



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

FINANCIAL STATEMENTS

September 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

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

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

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

Enterprise, Alabama

June 14, 2023

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, 2022, and 2021. It should be read in conjunction with the accompanying financial statements of the Hospital.

Using This Annual Report

The Hospital's financial statements consist of three types of statements—statements of net position; 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 Statements of Net Position 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 Statements of Net Position 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.

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.

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

The Hospital's Statements of Net Position

Restatement of Prior Year Net Position

The previously issued financial statements for the year ended September 30, 2021, issued February 23, 2022, have been restated for a change in accounting principle related to the recognition of leases and right-of-use assets (GASB Statement No. 87).

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

<u>September 30, 2021</u>	As Previously Reported	Increase (Decrease)	As Restated
Assets			
Capital Assets, net	\$ 4,055,120	\$ 203,474	\$ 4,258,594
Liabilities			
Current liabilities	\$ 2,500,961	\$ 75,748	\$ 2,576,709
Long-term liabilities	\$ -	\$ 139,020	\$ 139,020
Net Position (Deficit)			
Net investment in capital assets	\$ 4,055,120	\$ (11,294)	\$ 4,043,826

The Hospital's assets decreased approximately \$2,385,000 in 2022 after an increase of approximately \$1,035,000 in 2021. The decrease in 2022 was largely driven by the reduction in cash and cash equivalents. This decrease in cash was due to the following, among others:

- CARES Act payback of unused funds \$1,046,173.
- Medicare accelerated payment payback of \$172,867.
- Fiscal Year 2021 Medicare cost report payback of \$503,811.
- Fiscal Year 2019 Medicare cost report payback of \$46,757.
- Fiscal Year 2022 Medicare interim rate adjustment of \$157,487.

Additionally, a significant swing in patient volumes from Medicare to Medicaid Managed Care and Self Pay, combined with an overall decrease in inpatient volumes, resulted in additional reduction in cash.

The Hospital's total liabilities decreased approximately \$1,297,000 in 2022 and increased approximately \$486,000 in 2021. The decrease in 2022 is primarily due to a reduction in estimated third party settlements (including Medicare accelerated payments) totaling \$1,411,118. This reduction was related to the payback of CARES Act funds that were not utilized and therefore paid back. Additionally, the payback of the Medicare accelerated payments was completed in fiscal year 2022 along with prior year cost report settlements.

**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>	2022	<i>Variance</i>	Restated 2021	<i>Variance</i>	2020
Assets					
Patient accounts receivable, net	\$ 1,318,354	\$ 305,972	\$ 1,012,382	\$ 367,009	\$ 645,373
Other Current Assets	2,350,994	(2,594,739)	4,945,733	(191,974)	5,137,707
Capital Assets, net	4,161,972	(96,622)	4,258,594	860,188	3,398,406
Total assets	\$ 7,831,320	\$ (2,385,389)	\$ 10,216,709	\$ 1,035,223	\$ 9,181,486
Liabilities					
Current liabilities	\$ 1,326,795	\$ (1,249,914)	\$ 2,576,709	\$ 1,277,993	\$ 1,298,716
Long-term liabilities	91,323	(47,697)	139,020	(791,835)	930,855
Total liabilities	1,418,118	(1,297,611)	2,715,729	486,158	2,229,571
Net Position (Deficit)					
Net investment in capital assets	3,979,282	(64,544)	4,043,826	645,420	3,398,406
Unrestricted	2,433,920	(1,023,234)	3,457,154	(96,355)	3,553,509
Total net position (deficit)	6,413,202	(1,087,778)	7,500,980	549,065	6,951,915
Total liabilities and net position	\$ 7,831,320	\$ (2,385,389)	\$ 10,216,709	\$ 1,035,223	\$ 9,181,486

Operating Results and Changes in the Hospital's Net Position

Restatement of Prior Year Net Position

The previously issued financial statements for the year ended September 30, 2021, issued February 23, 2022, have been restated for a change in accounting principle related to the recognition of leases and right of-use assets (GASB Statement No. 87).

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

<i>For the years ended September 30, 2021</i>	As Previously Reported	Increase (Decrease)	As Restated
Operating Expenses			
Other operating expenses	\$ 3,912,486	\$ (48,843)	\$ 3,863,643
Depreciation and amortization	\$ 327,396	\$ 48,843	\$ 376,239
Nonoperating Revenue (Expenses)			
Interest expense	\$ (1,292)	\$ (11,294)	\$ (12,586)

As shown in *Table 2*, in 2022 the Hospital's net position decreased by approximately \$1,087,000, after increasing by approximately \$549,000 in 2021, compared to the increase of approximately

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

\$2,001,000 in 2020. In 2022, the total operating revenues decreased approximately \$1,465,000 compared to an increase of \$541,000 in 2021 over 2020. The total operating expenses increased approximately \$351,000 and \$75,000 in 2022 and 2021, respectively. The decrease in 2022 of total operating revenues was largely due to a 9% reduction in inpatient revenues combined with significant payer mix swings from Medicare to Medicaid Managed Care and Self Pay. Traditional Medicare is one of the better insurances for reimbursement rates at Weems Memorial Hospital, while the two insurance groups with the lowest reimbursement rates are Medicaid Managed Care plans and Self Pay (patients with no insurance). The increase in 2022 total operating expenses was primarily because of increases in Contract Services, Repairs and Maintenance, and Utilities. The largest of the increase was in contract services and was related to the increased utilization of contract nursing costs due to demands of the COVID-19 pandemic. Other factors effecting this increase were increased inflation and energy costs.

Table 2: Operating Results and Changes in Net Position

<i>For the years ended September 30,</i>	2022	<i>Variance</i>	2021	<i>Variance</i>	2020
Operating Revenues					
Net patient service revenue	\$ 6,656,909	\$ (1,447,248)	\$ 8,104,157	\$ 525,428	\$ 7,578,729
Other operating revenue	6,779	(17,926)	24,705	15,791	8,914
Total operating revenues	6,663,688	(1,465,174)	8,128,862	541,219	7,587,643
Operating Expenses					
Salaries, wages, and benefits	5,250,762	\$ (147,180)	5,397,942	(337,319)	5,735,261
Other operating expenses	4,421,621	\$ 557,978	3,863,643	275,131	3,588,512
Supplies	690,187	\$ (176,509)	866,696	74,316	792,380
Depreciation and amortization	493,570	\$ 117,331	376,239	63,301	312,938
Total operating expenses	10,856,140	\$ 351,620	10,504,520	75,429	10,429,091
Operating income (loss)	(4,192,452)	\$ (1,816,794)	(2,375,658)	465,790	(2,841,448)
Nonoperating Revenue (Expenses)					
Interest income	5,471	(967)	6,438	5,858	580
Noncapital grants and contributions	111,565	(1,347,452)	1,459,017	1,318,890	140,127
CARES PRF income (repayment)	284,811	1,330,984	(1,046,173)	(4,327,980)	3,281,807
Other income	113,084	(2,651)	115,735	78,871	36,864
Gain (loss) on disposal of capital assets	-	-	-	1,101,681	(1,101,681)
Interest expense	(8,311)	4,275	(12,586)	(12,546)	(40)
Total nonoperating revenues (expenses)	506,620	(15,811)	522,431	(1,835,226)	2,357,657
Transfers in	2,598,054	195,762	2,402,292	(97,267)	2,499,559
Total transfers	2,598,054	195,762	2,402,292	(97,267)	2,499,559
Increase (decrease) in net position	\$ (1,087,778)	\$ (1,636,843)	\$ 549,065	\$ (1,466,703)	\$ 2,015,768

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

Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income or loss— generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In 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 2022 was approximately \$4,192,000, down approximately \$1,816,000 from an operating loss of approximately \$2,375,000 in 2021. The primary components of the 2022 operating income are:

- A decrease in net patient service revenue of approximately \$1,447,000 or 17.86%.
- A decrease in other operating revenue of approximately \$17,900, or 72.15%.
- An increase in operating expense of approximately \$351,000, or 3.35%.

Decreased net patient service revenue was due to a 9% reduction in inpatient revenues combined with significant payer mix swings from Medicare to Medicaid Managed Care and Self Pay. Traditional Medicare is one of the better insurances for reimbursement rates at Weems Memorial Hospital while the two insurance groups with the lowest reimbursement rates are Medicaid Managed Care plans and Self Pay (patients with no insurance).

Other operating revenue decreased because of startup costs related to establishing a 340B program.

Operating expense increased primarily because of increases in Contract Services, Repairs and Maintenance, and Utilities. The largest of the increased was in contract services and was related to the increased utilization of contract nursing costs. Other factors effecting this increase were increased inflation and energy 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 declined from approximately \$2,357,000 in 2020 to approximately \$522,000 in 2021, and further continued to decline from approximately \$522,000 in 2021 to \$506,600 in 2022. The change in 2022 compared to 2021 is not significant, but compared back to 2020 the reduction is primarily due to the receipt / recognition of \$3,281,000 in CARES Act Monies in 2020, and the winding down of this program in 2022.

Transfers increased to approximately \$2,598,000 in 2022 from \$2,402,000 in 2021, primarily due to increased tax collections for Franklin County, a portion of which are provided to the Hospital.

Capital Contributions

There were no capital contributions in 2022 or 2021.

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

The Hospital's Cash Flows

As reflected in the Statements of Cash Flows, the Hospital's cash decreased in 2022 by approximately \$2,955,000, and by approximately \$307,000 in 2021. The Hospital's cash increased by approximately \$4,124,000 in 2020. The decrease in the ending cash balance for 2022 was primarily due to the following:

- CARES Act payback of unused funds \$1,046,173
- Medicare accelerated payment payback of \$172,867
- Fiscal Year 2021 Medicare cost report payback of \$503,811
- Fiscal Year 2019 Medicare cost report payback of \$46,757
- Fiscal Year 2022 Medicare interim rate adjustment of \$157,487

Additionally, a significant swing in patient volumes from Medicare to Medicaid Managed Care and Self Pay combined with an overall decrease in inpatient volumes resulted in additional reduction in cash.

The decrease in 2021 was primarily due to the repayment of advanced Medicare payments. 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.

Capital Asset and Debt Administration

Capital Assets

The Hospital had approximately \$4,161,000 and \$4,258,000 of capital assets, net of accumulated depreciation, at the end of 2022 and 2021, respectively. In 2022 and 2021, the Hospital purchased new capital assets costing approximately \$340,000 and \$856,000, respectively.

Debt

At September 30, 2022 and 2021, respectively, the Hospital had \$182,690 and \$214,768 in lease obligations, after the recent adoption of GASB 87 and the accompanying restatement of the 2021 financial statements. At September 30, 2020, 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 significant manufacturing industry in the area. The major employers are governmental in nature. The largest employers in the area are the Franklin County Government, Franklin County School District, and the Hospital.

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

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's administration has put into place internal controls to safeguard financial reporting and attempt to ensure proper presentation of the financial statements, both at month-end and year-end, and be in compliance with GAAP. The Hospital has retained staff to assist with the proper reconciliations 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 systems 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 (2022) 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.

To address many of the Hospital's barriers for growth, George E. Weems Memorial Hospital continues to work with State Legislators, County Officials, 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.

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 Florida Department of Health's State Rural Health Office's 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, Operation 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.

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

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 calling (850) 653-8853.

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

<i>September 30,</i>	2022	Restated 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 1,133,573	\$ 4,088,651
Patient accounts receivable, net of estimated uncollectibles of \$1,457,946 in 2022 and \$3,844,003 in 2021	1,318,354	1,012,382
Due from other funds	645,249	373,927
Estimated third party settlements	119,019	-
Other receivables	342,740	325,187
Prepaid expenses	21,629	6,086
Supplies inventory	88,784	151,882
Total current assets	3,669,348	5,958,115
Capital assets		
Land	13,400	13,400
Right-of-use assets, net	175,270	203,474
Depreciable capital assets, net	3,973,302	4,041,720
Total capital assets, net	4,161,972	4,258,594
Total assets	\$ 7,831,320	\$ 10,216,709

(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
Balance Sheets (Continued)**

<i>September 30,</i>	2022	Restated 2021
Liabilities and Net Position		
Current liabilities		
Current maturities of long-term debt		
Lease liability	\$ 91,367	\$ 75,748
Accounts payable	913,102	793,539
Accrued compensation	76,683	68,076
Other accrued liabilities	-	64,000
Due to other funds	82,345	-
Estimated third party settlements (including Medicare accelerated payments)	-	1,411,055
Compensated absences	163,298	164,291
Total current liabilities	1,326,795	2,576,709
Long-term liabilities		
Lease liability, less current portion	91,323	139,020
Total liabilities	1,418,118	2,715,729
Net position		
Net investment in capital assets	3,979,282	4,043,826
Unrestricted	2,433,920	3,457,154
Total net position	6,413,202	7,500,980
Total liabilities and net position	\$ 7,831,320	\$ 10,216,709

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>	2022	Restated 2021
Operating Revenues		
Net patient service revenue before provision for uncollectible accounts	\$ 6,845,652	\$ 9,922,499
Provision for uncollectible accounts	(188,743)	(1,818,342)
Net patient service revenue	6,656,909	8,104,157
Other operating revenue	6,779	24,705
Total operating revenues	6,663,688	8,128,862
Operating Expenses		
Salaries, wages, and benefits	5,250,762	5,397,942
Other contract services	3,055,560	2,336,223
Supplies	690,187	866,696
Depreciation and amortization	493,570	376,239
Repairs and maintenance	425,486	340,199
Insurance	273,881	393,409
Utilities	236,309	187,698
Other current expenses	160,872	182,120
Lease and rental	133,292	204,785
Licenses, permits and fees	101,999	90,274
Communications	23,960	77,005
Other patient care related costs	10,262	51,930
Total operating expenses	10,856,140	10,504,520
Operating income (loss)	(4,192,452)	(2,375,658)
Nonoperating Revenues (Expenses)		
Interest income	5,471	6,438
PPP forgiveness, grants and contributions	111,565	1,459,017
CARES PRF income (repayment), net	284,811	(1,046,173)
Other income (expense)	113,084	115,735
Interest expense	(8,311)	(12,586)
Total nonoperating revenues (expenses)	506,620	522,431
Change in net position before transfers	(3,685,832)	(1,853,227)
Transfers In	2,598,054	2,402,292
Increase (decrease) in net position	(1,087,778)	549,065
Net position - beginning of year	7,500,980	6,951,915
Net position - end of year	\$ 6,413,202	\$ 7,500,980

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>	2022	Restated 2021
Operating Activities		
Receipts from and on behalf of patients	\$ 6,025,040	\$ 8,320,780
Payments to suppliers and others	(4,961,500)	(4,641,807)
Payments to and on behalf of leased employees	(5,293,028)	(5,378,803)
Other receipts (payments), net	6,779	24,705
Net cash provided by (used in) operating activities	(4,222,709)	(1,675,125)
Noncapital Financing Activities		
Receipt (repayment) of CARES Act & ARPA funds, net	(761,362)	200,000
Receipt (repayment) of advanced Medicare payments	(172,867)	(472,580)
Other receipts (payments), net	224,648	115,735
Net change in due from other funds	82,345	-
Interest paid	(8,311)	15,531
Noncapital related transfers in	2,326,732	2,223,391
Net cash provided by (used in) noncapital financing activities	1,691,185	2,082,077
Capital and Related Financing Activities		
Purchase of capital assets	(396,947)	(935,095)
Proceeds from (repayments of) lease liability, net	(32,078)	214,768
Net cash provided by (used in) capital and related financing activities	(429,025)	(720,327)
Investing Activities		
Interest income	5,471	6,438
Net cash provided by (used in) investing activities	5,471	6,438
Net increase (decrease) in cash and cash equivalents	(2,955,078)	(306,937)
Cash and cash equivalents - beginning of year	4,088,651	4,395,588
Cash and cash equivalents - end of year	\$ 1,133,573	\$ 4,088,651

(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)**

<i>For the years ended September 30,</i>	2022	Restated 2021
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating income (loss)	\$ (4,192,452)	\$ (2,375,658)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	493,570	376,239
Provision for bad debts	188,743	1,818,342
Changes in operating assets and liabilities		
Patient accounts receivable	(494,715)	(2,185,351)
Supplies	63,098	(62,413)
Prepaid expenses	(15,543)	131,495
Other receivables	(17,553)	(5,144)
Accounts payable	110,988	19,450
Accrued compensation and payroll taxes	17,182	15,690
Other accrued liabilities	(64,000)	-
Compensated absences	(993)	3,449
Estimated third-party settlements	(311,034)	588,776
Net cash provided by (used in) operating activities	\$ (4,222,709)	\$ (1,675,125)
Noncash Investing, Capital and Financing Activities		
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 in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

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

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial

**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)

insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

Restatement of Prior Year Financial Statements

The previously issued financial statements for the year ended September 30, 2021, issued February 23, 2022, have been restated for a change in accounting principle related to the recognition of GASB Statement No. 87 (GASB 87) for leases and right-of-use assets. The implementation of this statement requires the restatement of the net position in the balance sheet, statement of revenues, expenses and changes in net position, and the statement of cash flows to record the cumulative effect of recording the original basis of the leased assets less accumulated depreciation, net of the respective lease liability as of September 30, 2022.

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

<i>September 30, 2021</i>	As Previously Reported	Increase (Decrease)	As Restated
<i>Balance Sheet</i>			
Assets			
Capital assets			
Right-of-use assets, net	\$ -	\$ 203,474	\$ 203,474
Liabilities and Net Position			
Current liabilities			
Current maturities of long-term debt			
Lease liability	-	75,748	75,748
Long-term liabilities			
Lease liability, less current portion	-	139,020	139,020
Net position			
Net investment in capital assets	4,055,120	(11,294)	4,043,826

**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)

Restatement of Prior Year Financial Statements (continued)

<i>For the year ended September 30, 2021</i>	As Previously Reported	Increase (Decrease)	As Restated
<i>Statement of Revenues, Expenses and Changes in Net Position</i>			
Operating Expenses			
Other contract services	\$ 1,582,629	\$ 753,594	\$ 2,336,223
Supplies	31,105	835,591	866,696
Depreciation and amortization	327,396	48,843	376,239
Repairs and maintenance	123,161	217,038	340,199
Other current expenses	250,176	(68,056)	182,120
Lease and rental	-	204,785	204,785
Professional services	870,517	(870,517)	-
Clinical supplies	835,591	(835,591)	-
Minor equipment	285,687	(285,687)	-
Nonoperating Revenues (Expenses)			
Interest expense	(1,292)	(11,294)	(12,586)
<i>Statement of Cash Flows</i>			
Operating Activities			
Payments to suppliers and others	\$ (4,690,650)	\$ 48,843	\$ (4,641,807)
Noncapital Financing Activities			
Interest paid	(1,292)	16,823	15,531
Capital and Related Financing Activities			
Purchase of capital assets	(654,661)	(280,434)	(935,095)
Proceeds from (repayments of) lease liability, net	-	214,768	214,768
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities			
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	\$ 327,396	\$ 48,843	\$ 376,239

Cash and Cash Equivalents

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

**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)

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

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.

**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)

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. Rights of Use Assets 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.

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the years ended September 30, 2022 and 2021.

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

**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)

Compensated Absences (Continued)

as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The Hospital's estimated accrual for accumulated vacation leave is recorded as a current liability on the accompanying balance sheets.

Lease Liability

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

Categories and Classification of 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.

Revenues and Expenses

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

**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)

Revenues and Expenses (Continued)

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 \$242,000 and \$636,000 for the years ended September 30, 2022 and 2021, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$175,000 and \$375,000, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

Grants and Contributions

From time to time, 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

**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)

Revenues and Expenses (continued)

Grants and Contributions (continued)

operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisition are reported after non-operating revenue and expenses.

Ad Valorem Tax

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

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

2022 property tax calendar:

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended September 30, 2022 and 2021 was \$69,650 and \$83,068, respectively.

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.

Recently Issued and Implemented Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial

**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)

reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. All leases with a term greater than 12 months are recognized as a lease liability and an intangible right-of-use lease asset by the lessee. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Hospital adopted Statement No. 87 for the year ended September 30, 2022. For more information on the effects of the adoption of Statement No. 87, see Notes 2, 5, and 7.

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

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

- 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,

**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 applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements,
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition,
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers,
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

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

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

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

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for

**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)

reporting periods beginning after June 15, 2021. The Hospital adopted GASB 93 for the year ended September 30, 2022, and GASB 93 did not have a significant impact on the financial statements.

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

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98). GASB 98 establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in GAAP for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of GASB 98 are effective for fiscal years ending after December 15, 2021, with early application permitted. The Hospital adopted GASB 98 for the year ended September 30, 2022, and GASB 98 did not have a significant impact on the financial statements.

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

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

**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)

recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

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

The practice issues addressed by this Statement are as follows:

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

**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)

- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement No. 53 to refer to resource flows statements.

The requirements of this Statement are effective as follows:

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

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

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

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 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management evaluated all events or transactions that occurred after September 30, 2022 through June 14, 2023, the date the Hospital's financial statements were available to be issued. No significant events or transactions were noted.

Note 3: DEPOSITS AND INVESTMENTS

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

<u>September 30,</u>	<u>2022</u>	<u>2021</u>
Petty cash and undeposited cash	\$ 900	\$ 900
Cash deposits with financial institutions	1,132,673	4,087,751
Total deposits	\$ 1,133,573	\$ 4,088,651

Deposits

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. 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, 2022 and 2021. The Hospital's deposits at September 30, 2022 and 2021 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

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

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

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, 2022 or 2021.

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, 2022 and 2021 was:

<i>September 30,</i>	2022	2021
Medicare	\$ 925,680	\$ 2,231,857
Medicaid	189,301	1,523,805
Other third-party payers	1,610,067	1,327,977
Patients	1,476,752	2,316,236
Total patient accounts receivable	4,201,800	7,399,875
Less allowance for contractual and other adjustments	(1,425,500)	(2,543,490)
Less allowance for uncollectible accounts	(1,457,946)	(3,844,003)
Patient accounts receivable, net	\$ 1,318,354	\$ 1,012,382

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

Note 5: CAPITAL ASSETS

Capital asset activity and balances for the year ended September 30, 2022 and 2021 were as follows:

	Estimated Useful Lives (in years)	Restated Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022
Nondepreciable capital assets					
Land		\$ 13,400	\$ -	\$ -	\$ 13,400
Total nondepreciable		13,400	-	-	13,400
Depreciable capital assets					
Buildings	20 - 50	3,097,155	30,658	-	3,127,813
Right-of-use assets	2 - 7	552,624	55,984	-	608,608
Equipment and furniture	3 - 10	3,443,972	310,305	-	3,754,277
Total depreciable, at cost		7,093,751	396,947	-	7,490,698
Less accumulated depreciation/amortization					
Buildings		(496,150)	(74,297)	-	(570,447)
Right-of-use assets		(349,150)	(84,188)	-	(433,338)
Equipment and furniture		(2,003,257)	(335,084)	-	(2,338,341)
Total accumulated depreciation/amortization		(2,848,557)	(493,569)	-	(3,342,126)
Depreciable, net		4,245,194	(96,622)	-	4,148,572
Total capital assets, net		\$ 4,258,594	\$ (96,622)	\$ -	\$ 4,161,972

**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 10/1/2020	Additions	Reductions	Restated Balance 9/30/2021
Nondepreciable capital assets					
Land		\$ 13,400	\$ -	\$ -	\$ 13,400
Total nondepreciable		13,400	-	-	13,400
Depreciable capital assets					
Buildings	20 - 50	3,097,155	-	-	3,097,155
Right-of-use assets	2 - 7	-	552,624	-	552,624
Equipment and furniture	3 - 10	2,459,861	984,111	-	3,443,972
Total depreciable, at cost		5,557,016	1,536,735	-	7,093,751
Less accumulated depreciation/amortization					
Buildings		(423,043)	(73,107)	-	(496,150)
Right-of-use assets		-	(349,150)	-	(349,150)
Equipment and furniture		(1,748,967)	(254,290)	-	(2,003,257)
Total accumulated depreciation/amortization		(2,172,010)	(676,547)	-	(2,848,557)
Depreciable, net		3,385,006	860,188	-	4,245,194
Total capital assets, net		\$ 3,398,406	\$ 860,188	\$ -	\$ 4,258,594

Depreciation expense, which includes amortization of right-of-use (ROU) assets, for the years ended September 30, 2022 and 2021 totaled \$493,569 and \$376,329, respectively. No interest was capitalized during the years ended September 30, 2022 and 2021.

The ROU assets at both September 30, 2022 and 2021 are comprised entirely of equipment. The Hospital is required to make monthly principal and interest payments on the leases totaling approximately \$8,000 in fiscal year 2023, and reducing thereafter, with currently scheduled expiration of those leases in fiscal year 2026.

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.

**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

Interfund balances as of September 30, 2022 and 2021, consisted of the following:

<i>September 30,</i>	2022	2021
Due from Hospital Trust Fund	\$ 645,249	\$ 373,927

Interfund transfers for the years ended September 30, 2022 and 2021 consisted of the following:

<i>For the years ended September 30,</i>	2022	2021
Transfers in from:		
Hospital Trust Fund Transfer of ½ cent sales tax	\$ 1,713,802	\$ 1,499,290
General Fund Operation of hospital	-	18,750
General Fund Operation of clinic	120,000	120,000
General Fund Operation of ambulance services	764,252	764,252
	\$ 2,598,054	\$ 2,402,292

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

<i>September 30,</i>	2022	2021
Payable to employees (including payroll taxes, accrued compensation, and compensated absences)	\$ 253,065	\$ 232,367
Payable to suppliers and contractors	328,621	222,142
Due to Tallahassee Memorial Hospital	571,397	571,397
	\$ 1,153,083	\$ 1,025,906

Note 7: LONG-TERM LIABILITIES

Notes Payable

During the fiscal year ended September 30, 2020, the Hospital was granted a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan of \$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,

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

Note 7: LONG-TERM LIABILITIES (Continued)

Notes Payable (continued)

accordingly, outstanding principal and accrued interest was removed and \$959,017 was recorded in non-operating revenue in the accompanying statement of revenues, expenses and changes in net position.

Leases – Lessee

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

With the implementation of GASB 87, the initial lease liability was recorded in the amount of \$214,768 (September 30, 2021). As of September 30, 2022, the value of lease liability was \$182,690. The leases have interest rates of approximately 3.25%.

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

<i>For the years ending September 30,</i>	Principal Payments	Interest Expense	Total
2023	\$ 91,367	\$ 2,809	\$ 94,176
2024	38,562	1,164	39,726
2025	37,867	509	38,376
2026	14,894	40	14,934
Total	\$ 182,690	\$ 4,522	\$ 187,212

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

Note 7: LONG-TERM LIABILITIES (Continued)

Leases – Lessee (Continued)

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

	Restated Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022	Due Within One Year
Lease liability	\$ 214,768	\$ 55,983	\$ (88,061)	\$ 182,690	\$ 91,367

	Balance 10/1/2020	Additions	Reductions	Restated Balance 9/30/2021	Due Within One Year
Lease liability	\$ -	\$ 267,083	\$ (52,315)	\$ 214,768	\$ 75,748

Note 8: NET INVESTMENT IN CAPITAL ASSETS

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

<i>September 30,</i>	2022	Restated 2021
Capital assets, net	\$ 4,161,972	\$ 4,258,594
Less debt related to capital assets:		
Leases	(182,690)	(214,768)
Net investment in capital assets	\$ 3,979,282	\$ 4,043,826

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.

**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)

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:

<i>For the years ended September 30,</i>	2022	2021
Medicare	23%	36%
Medicaid	1%	12%
Blue Cross	13%	12%
Commercial/HMO/PPO	49%	15%

The composition of net patient service revenue was as follows:

<i>For the years ended September 30,</i>	2022	2021
Gross patient service revenue	\$ 12,926,265	\$ 15,074,769
Less provision for contractual and other adjustments	(6,080,613)	(5,152,270)
Less provision for doubtful accounts	(188,743)	(1,818,342)
Net patient service revenue	\$ 6,656,909	\$ 8,104,157

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 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 \$4,359,880 and \$4,482,623 for the years ended September 30, 2022 and 2021, respectively.

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

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS

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 \$940,000 and \$1,257,000 for fiscal years 2022 and 2021, respectively. DSH and LIP payments receivable of approximately \$343,000 and \$325,000 as of September 30, 2022 and 2021, respectively, are included in other receivables on the accompanying balance sheets.

In fiscal year 2022, the State of Florida began making payments under a new Directed Payment Program (DPP), retroactively for model years beginning October 1, 2020. Under this program, approximately \$93,000 was received by the Hospital in fiscal year 2022 (net of required IGTs).

These program payments, in connection with other payments received from the State of Florida for providing health services to Medicaid, uninsured and underinsured people of the State of Florida, are subject to audit, and payments received in excess of costs may be required to be refunded to the State of Florida. No accompanying liabilities have been recorded to these financial statements, as no such exposures are currently known or determinable.

During fiscal year 2022, net patient service revenue decreased by approximately \$504,000 due to changes in estimates for outstanding and filed cost reports, and it is reasonably possible that these estimates could further materially change in the near term.

Section 395.701 of the Florida Statutes imposes an annual assessment on all hospitals operating in the State of Florida. The assessment is currently calculated as 1.5% of annual net operating revenues for inpatient services; 1% of annual net operating revenues for outpatient services; and .4% of annual gross operating expenses (per AHCA’s definition).

The assessments are due on a quarterly basis to AHCA and are used, among other purposes, to obtain federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients, which serve to increase payments to Medicaid provider hospitals throughout the state. Approximately \$66,000 and \$85,000 of expenses related to these assessments are included in operating expenses on the accompanying statements of revenues, expenses and changes in net position for fiscal years 2022 and 2021, respectively. Estimated assessments payable totaling approximately \$113,000 and \$145,000 as of September 30, 2022 and 2021, respectively, are included in estimated third-party payer settlements on the accompanying balance sheets.

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

Note 12: MEDICAL MALPRACTICE INSURANCE

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. U.S. GAAP requires 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

Contracts

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

Litigation

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

Supplemental Medicaid Reimbursements

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

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.

**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

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.

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.

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.

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

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

Note 14: UNCERTAINTIES (Continued)

Current Healthcare Environment (Continued)

economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

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

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

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

Note 15: CARES ACT FUNDING

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. During 2020, U.S. Department of Health and Human Services (HHS) commenced distribution of Relief Fund monies, later increased by subsequent legislation.

**Hospital Fund of Franklin County, Florida
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Notes to Financial Statements**

Note 15: CARES ACT FUNDING (Continued)

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

During the years ended September 30, 2022 and 2021, the Hospital recognized approximately \$284 thousand and \$200 thousand of Relief Fund income, respectively, included as non-operating income, associated with lost operating revenue and COVID-related costs.

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

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

**Hospital Fund of Franklin County, Florida
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Notes to Financial Statements**

Note 15: CARES ACT FUNDING (Continued)

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 balance sheets. During fiscal years 2021 and 2022, 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. There was no remaining balance as of September 30, 2022.

- 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.



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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, 2022. Management is responsible for the Hospital's compliance with those requirements. Our responsibility is to express an opinion on the Hospital's compliance based on our examination.

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

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

In our opinion, the Hospital complied, in all material respects, with the aforementioned requirements of Section 218.415 during the year ended September 30, 2022.

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

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

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

Enterprise, Alabama
June 14, 2023

**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, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated June 14, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

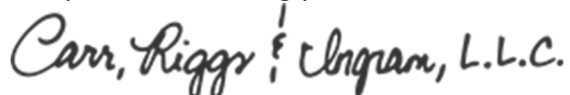
As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

Hospital's Responses to Findings

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

Purpose of this Report

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



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

Enterprise, Alabama

June 14, 2023

**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, 2022**

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 Controller in coordination with the Accountant and the CFO will reconcile balance sheet accounts monthly.

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, 2019 – 001, and 2019 – 003.

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.

**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, 2022**

Views of Responsible Officials and Planned Corrective Actions: Management will review other models such as a Centralized Accounting Office to aid the strengthening of internal controls. Additionally, management will continue to support the training and advancement opportunities of current staff.

2019 – 001 Reconciliation of Cash and Posting of Receipts (Partial 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: We determined that not all bank accounts were fully reconciled in a timely manner, resulting in material, client-posted entries to adjust cash, receivables, and other accounts at fiscal year-end.

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 – 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 Controller in coordination with the Accountant and the CFO will reconcile all capital asset accounts and related accumulated

**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, 2022**

depreciation accounts to ensure the accurate balance monthly in coordination with the monthly closing of financial reporting.

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

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards, AT-C Section 315*, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 14, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audits, we determined that findings 2018-001 and 2018-003 of the fourth preceding annual financial audit report, and findings 2019-001 and 2019-003 of the third preceding annual financial audit report, were all or partially repeated, as described in the accompanying schedule of findings and responses.

Financial Condition and Management

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

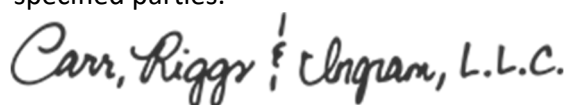
Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Hospital for the fiscal year ended September 30, 2022, filed with the Florida Department 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, 2022. 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.

Enterprise, Alabama
June 14, 2023