues were noted. These included instances of items valued by the unit when they should have been valued by the box as well as instances in which the pricing used for valuation did not reflect the lower of cost or market.

**Cause:** Pricing and unit measure information within the Hospital's inventory tracking system is not being updated or is being updated incorrectly.

**Effect:** Additional audit work and adjustments were required to properly state the accounts.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Schedule of Findings and Responses  
For the Year Ended September 30, 2021**

**Recommendation:** Management should implement new processes and controls surrounding inventory ordering, receiving and tracking such that item costs within the Hospital's inventory tracking software are updated regularly, as items are ordered, using the appropriate unit measures.

**Views of Responsible Officials and Planned Corrective Actions:** The CFO will meet with the purchasing director monthly and review inventory reporting. Additionally, the CFO, in coordination with the purchasing director, will evaluate and adjust all processes and controls surrounding inventory ordering, receiving, and tracking to ensure inventory is valued and reported accurately.

**2018 – 003 Accounting & Finance Staffing (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. Such responsibility includes hiring and retaining effective and experienced staff to conduct such activities.

**Condition and Cause:** Processes and controls in place were not sufficient to maintain effective internal control over financial reporting which resulted in the other findings described within this schedule.

**Effect:** The effect of this finding is reflected in the effects of findings 2018 – 001, 2018 – 002 and 2019 – 001 through 2019 – 004.

**Recommendation:** The Hospital should invest in the hiring of accounting staff and focus on retention of existing staff to ensure that existing control activities can be properly conducted and new policies and controls, necessary to address the findings noted herein, can be established and followed.

**Views of Responsible Officials and Planned Corrective Actions:** Management will advertise and move forward with hiring a Controller which will help ensure that current and any required new policies and controls including the separation of duties are followed.

**2019 – 001 Reconciliation of Cash and Posting of Receipts and Payroll Expense (Repeat)**

**Criteria:** Internal controls should be in place to ensure that all cash transactions are properly and timely recorded by the Hospital.

**Condition, Cause and Effect:** Audit entries were required to adjust accounts, most notably cash and payroll expense. In addition, we noted significant balances of unmatched cash receipts, primarily related to patient accounts receivable. Such amounts generally result when a cash payment is received from a third party insurer on a patient's behalf but has not yet been posted to the patient's balance on the accounts receivable subledger – often due to insufficient or pending remittance information accompanying the payment.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Schedule of Findings and Responses  
For the Year Ended September 30, 2021**

**Recommendation:** Bank reconciliations should be prepared and reviewed on a regular basis for all accounts, regardless of significance, and any identified variances or differences should be investigated and resolved in a timely manner. Cash receipts related to patient accounts should be matched and posted to the appropriate accounts receivable subledger upon receipt, or, if remittance information is not sufficient to enable account identification, investigated and resolved in as timely a manner as possible.

**Views of Responsible Officials and Planned Corrective Actions:** All bank reconciliations will be conducted monthly with all variances identified investigated and resolved timely. Additionally, all cash receipts related to patient accounts will be reconciled and posted daily with all variances investigated and resolved timely.

**2019 – 002 Accounts Receivable, Revenue and Reserves for Uncollectible Accounts (Repeat)**

**Criteria:** Generally accepted accounting principles require a provision for uncollectible accounts receivables based on management's assessment of collectability.

**Condition and Effect:** Accounts receivable on the unadjusted ledger was misstated. In addition, large balances of unmatched AR receipts were noted, as discussed in finding 2019 – 001 above. Audit entries were required to adjust accounts receivable and increase the reserves, reducing net AR by a material amount. In addition, other audit adjustments were required to adjust the components of net revenue - gross revenue, contractual and other allowances and the provision for bad debt.

**Recommendation:** The Hospital should prepare reconciliations of all gross accounts receivable to underlying details as part of each month-end close, and as previously noted in 2019 – 004, cash receipts related to patient accounts should be matched and posted to the appropriate accounts receivable subledger upon receipt, or, if remittance information is not sufficient to enable account identification, investigated and resolved in as timely a manner as possible. The Hospital should routinely monitor its collections percentages through the use of a “lookback analysis” or comparable information using a sufficiently long (yet current) look back period to determine an appropriate reserving methodology that addresses the constantly evolving nature of the payer mix and adequately reserves receivables to their estimated net realizable value. Manual entries to accounts receivable, reserves, and/or net patient revenue, once prepared, should be reviewed by management for appropriateness and proper posting.

**Views of Responsible Officials and Planned Corrective Actions:** The CFO in coordination with the Controller will reconcile all gross accounts receivables to ensure the accurate balance monthly in coordination with the monthly closing of financial reporting. Additionally, a monthly lookback analysis of paid claims will be utilized to ensure the proper accounting of expected reimbursement of all outstanding patient accounts.

**Hospital Fund of Franklin County, Florida  
d/b/a George E. Weems Memorial Hospital  
Schedule of Findings and Responses  
For the Year Ended September 30, 2021**

**2019 – 003 Capital Assets and Depreciation (Repeat)**

**Criteria:** Generally accepted accounting principles require the Hospital to report the cost of capital assets and accumulated depreciation by asset class and annual depreciation by function.

**Condition and Effect:** We noted variances between the Hospital's capital asset registers and general ledger, and various capital assets that were not recorded, or incorrectly recorded. As a result, adjusting entries were required to record certain capital asset additions, remove assets no longer capitalized, and adjust yearly depreciation expense totals.

**Recommendation:** We recommend the Hospital implement appropriate measures to ensure that all capital assets are captured and appropriately classified, maintained, and depreciated on the capital asset register, and that the capital asset register is reconciled to the general ledger on a regular basis and any differences that are identified are followed up on and resolved.

**Views of Responsible Officials and Planned Corrective Actions:** The CFO in coordination with the Controller will reconcile all capital asset accounts and related accumulated depreciation accounts to ensure the accurate balance monthly in coordination with the monthly closing of financial reporting.

**2019 – 004 Recording of Audit Adjustments/Reconciliation of Net Position (Repeat)**

**Criteria:** Audit adjustments should be recorded by the Hospital to the general ledger in the relevant accounting period such that net position, post-close, at the end of each period reconciles to the net position per audited financial statements.

**Condition, Cause and Effect:** We noted that certain prior year audit entries were not appropriately recorded in the current fiscal year and/or reflected in the opening equity balance of the current fiscal year. As a result, the unadjusted balance of net position at fiscal year-end was misstated by the net effect of these entries.

**Recommendation:** The Hospital should implement a process to ensure that all audit entries are properly posted to the general ledger in the correct period and that net position balances for each year, post-close, reconcile to the audited financial statements.

**Views of Responsible Officials and Planned Corrective Actions:** The CFO will post all audit adjustments within the general ledger to the correct fiscal year and reconcile the financial statements back to the audited financial statements.

## **MANAGEMENT LETTER**

Board of Directors  
George E. Weems Memorial Hospital  
Franklin County, Florida  
Apalachicola, Florida

### ***Report on the Financial Statements***

We have audited the financial statements of the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital") as of and for the year ended September 30, 2021, and have issued our report thereon dated February 23, 2022.

### ***Auditors' Responsibility***

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

### ***Other Reporting Requirements***

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, *AT-C Section 315*, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 23, 2022, should be considered in conjunction with this management letter.

### ***Prior Audit Findings***

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, we determined that all of the findings in the preceding annual financial audit report were repeated, as shown in the accompanying schedule of findings and responses.

### ***Financial Condition and Management***

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

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

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

### ***Annual Financial Report***

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Hospital for the fiscal year ended September 30, 2021, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2021. In connection with our audit, we determined that these two reports were in agreement.

### ***Additional Matters***

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

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

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

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

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

Enterprise, Alabama  
February 23, 2022