



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

FINANCIAL STATEMENTS

September 30, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital") as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Holmes County Hospital Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of September 30, 2023 and 2022, 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 Opinion

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

The accompanying financial statements have been prepared assuming that the Hospital will continue as a going concern. As discussed in Note 2 to the financial statements, the Hospital incurred net operating losses in both fiscal years 2023 and 2022 and has a negative equity (deficit) position. Additionally, the Hospital has been unable to make scheduled principal payments on the Series 2006 Revenue Bonds since November of 2018, requiring forbearance agreements with the bondholders that have been amended annually thereafter. Further, the Hospital's current liabilities exceed its current assets at September 30, 2023. These conditions, among others discussed in Note 2, raise substantial doubt about the Hospital's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 2. The financial statements do not include any adjustments that might result from

the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2023, the Hospital adopted Governmental Accounting Standards Board (“GASB”) Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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.

Auditor’s 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 auditor’s 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 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2024, 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
April 25, 2024

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

Introduction

This management's discussion and analysis of the financial performance of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital" or "DMH") provides an overview of the Hospital's financial activities for the years ended September 30, 2023 and 2022. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and cash equivalents increased by approximately \$510,000 in 2023, after a decrease of approximately \$336,000 in 2022.
- The Hospital's net position decreased by \$1,733,361 and \$998,333 in 2023 and 2022, respectively.
- The Hospital reported operating loss of \$1,966,453 and \$1,660,961 in 2023 and 2022, respectively.
- Operating expenses increased by \$694,686 in 2023 after an increase of \$2,595,161 in 2022.

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 that helps answer this question. These statements include all restricted and unrestricted assets, all liabilities and all deferred inflows and outflows of resources using the accrual basis of accounting. The accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

The Statements of Cash Flows

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

The Hospital's Statements of Net Position

Restatement of Prior Year Net Position

The previously issued financial statements for the year ended September 30, 2022, issued April 14, 2023, have been restated for a change in accounting principle related to the recognition of information technology subscriptions and right-of-use assets (GASB Statement No. 96).

The net position as of September 30, 2022 was affected by the restatement as follows:

<i>September 30, 2022</i>	As Previously Reported	Increase (Decrease)	As Restated
Assets			
Capital assets, net	\$ 6,492,070	\$ 343,140	\$ 6,835,210
Liabilities			
Current liabilities	\$ 3,746,975	\$ 85,906	\$ 3,832,881
Long-term liabilities	\$ 14,803,203	\$ 265,098	\$ 15,068,301
Net Position (Deficit)			
Net investment in capital assets	\$ (8,666,821)	\$ (7,864)	\$ (8,674,685)

The Hospital's assets increased \$87,713 in 2023 and decreased \$124,071 in 2022. The increase in 2023 was due to the growth in cash collections with the addition of spinal surgeries and carpal tunnel/tenex procedures in 2023. The offset to the increased collections was the increased cost of surgical equipment and supplies for these types of surgeries/procedures.

The Hospital's total liabilities increased \$1,711,344 in 2023 and increased \$874,262 in 2022. The 2023 increase was due to letters received from AHCA for a LIP payment recoupment from 2024-2015 years in the amount of \$1,244,698. The letter was dated February 16, 2024. Additional accruals were made for an anticipated recoupment for years 2021, 2022 and 2023, estimated at \$402,387. The Hospital is still paying Extended Repayment Plans for 2021 and 2022 with funds withheld from Medicare remittances.

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

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

<i>September 30,</i>	2023	<i>Variance</i>	<i>Restated</i> 2022	<i>Variance</i>	2021
Assets					
Patient accounts receivable, net	\$ 3,059,306	\$ (105,223)	\$ 3,164,529	\$ 420,419	\$ 2,744,110
Other current assets	1,654,761	635,015	1,019,746	(458,802)	1,478,548
Capital assets, net	5,938,548	(896,662)	6,835,210	715,872	6,119,338
Other noncurrent assets	1,684,275	454,583	1,229,692	(801,560)	2,031,252
Total assets	\$ 12,336,890	\$ 87,713	\$ 12,249,177	\$ (124,071)	\$ 12,373,248
Deferred Outflows of Resources					
Excess consideration provided for acquisition	\$ -	\$ (110,000)	\$ 110,000	\$ -	\$ 110,000
Liabilities					
Current liabilities	\$ 5,562,268	\$ 1,729,387	\$ 3,832,881	\$ (232,320)	\$ 4,065,201
Long-term liabilities	15,050,258	(18,043)	15,068,301	1,106,582	13,961,719
Total liabilities	20,612,526	1,711,344	18,901,182	874,262	18,026,920
Net Position (Deficit)					
Net investment in capital assets	(9,115,103)	(440,418)	(8,674,685)	(302,085)	(8,372,600)
Restricted expendable	594,570	(12,768)	607,338	(257,100)	864,438
Unrestricted	244,897	(1,280,445)	1,525,342	(439,148)	1,964,490
Total net position (deficit)	(8,275,636)	(1,733,631)	(6,542,005)	(998,333)	(5,543,672)
Total liabilities and net position	\$ 12,336,890	\$ (22,287)	\$ 12,359,177	\$ (124,071)	\$ 12,483,248

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, 2022, issued April 14, 2023, have been restated for a change in accounting principle related to the recognition of information technology subscriptions and right-of-use assets (GASB Statement No. 96).

The change in net position as of September 30, 2022 was affected by the restatement as follows:

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

<i>For the year ended September 30, 2022</i>	As Previously Reported	Increase (Decrease)	As Restated
Operating Expenses			
Depreciation and amortization	\$ 996,314	\$ 44,463	\$ 1,040,777
Other operating expenses	\$ 8,918,676	\$ (44,463)	\$ 8,874,213
Nonoperating Revenues (Expenses)			
Interest expense	\$ (891,960)	\$ (7,864)	\$ (899,824)
Increase (decrease) in net position	\$ (990,469)	\$ (7,864)	\$ (998,333)

As shown in *Table 2*, in 2023 the Hospital's net position decreased due to a loss of \$1,733,631. This can be attributed to increases in FTEs in 2023 along with increased salaries/benefits for a total of \$802,895. The Hospital added a physician in the Emergency Department full-time in payroll. There was an adjustment made of \$110,000 Loss Impairment for Goodwill – MOB Building, purchased prior years. Revenues increased by \$389,194 with expenses increasing by \$694,686, resulting in operating income (loss) increasing by \$305,492, to total operating loss of 1,966,453.

Table 2: Operating Results and Changes in Net Position

<i>For the years ended September 30,</i>	2023	<i>Variance</i>	Restated 2022	<i>Variance</i>	2021
Operating Revenues					
Net patient service revenue	\$ 19,058,885	\$ 357,004	\$ 18,701,881	\$ 3,061,971	\$ 15,639,910
Other operating revenue	40,059	32,190	7,869	(37,842)	45,711
Total operating revenues	19,098,944	389,194	18,709,750	3,024,129	15,685,621
Operating Expenses					
Salaries and wages and employee benefits	10,094,586	802,895	9,291,691	607,121	8,684,570
Physician and professional fees	934,391	(229,639)	1,164,030	319,147	844,883
Depreciation and amortization	1,113,803	73,026	1,040,777	148,121	892,656
Other operating expenses	8,812,617	(61,596)	8,874,213	1,520,772	7,353,441
Loss on impairment	110,000	110,000	-	-	-
Total operating expenses	21,065,397	694,686	20,370,711	2,595,161	17,775,550
Operating (loss) income	(1,966,453)	(305,492)	(1,660,961)	428,968	(2,089,929)
Nonoperating Revenues (Expenses)					
Investment income	(7,861)	(22,413)	14,552	(26,790)	41,342
Interest expense	(864,344)	35,480	(899,824)	(101,003)	(798,821)
Noncapital gifts and other	1,105,027	(442,873)	1,547,900	(863,866)	2,411,766
Total nonoperating revenues (expenses)	232,822	(429,806)	662,628	(991,659)	1,654,287
Increase (decrease) in net position	\$ (1,733,631)	\$ (735,298)	\$ (998,333)	\$ (562,691)	\$ (435,642)

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

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 Holmes County, Florida and the surrounding area. The Hospital does not have the authority to levy property taxes to provide sufficient resources to help the Hospital to serve lower income and other residents.

The operating loss for fiscal year 2023 was \$1,966,453 compared to a loss of \$1,660,961 in 2022, which was an increase from an operating loss of \$2,089,929 in 2021.

The primary components of the 2023 operating loss are:

- An increase in net patient service revenue of approximately \$357,004 or 1.9%.
- An increase in other operating revenue of approximately \$32,190, or 409%.
- An increase in operating expense of approximately \$694,686, or 3.4%.

The increase in other operating revenues was due to 340B revenues increasing by approximately \$32,000. This was offset by the continuing decrease of cafeteria revenues because of providing free meals to staff during the Covid-19 pandemic.

Operating expense increased due to increases of salaries and wages of \$802,895, increases in depreciation and amortization of \$73,026, and a loss on impairment of asset of \$110,000. The increases in operating expenses were offset by decreases in professional fees and contract labor of \$229,639.

Non-operating Revenues and Expenses

Non-operating revenues and expenses consist primarily of investment income, interest expense, gains/losses on asset disposals and non-capital grants, gifts, and other. Total non-operating revenues and expenses decreased from approximately \$662,000 in 2022 to \$232,000 in 2023, compared with \$1,654,287 in 2021. Non-operating revenue/expense decreased in 2023 by \$429,806. The change in 2023 compared to 2022 is mostly due to no CARES Act funds in 2023, which were \$628,049 in 2022.

Capital Contributions

There were no capital contributions in 2023 or 2022.

The Hospital's Cash Flows

As reflected in the statements of cash flows, the Hospital's cash increased in 2023 by \$958,475, compared to the decrease in 2022 by \$77,758. The increase in cash flow in 2023 was due primarily to the increased surgical procedures for spine and carpal tunnel/tenex. These procedures offer higher reimbursement than the standard scopes originally focused on in prior years.

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

Capital Asset and Debt Administration

Capital Assets

The Hospital had \$5,938,548 and \$6,835,210 of capital assets, net of accumulated depreciation and amortization, at the end of 2023 and 2022, respectively. The decrease was largely due to implementation of GASB 96 for software subscriptions booked, and the GASB 87 entries for 2023.

Debt

At September 30, 2023 and 2022, respectively, the Hospital had \$15,050,377 and \$15,465,049 in revenue bonds, notes payable and lease obligations. The Hospital's formal debt issuances, revenue bonds, are subject to limitations imposed by state law.

Other Economic Factors

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

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Business Administration by telephoning (850) 547-8010.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Statements of Net Position**

<i>September 30,</i>	2023	Restated 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 716,344	\$ 205,617
Patient accounts receivable, net of estimated uncollectibles of approximately \$3,575,000 and \$3,581,000 in 2023 and 2022, respectively	3,059,306	3,164,529
Supplies	654,342	565,888
Prepaid expenses and other	284,075	248,241
Total current assets	4,714,067	4,184,275
Noncurrent assets		
Restricted cash and cash equivalents		
Surtax account	51,368	93
Building fund	26,172	24,465
Grant fund	1,749	1,749
Bond interest fund	1,003,581	596,047
Debt reserve fund	594,570	607,338
Other receivables	6,835	-
Total noncurrent assets	1,684,275	1,229,692
Capital assets		
Land	543,503	543,503
Right-of-use lease assets, net	485,692	734,813
Right-of-use subscription assets, net	255,172	343,140
Depreciable capital assets, net	4,654,181	5,213,754
Total capital assets, net	5,938,548	6,835,210
Total assets	\$ 12,336,890	\$ 12,249,177
Deferred Outflows of Resources		
Excess consideration provided for acquisition	\$ -	\$ 110,000

(Continued)

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

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

<i>September 30,</i>	2023	Restated 2022
Liabilities and Net Position (Deficit)		
Current liabilities		
Current maturities of long-term debt		
Lease liability	\$ 255,207	\$ 245,419
Subscription liability	88,738	85,906
Bonds payable	58,561	56,423
Accounts payable	1,351,191	2,027,640
Accrued compensation and payroll taxes	718,833	604,036
Unearned revenue	214,909	39,309
Other accrued expenses	631,366	455,378
Accrued interest payable	336,063	315,053
Estimated third-party settlements	1,907,400	3,717
Total current liabilities	5,562,268	3,832,881
Long-term liabilities		
Lease liability, less current portion	248,739	498,908
Subscription liability, less current portion	176,360	265,098
Estimated third-party settlements, less current portion	402,387	-
Bonds payable, net of current maturities	14,222,772	14,304,295
Total long-term liabilities	15,050,258	15,068,301
Total liabilities	20,612,526	18,901,182
Net position (deficit)		
Net investment in capital assets	(9,115,103)	(8,674,685)
Restricted for		
Debt service	594,570	607,338
Unrestricted	244,897	1,525,342
Total net position (deficit)	(8,275,636)	(6,542,005)
Total liabilities and net position (deficit)	\$ 12,336,890	\$ 12,359,177

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

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

<i>For the years ended September 30,</i>	2023	Restated 2022
Operating Revenues		
Net patient service revenue before provision for uncollectible accounts	\$ 24,208,009	\$ 24,101,835
Provision for uncollectible accounts	(5,149,124)	(5,399,954)
Net patient service revenue	19,058,885	18,701,881
Other operating revenue	40,059	7,869
Total operating revenues	19,098,944	18,709,750
Operating Expenses		
Salaries and wages	9,419,786	8,634,345
Supplies and other operating expense	7,654,907	7,615,718
Insurance	1,157,710	1,258,495
Physician and professional fees	934,391	1,164,030
Depreciation and amortization	1,113,803	1,040,777
Employee benefits and payroll taxes	674,800	657,346
Loss on asset impairment	110,000	-
Total operating expenses	21,065,397	20,370,711
Operating income (loss)	(1,966,453)	(1,660,961)
Nonoperating Revenues (Expenses)		
Investment income (loss)	(7,861)	14,552
Interest expense	(864,344)	(899,824)
CARES PRF income, tax revenues, donations and other	1,105,027	1,547,900
Total nonoperating revenues (expenses)	232,822	662,628
Increase (decrease) in net position	(1,733,631)	(998,333)
Net position (deficit) - beginning of year	(6,542,005)	(5,543,672)
Net position (deficit) - end of year	\$ (8,275,636)	\$ (6,542,005)

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

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

<i>For the years ended September 30,</i>	2023	Restated 2022
Operating Activities		
Receipts from and on behalf of patients	\$ 21,598,725	\$ 17,553,521
Payments to suppliers and contractors	(10,395,987)	(9,151,364)
Payments to and on behalf of employees	(9,979,789)	(9,403,040)
Other receipts (payments), net	35,633	(46,776)
Net cash provided by (used in) operating activities	1,258,582	(1,047,659)
Noncapital Financing Activities		
Receipt of CARES PRF funding, donations, other	6,448	634,040
Receipt of other noncapital grants	19,884	37,560
Tax revenues and other	922,979	913,860
Principal paid on short-term debt	-	(69,111)
Interest and finance charges paid on trade payables	(17,356)	(37,149)
Net cash provided by (used in) noncapital financing activities	931,955	1,479,200
Capital and Related Financing Activities		
Proceeds from sale of assets held for sale	-	44,310
Receipt of capital related grants	155,716	-
Purchase of capital assets	(150,419)	(1,720,667)
Proceeds from lease liabilities	-	833,747
Proceeds from subscription liabilities	-	387,577
Principal paid on lease liabilities	(240,181)	(113,871)
Principal paid on subscription liabilities	(85,906)	(36,574)
Interest paid	(846,988)	(889,495)
Principal paid on other long-term debt	(56,423)	(54,894)
Net cash provided by (used in) capital and related financing activities	(1,224,201)	(1,549,867)
Investing Activities		
Sale (purchase) of investments	-	1,026,016
Interest income (loss)	(7,861)	14,552
Net cash provided by (used in) investing activities	(7,861)	1,040,568
Net increase (decrease) in cash and cash equivalents	958,475	(77,758)
Cash and cash equivalents - beginning of year	1,435,309	1,513,067
Cash and cash equivalents - end of year	\$ 2,393,784	\$ 1,435,309

(Continued)

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

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

<i>For the years ended September 30,</i>	2023	Restated 2022
Reconciliation of Cash to Statements of Net Position		
Cash and cash equivalents	\$ 716,344	\$ 205,617
Restricted cash and cash equivalents, noncurrent		
Building fund	26,172	24,465
Grant fund	1,749	1,749
Bond interest fund	1,003,581	596,047
Surtax account	51,368	93
Debt reserve fund	594,570	607,338
Cash and cash equivalents - end of year	\$ 2,393,784	\$ 1,435,309
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating income (loss)	\$ (1,966,453)	\$ (1,660,961)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	1,113,803	1,040,777
Provision for bad debts	5,149,124	5,399,954
Loss on asset impairment	110,000	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources		
(Increase) decrease in assets and deferred outflows of resources		
Patient accounts receivable	(5,043,901)	(5,820,373)
Supplies	(88,454)	59,478
Prepaid expenses and other	(35,834)	62,800
Other noncurrent items	103,165	-
(Increase) decrease in liabilities and deferred inflows of resources		
Accounts payable	(679,723)	861,932
Accrued expenses	290,785	(54,754)
Estimated third-party settlements	2,306,070	(936,512)
Total adjustments	3,225,035	613,302
Net cash provided by (used in) operating activities	\$ 1,258,582	\$ (1,047,659)
Noncash Investing, Capital and Financing Activities		
Purchase of equipment through accounts payable	\$ 3,274	\$ 53,846
Equipment acquired through capital grants	\$ 74,586	-
Amortization of bond premium included in interest expense	\$ 22,963	\$ 23,089

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

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

Note 1: DESCRIPTION OF HOSPITAL

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Uncertainty Regarding Going Concern

As shown in the accompanying financial statements, the Hospital incurred a net operating loss of approximately \$1,966,000 and \$1,661,000 in fiscal years 2023 and 2022, respectively, and net losses of approximately \$1,734,000 and \$998,000 for the years ended September 30, 2023 and 2022, respectively, resulting in deficit net positions of approximately \$8,276,000 and \$6,542,000, respectively, at September 30, 2023 and 2022.

During fiscal year 2023, the Hospital was unable to meet its obligations to fund its bonds on a monthly basis and to make regularly scheduled principal and interest payments, resulting in a forbearance agreement with the bondholders, described further in Note 8. This agreement deferred bond funding and principal payments through December 2024, subject to compliance with the terms of the agreement. The terms of forbearance agreement also include monthly monitoring and required compliance with a budget, as well as several other restrictive terms. Failure to comply with the agreement in full may result in the bondholders calling the debt immediately and exercising any and all available remedies, up to and including seizure of assets.

Management’s current plans are to continue to operate the Hospital and generate sufficient cash flow from operations to fund the business. Further, management continues to pursue a refinancing of the Series 2006 bonds with another lender, on terms more favorable to the Hospital, and also seeks additional grant funding. While the Hospital believes in the viability of its strategies to generate sufficient cash to fund its business and refinance its debt, there can be no assurances to that affect. The ability of the Hospital to continue as a going concern is dependent upon the Hospital’s ability to successfully implement its plans and generate sufficient cash from operations and refinance its debt on favorable terms.

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates (continued)

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. Revisions to prior year's estimates of third-party liabilities resulted in a decrease in operating income of approximately \$331,000 and \$98,000 for the years ended September 30, 2023 and 2022, respectively.

Risk Management

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

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

Restatement of Prior Year Financial Statements

The previously issued financial statements for the year ended September 30, 2022, issued April 14, 2023, have been restated for a change in accounting principle related to the recognition of information technology subscriptions and right-of-use assets (GASB Statement No. 96). The implementation of this statement requires the restatement of the statement of net position, 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 subscription based assets less accumulated amortization, and the respective subscription liability as of September 30, 2022.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restatement of Prior Year Financial Statements (continued)

The financial statements as of September 30, 2022 were restated as follows:

<i>September 30, 2022</i>	As Previously Reported	Increase (Decrease)	As Restated
<i>Statement of Net Position</i>			
Assets			
Capital assets			
Total capital assets, net	\$ 6,492,070	\$ 343,140	\$ 6,835,210
Liabilities and Net Position (Deficit)			
Current liabilities			
Current portion of subscription liabilities	\$ -	\$ 85,906	\$ 85,906
Long-term liabilities			
Subscription liability, less current portion	\$ -	\$ 265,098	\$ 265,098
Net position (deficit)			
Net investment in capital assets	\$ (8,666,821)	\$ (7,864)	\$ (8,674,685)
<hr/>			
<i>For the year ended September 30, 2022</i>	As Previously Reported	Increase (Decrease)	As Restated
<i>Statement of Revenues, Expenses, and Changes in Net Position</i>			
Operating Expenses			
Supplies and other operating expense	\$ 7,660,181	\$ (44,463)	\$ 7,615,718
Depreciation and amortization	\$ 996,314	\$ 44,463	\$ 1,040,777
Nonoperating Revenues (Expenses)			
Interest expense	\$ (891,960)	\$ (7,864)	\$ (899,824)
Total nonoperating revenues (expenses)	\$ 670,492	\$ (7,864)	\$ 662,628
Increase (decrease) in net position	\$ (990,469)	\$ (7,864)	\$ (998,333)
Net position (deficit) - end of year	\$ (6,534,141)	\$ (7,864)	\$ (6,542,005)

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restatement of Prior Year Financial Statements (continued)

<i>For the year ended September 30, 2022</i>	As Previously Reported	Increase (Decrease)	As Restated
Statement of Cash Flows			
Operating Activities			
Payments to suppliers and contractors	\$ (9,195,827)	\$ 44,463	\$ (9,151,364)
Net cash provided by (used in) operating activities	\$ (1,092,122)	\$ 44,463	\$ (1,047,659)
Capital and Related Financing Activities			
Purchase of capital assets	\$ (1,325,201)	\$ (395,466)	\$ (1,720,667)
Proceeds from lease liability	\$ 719,876	\$ 113,871	\$ 833,747
Principal paid on lease liabilities	\$ -	\$ (113,871)	\$ (113,871)
Principal paid on subscription liabilities	\$ -	\$ (36,574)	\$ (36,574)
Net cash provided by (used in) capital and related financing activities	\$ (1,505,404)	\$ (44,463)	\$ (1,549,867)
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	\$ 996,314	\$ 44,463	\$ 1,040,777
Total adjustments	\$ 568,839	\$ 44,463	\$ 613,302
Net cash provided by (used in) operating activities	\$ (1,092,122)	\$ 44,463	\$ (1,047,659)

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less. At September 30, 2023 and 2022, cash equivalents consisted primarily of demand deposits.

Investments and Investment Income

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable, Net (continued)

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 2023 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2023 or 2022.

Supplies

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

Prepaid Expenses

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under lease (right 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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

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

Cost of Borrowing

Costs incurred in connection with the obtaining of financing are deferred and amortized over the period the obligation is outstanding using the interest method. Premiums or discounts incurred in connection with the issuance of bonds and indentures are amortized over the life of the obligations on the interest method, and the unamortized amount is included in the balance of the outstanding debt.

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. For the year ended September 30, 2023, impairment of long-lived assets recorded was \$110,000. No material impairment charges to long-lived assets were recorded for the year ended September 30, 2022.

Deferred Outflows/Inflows of Resources

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

The Hospital had one item that qualifies as deferred outflows of resources at September 30, 2022, the deferred outflow related to excess consideration provided for acquisition. This item is related to the purchase of a physician practice and its assets in fiscal year 2021, and the total of \$110,000 relates to the excess of the consideration paid over the identifiable and capitalized equipment acquired. This amount was fully impaired in fiscal year 2023.

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

The Hospital has no items that qualify for reporting as deferred inflows of resources at September 30, 2023 and 2022.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

A summary of changes in the Hospital's compensated absences for the years ended September 30, 2023 and 2022 follows:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Compensated absences	\$ 321,142	\$ 402,850	\$ 415,844	\$ 308,148	\$ 308,148

	Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022	Due Within One Year
Compensated absences	\$ 286,287	\$ 406,316	\$ 371,461	\$ 321,142	\$ 321,142

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.

Subscription-Based Information Technology Arrangements

Under GASB No. 96, Subscription-Based Information Technology Arrangements (SBITA), all contracts allowing for the Hospital to use another entity's information technology software alone or in combination with tangible capital assets (the underlying IT assets) for a period greater than 12 months are recorded as both a right-of-use (ROU) asset and a subscription liability. The liability is measured using the present value of total expected payments over the subscription 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. The ROU asset should be measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription-Based Information Technology Arrangements (continued)

or before the commencement of the subscription term. Amortization of the ROU subscription asset flows through amortization expense monthly using straight-line basis over the life of the subscription.

The Hospital uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Hospital uses its estimated incremental borrowing rate as the discount rate for subscriptions.

The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and term options that the Hospital is reasonably certain to exercise.

The Hospital monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with capital assets and subscription liabilities are reported on the statement of net position.

Categories and Classification of Net Position

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

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

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

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

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

Revenues and Expenses

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses (continued)

all expenses incurred to provide health care services, other than financing costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Net Patient Service Revenue

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

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

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 \$824,789 and \$856,931 for the years ended September 2023 and 2022, respectively, and estimated costs and expenses incurred to provide charity care totaled \$321,099 and \$331,612, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

Grants and Contributions

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses (continued)

Ad Valorem Tax

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

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

2023 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, 2023 and 2022 was \$27,778 and \$36,010, respectively.

Income Taxes

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

Recently Issued and Implemented Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). The primary objectives of GASB 91 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.

GASB 91 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 Hospital adopted GASB 91 for the year ended September 30, 2023, and GASB 91 did not have an impact on the financial statements.

In March 2021, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

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. This Statement is effective for fiscal years beginning after June 15, 2022. The Hospital adopted GASB 94 for the year ended September 30, 2023, and GASB 94 did not have an impact on the financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). 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. This Statement is effective for fiscal years beginning after June 15, 2022. The Hospital adopted Statement No. 96 for the year ended September 30, 2023. Additional information about the changes to the financial statements related to the implementation of this Statement can be found in Note 8.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). 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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

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

The requirements of this Statement are effective as follows:

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

The Hospital adopted the applicable provisions GASB 99 related to leases, PPPs, and SBITAs for the year ended September 30, 2023, and GASB 99 did not have a significant impact on the financial statements.

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

In 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* (GASB 101). 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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102). The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

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

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 25, 2024. See Note 18 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 3: DEPOSITS AND INVESTMENTS

As of September 30, 2023 and 2022, the deposits of the Hospital consisted of the following:

<u>September 30,</u>	<u>2023</u>	<u>2022</u>
Petty cash and undeposited cash	\$ 215	\$ 215
Cash deposits with financial institutions	2,393,569	1,435,094
Total deposits and investments	\$ 2,393,784	\$ 1,435,309

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

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits are included in the following statement of net position captions:

<i>September 30,</i>	2023	2022
Cash and cash equivalents	\$ 716,344	\$ 205,617
Restricted cash and cash equivalents, noncurrent		
Building fund	26,172	24,465
Grant fund	1,749	1,749
Bond interest fund	1,003,581	596,047
Debt reserve fund	594,570	607,338
Surtax account	51,368	93
Total	\$ 2,393,784	\$ 1,435,309

Deposits

The State of Florida’s Public Deposit Act (the “Act”) requires that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of Federal Deposit Insurance Corporation (FDIC) limits and proceeds from the sale of securities pledged by the defaulting depository are assessed against other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

At September 30, 2023 and 2022, respectively, \$1,598,151 and \$1,203,385 of cash deposits in sinking, interest and reserve fund accounts related to the Hospital’s Series 2006 revenue bonds were held at a financial institution which is not a qualified public depository. \$250,000 of such deposits for both years were collateralized by the FDIC, while the balances were uncollateralized. The remainder of the Hospital’s deposits at September 30, 2023 and 2022 were covered under the FDIC and the Act.

Investments

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from changing interest rates. However, interest rate risk has been effectively limited by only investing in securities with maturities of less than 90 days.

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

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. All of the underlying securities for the Hospital's investments at September 30, 2023 and 2022 are held by the counterparties in other than the Hospital's name.

Note 4: PATIENT ACCOUNTS RECEIVABLE

The Hospital is located in Bonifay, Florida. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2023 and 2022 was:

<i>September 30,</i>	2023	2022
Medicare	\$ 909,559	\$ 1,011,123
Medicaid	273,046	396,842
Other third-party payers	1,613,388	1,720,581
Patients	3,838,149	3,616,809
<hr/>		
Total patient accounts receivable	6,634,142	6,745,355
Less allowance for uncollectible accounts	(3,574,836)	(3,580,826)
<hr/>		
Patient accounts receivable, net	\$ 3,059,306	\$ 3,164,529
<hr/> <hr/>		

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

Note 5: CAPITAL ASSETS

Capital asset activity and balances for the year ended September 30, 2023, were as follows:

	Estimated Useful Lives (in years)	Restated Balance 10/1/2022	Additions	Reductions	Transfers	Balance 9/30/2023
Nondepreciable capital assets						
Land		\$ 543,503	\$ -	\$ -	\$ -	543,503
Total nondepreciable		543,503	-	-	-	543,503
Depreciable capital assets						
Land improvements	5 - 40	1,856,984	-	-	-	1,856,984
Buildings and improvements	5 - 40	6,960,315	-	-	-	6,960,315
Furniture and fixtures	7 - 20	203,112	-	-	-	203,112
Machinery and equipment	7 - 20	13,505,560	217,141	-	-	13,722,701
ROU Assets - Equipment	2 - 7	936,215	-	-	-	936,215
ROU Assets - SBITA	3 - 5	387,576	-	-	-	387,576
Total depreciable, at cost		23,849,762	217,141	-	-	24,066,903
Less accumulated depreciation/amortization						
Land improvements		(1,500,623)	(49,243)	-	-	(1,549,866)
Buildings and improvements		(4,686,466)	(178,221)	-	-	(4,864,687)
Furniture and fixtures		(192,649)	(11,644)	-	-	(204,293)
Machinery and equipment		(10,932,479)	(537,606)	-	-	(11,470,085)
ROU Assets - Equipment		(201,402)	(249,121)	-	-	(450,523)
ROU Assets - SBITA		(44,436)	(87,968)	-	-	(132,404)
Total accumulated depreciation/amortization		(17,558,055)	(1,113,803)	-	-	(18,671,858)
Depreciable, net		6,291,707	(896,662)	-	-	5,395,045
Total capital assets, net		\$ 6,835,210	\$ (896,662)	\$ -	\$ -	\$ 5,938,548

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

Note 5: CAPITAL ASSETS (Continued)

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

	Estimated Useful Lives (in years)	Balance 10/1/2021	Additions	Reductions	Transfers	Restated Balance 9/30/2022
Nondepreciable capital assets						
Land		\$ 319,513	\$ 233,990	\$ (10,000)	\$ -	\$ 543,503
Total nondepreciable		319,513	233,990	(10,000)	-	543,503
Depreciable capital assets						
Land improvements	5 - 40	1,856,984	-	-	-	1,856,984
Buildings and improvements	5 - 40	6,960,315	-	-	-	6,960,315
Furniture and fixtures	7 - 20	203,112	-	-	-	203,112
Machinery and equipment	7 - 20	13,202,249	319,337	-	(16,000)	13,505,586
ROU Assets - Equipment	2 - 7	94,469	825,746	-	16,000	936,215
ROU Assets - SBITA	3 - 5	-	387,576	-	-	387,576
Total depreciable, at cost		22,317,129	1,532,659	-	-	23,849,788
Less accumulated depreciation/amortization						
Land improvements		(1,442,270)	(58,353)	-	-	(1,500,623)
Buildings and improvements		(4,455,171)	(231,295)	-	-	(4,686,466)
Furniture and fixtures		(183,566)	(9,083)	-	-	(192,649)
Machinery and equipment		(10,371,312)	(563,060)	-	1,867	(10,932,505)
ROU Assets - Equipment		(64,985)	(134,550)	-	(1,867)	(201,402)
ROU Assets - SBITA		-	(44,436)	-	-	(44,436)
Total accumulated depreciation/amortization		(16,517,304)	(1,040,777)	-	-	(17,558,081)
Depreciable, net		5,799,825	491,882	-	-	6,291,707
Total capital assets, net		\$ 6,119,338	\$ 725,872	\$ (10,000)	\$ -	\$ 6,835,210

Depreciation expense, which includes amortization of right-of-use (ROU) assets, totaled \$1,113,803 and \$1,040,777, as restated, for the years ended September 30, 2023 and 2022 respectively.

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

Note 6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

<i>September 30,</i>	2023	2022
Payable to suppliers and contractors	\$ 1,398,632	\$ 2,027,640
Payable to employees (including payroll taxes and benefits)	718,833	604,036
Accrued interest payable	336,063	315,053
Due to patients and their insurers	583,925	455,378
	\$ 3,037,453	\$ 3,402,107

Note 7: SHORT-TERM DEBT

In October 2021, the Hospital financed \$69,111 related to its fiscal 2021 Property, Cyber and Directors and Officers insurance premiums. Under the financing agreement, which bears interest at 4.95%, principal and interest payments are due in 10 consecutive monthly installments of \$7,069 beginning in November 2021. The balance of this financing agreement was paid off in August 2022. There were no such borrowings during fiscal year 2023.

A summary of changes in the Hospital's short-term debt for the year ended September 30, 2022 is as follows:

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

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

Note 8: LONG-TERM LIABILITIES

Bonds Payable

The Hospital's long-term debt, excluding lease and subscription obligations, and third-party settlements, consists of the following:

<i>September 30,</i>	2023	2022
Hospital Revenue Bonds Series 2006, original principal amount of \$16,935,000. The bond is comprised of two individual issues, the first in the principal amount of \$6,820,000 with an interest rate of 5.75%, and the second in the principal amount of \$10,115,000 with an interest rate of 6.00%. Principal payments are due annually on November 1, and interest is payable semiannually on May 1 and November 1. Proceeds from the bonds were used to construct a replacement facility which was placed into service on April 1, 2008. The bonds mature in 2039.	\$ 13,875,000	\$ 13,875,000
Hospital Revenue Bonds Series 2017, original principal amount of \$375,000, bearing an interest rate of 2.75%. Principal and interest payments in the amount of \$59,625 are due annually beginning on February 22, 2018 through February 22, 2024. Proceeds from the bonds were used for the reimbursement and purchase of imaging equipment.	58,561	114,984
Plus: unamortized portion of premium on Series 2006 bonds	347,772	370,734
	14,281,333	14,360,718
Less: current portion	(58,561)	(56,423)
Total	\$ 14,222,772	\$ 14,304,295

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

As of September 30, 2023 and 2022, the Hospital had violated certain of its bond covenants. The Hospital has received a waiver of these events for the current year, due to a renewed forbearance agreement (see below). The financial statements do not include any adjustments related to the events of default or that would result from the Hospital's inability to cure such defaults in the future.

On September 30, 2019, the Hospital entered into a forbearance agreement with bondholders, whereby the bondholders agreed to forbear any remedies throughout a specified forbearance period (through October 30, 2020, absent any triggering events) subject to compliance with the terms

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

Note 8: LONG-TERM LIABILITIES (Continued)

Bonds Payable (continued)

therein. Under the provisions of the agreement, \$400,000 was released from the debt service fund to pay selected vendors, and the debt service deposits and November 2019 principal payment were delayed until after the forbearance period.

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

On December 30, 2020, an amendment to the original forbearance agreement was executed, retroactive to September 15, 2020 and extending the agreement through June 30, 2021. The amendment requires the Hospital to resume debt service deposits and make full payment on the scheduled Series 2006 bond principal due November 2021. It also requires compliance with a new budget and various other terms, including keeping the aging of accounts payable to a certain limit. In addition, it requires the Hospital to submit an application to the U.S. Department of Agriculture seeking financing sufficient to refinance the Series 2006 bonds for the full amount outstanding. The Hospital has not been able to obtain such funding as of September 30, 2023.

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

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

In February of 2024, a fourth amendment to the forbearance agreement was successfully executed, extending the period of time covered by the agreement through December of 2024. All other significant terms remain similar to the first amendment.

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

<i>For the years ending September 30,</i>	Revenue Bonds Payable	
	Principal	Interest
2024	\$ 538,561	\$ 714,584
2025	505,000	684,669
2026	535,000	654,769
2027	565,000	623,144
2028	600,000	588,900
2029-2033	3,580,000	2,342,100
2034-2038	4,795,000	1,095,150
2039-2042	2,815,000	2,400,863
Total	\$ 13,933,561	\$ 9,104,179

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

Note 8: LONG-TERM LIABILITIES (Continued)

Bonds Payable (continued)

The table above reflects the scheduled principal and interest payments on the outstanding Revenue Bonds; however, as noted above and throughout these Notes to Financial Statements, the Hospital has been unable to make the scheduled principal payments on the Series 2006 Revenue Bonds since 2018. The fourth amendment to the forbearance agreement (as discussed above) extends the terms of the agreement through December of 2024. Accordingly, the accompanying statement of net position as of September 30, 2023 does not show any amount as a current maturity for the Series 2006 Revenue Bonds.

Leases – Lessee

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

With the implementation of GASB 87, the initial lease liability was recorded in the amount of \$42,736 (October 1, 2020). As of September 30, 2023, the value of lease liability was \$503,946. The Hospital is required to make monthly principal and interest payments totaling approximately \$27,000. The leases have interest rates of approximately 6%.

Minimum future lease payments under lease liability as of September 30, 2023 are as follows:

<i>For the years ending September 30,</i>	Principal Payments	Interest Expense	Total
2024	\$ 255,207	\$ 22,992	\$ 278,199
2025	149,438	8,762	158,200
2026	33,454	4,746	38,200
2027	35,517	2,682	38,199
2028	30,330	652	30,982
Total	\$ 503,946	\$ 39,834	\$ 543,780

GASB No. 96, *Subscription-Based Information Technology Arrangements*, was adopted for periods beginning July 1, 2022. Under this new guidance, nearly all contracts allowing for the Hospital to use another entity’s information technology software alone or in combination with tangible capital assets (the underlying IT assets) for a period greater than 12 months must be recorded as both a ROU asset and a subscription liability. The liability is measured using the present value of expected payments over the subscription 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. Amortization of the ROU asset flows through amortization expense monthly using straight-line basis over the life of the subscription.

The right-of-use assets and related subscription liabilities largely involve the following:

- Licensing and remote hosting agreements with global suppliers of health information technology solutions which provide software/applications, managed/shared services, and remote hosting services. The contracts end in fiscal years 2025 – 2027.

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

Note 8: LONG-TERM LIABILITIES (Continued)

Leases – Lessee (continued)

With the implementation of GASB 96, the initial subscription liability was recorded in the amount of \$387,577. As of September 30, 2023 and 2022, the balance of the subscription liability was \$265,098 and \$351,004, respectively. The Hospital is required to make monthly principal and interest payments totaling approximately \$10,000. The subscriptions do not have stated interest rates. The Hospital used an estimate of its incremental borrowing rate, 3.25%.

Minimum future subscription payments under lease liability as of September 30, 2023, are as follows:

<i>For the years ending September 30,</i>	Principal Payments	Interest Expense	Total
2024	\$ 88,738	\$ 7,361	\$ 96,099
2025	87,508	4,436	91,944
2026	68,819	1,665	70,484
2027	20,033	187	20,220
Total	\$ 265,098	\$ 13,649	\$ 278,747

A summary of changes in the Hospital's long-term debt, including lease obligations, for the years ended September 30, 2023 follows:

	Restated Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Lease liability	\$ 744,327	\$ -	\$ (240,381)	\$ 503,946	\$ 255,207
Subscription liability	351,004	-	(85,906)	265,098	88,738
Revenues bonds payable					
Series 2006	13,875,000	-	-	13,875,000	-
Series 2017	114,984	-	(56,423)	58,561	58,561
Premium on Series 2006	370,734	-	(22,962)	347,772	-
Revenues bonds payable	14,360,718	-	(79,385)	14,281,333	58,561
Total long-term debt	\$ 15,456,049	\$ -	\$ (405,672)	\$ 15,050,377	\$ 402,506

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

Note 8: LONG-TERM LIABILITIES (Continued)

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

	Balance 10/1/2021	Additions	Reductions	Restated Balance 9/30/2022	Due Within One Year
Lease liability	\$ 24,451	\$ 719,876	\$ -	\$ 744,327	\$ 245,419
Subscription liability	-	387,577	(36,573)	351,004	85,906
Revenues bonds payable					
Series 2006	13,875,000	-	-	13,875,000	-
Series 2017	169,878	-	(54,894)	114,984	56,423
Premium on Series 2006	393,697	-	(22,963)	370,734	-
Revenues bonds payable	14,438,575	-	(77,857)	14,360,718	56,423
Total long-term debt	\$ 14,463,026	\$ 1,107,453	\$ (114,430)	\$ 15,456,049	\$ 387,748

Note 9: NET INVESTMENT IN CAPITAL ASSETS

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

<i>September 30,</i>	2023	Restated 2022
Capital assets, net	\$ 5,938,548	\$ 6,835,210
Less outstanding accounts payable related to capital assets	(3,274)	(53,846)
Less debt related to capital assets:		
Leases	(503,946)	(744,327)
Subscriptions	(265,098)	(351,004)
Bonds payable, net of premium	(14,281,333)	(14,360,718)
Net investment in capital assets	\$ (9,115,103)	\$ (8,674,685)

Note 10: NET PATIENT SERVICE REVENUE

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

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

Note 10: NET PATIENT SERVICE REVENUE (Continued)

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

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

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

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

<i>For the years ended September 30,</i>	2023	2022
Medicare	28%	26%
Medicaid (Traditional)	3%	3%
Blue Cross	17%	14%
Commercial/HMO/PPO	50%	48%

The composition of net patient service revenue was as follows:

<i>For the years ended September 30,</i>	2023	2022
Gross patient service revenue	\$ 71,371,087	\$ 61,520,557
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	(47,163,078)	(37,418,722)
Provision for bad debts	(5,149,124)	(5,399,954)
Net patient service revenue	\$ 19,058,885	\$ 18,701,881

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS

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

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

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS (Continued)

and/or state legislation. Total proceeds of DSH and LIP payments (net of required IGTs) were approximately \$727,000 and \$1,177,000 for fiscal years 2023 and 2022, respectively.

In fiscal year 2022, the State of Florida began making payments under a new Directed Payment Program (DPP), retroactively for model years beginning October 1, 2020. Under this program, approximately \$0 and \$96,000 was received by the Hospital for fiscal years 2023 and 2022, respectively (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.

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 \$209,000 and \$202,000 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 2023 and 2022, respectively. Estimated assessments payable totaling \$209,000 and \$185,000 at both September 30, 2023 and 2022 are included in estimated third-party payer settlements on the accompanying statements of net position.

Please see Note 18 for further information on liabilities recorded at September 30, 2023 related to known and estimated LIP overpayments.

Note 12: MEDICAL MALPRACTICE INSURANCE

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

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

Note 13: 403(B) DEFERRED COMPENSATION PLAN

The Hospital sponsors a deferred compensation plan, which qualifies as a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code. The Plan covers all employees who elect to

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

Note 13: 403(B) DEFERRED COMPENSATION PLAN (Continued)

participate. The plan allows participants to defer a portion of their annual compensation. The amount of annual contributions to the plan by participants is subject to certain limitations as defined in the plan document. Plan participants vest 100% immediately in their contributions and investment earnings thereon. The plan does not require or provide for employer contributions, and, accordingly, no contribution expense was recognized for the years ended September 30, 2023 and 2022.

Note 14: COMMITMENTS AND CONTINGENCIES

Contracts

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

Litigation

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

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. Please see Note 18.

Contingencies

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

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

Current Healthcare Environment

Revenue from the Medicare and Medicaid programs accounted for approximately 26 percent and 3 percent, respectively, of the Hospital's net patient revenue for the year ended 2023. Revenue from the Medicare and Medicaid programs accounted for approximately 26 percent and 3 percent, respectively, of the Hospital's net patient revenue for the year ended 2022. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

Note 15: 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 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 16: CARES ACT FUNDING

The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation. The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation (CARES Act) and the Paycheck Protection Program and Health Care Enhancement Act ("Paycheck Protection Program"), which was signed into law on April 24, 2020, authorized up to \$2 trillion in government spending to mitigate the economic effects of the COVID-19 pandemic. Below is a brief overview of certain provisions of the CARES Act and related legislation that have impacted and expect will continue to impact the 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.

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

Note 16: CARES ACT FUNDING (Continued)

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

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

During the years ended September 30, 2023 and 2022, the Hospital recognized approximately \$0 and \$628 thousand of Relief Fund income, respectively, included as nonoperating income, associated with lost operating revenue and COVID-related costs.

Medicare and Medicaid Payment Policy Changes. The CARES Act also alleviated 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.

- The CARES Act and subsequent legislation suspended the 2% sequestration payment reduction applied to all Medicare Fee-for-Service (FFS) claims from May 1, 2020, through March 31, 2022. A 1% sequestration adjustment was reinstated April 1, 2022, through September 30, 2022. The original 2% sequestration adjustment was reinstated July 1, 2022, and is still in effect.
- 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. The Department of Health and Human Services declared the end of the public health emergency (PHE) on May 11, 2023.
- The Affordable Care Act (ACA) mandated cuts to Medicaid DSH based on the assumption Medicaid coverage would expand to almost all non-elderly adults under age 65. As originally structured, the ACA called for a total of \$18 billion in Medicaid DSH cuts beginning in federal fiscal year 2014 through 2020. Subsequent legislation has both delayed implementation of the cuts and extended the Medicaid DSH cuts.
- The American Rescue Plan Act of 2021 temporarily increased federal fiscal years (FYs) 2020-2023 Federal DSH allotments because of the COVID-19 Pandemic. Medicaid DSH payment reductions are scheduled to be implemented on October 1, 2023 (FY2024) when \$8 billion in reductions take effect. An \$8 billion DSH payment reduction will continue for each of the next three FYs 2025-27. The need for Medicaid DSH supplemental funding remains essential

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

Note 16: CARES ACT FUNDING (Continued)

as the Hospital copes with the impacts of financial instability while supporting our mission to treat all patients, regardless of their ability to pay.

- The CARES Act expanded the Medicare Accelerated and Advance payments program, which provided prepayment of claims to providers in certain circumstances, such as national emergencies or natural disasters. Under this measure, providers could request accelerated and advance payments for Medicare Part A and Part B suppliers. Under the Continuing Appropriations Act, 2022 and Other Extensions Act, repayment began one year from the issuance date of each provider or supplier’s accelerated or advance payment. After the first 12 months, Medicare automatically recouped 25 percent of Medicare payments otherwise owed to the provider or supplier for eleven months. At the end of the eleven-month period, recoupment increased to 50 percent for another six months.
- If the provider or supplier was unable to repay the total amount of the accelerated or advance payment during this time-period (a total of 29 months), the Centers for Medicare and Medicaid Services (CMS) issued demand letters requiring repayment of any outstanding balance, subject to an interest rate of four percent consistent with the Continuing Appropriations Act, 2021. In fiscal year 2020, the Hospital and other providers applied for and received approximately \$1.1 million of accelerated payments, which were recorded in unearned revenue on the statements of net position. Medicare accelerated payments were fully repaid by 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 were available to states beginning on January 1, 2020 provided that states meet certain conditions. An increase in states’ FMAP leveraged Medicaid’s existing financing structure, which allowed 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 supported states in responding to the increased need for services, such as testing and treatment during the COVID-19 public health emergency, as well as increased enrollment as more people lose income and qualify for Medicaid during the economic downturn.

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

Note 17: CARES PRF INCOME, TAX REVENUES, DONATIONS AND OTHERS

<i>For the years ended September 30,</i>	2023	2022
Holmes County tax revenues	\$ 942,863	\$ 913,860
CARES PRF	-	628,049
Grants, donations and other miscellaneous	162,164	5,991
CARES PRF, tax revenues, donations, grants and other	\$ 1,105,027	\$ 1,547,900

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

Note 17: CARES PRF INCOME, TAX REVENUES, DONATIONS AND OTHERS (Continued)

Effective January 1, 2021, the Hospital began receiving sales tax funds from Holmes County, via voter approval of an indigent care one-half cent sales surtax. Proceeds of these taxes are recorded as nonoperating income, in the amounts shown in the table above. Additionally, due to timing differences between when the taxes are received by Holmes County and remitted to the Hospital, an amount totaling approximately \$185,000 and \$187,000 was recorded as a receivable at September 30, 2023 and 2022, respectively, included in other current assets on the accompanying statements of net position.

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

Note 18: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2023 through April 25, 2024, the date the Hospital's financial statements were available to be issued. The following items occurred:

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

In February of 2024, the Hospital received a demand letter from AHCA totaling \$1,244,698 related to calculated overpayments of LIP for state fiscal years ended June 30, 2014 – June 30, 2018. This issue was pursuant to a settlement agreement between CMS and AHCA, signed on September 28, 2023.

As a result of that settlement agreement, the share of alleged LIP overpayments representing the federal financial participation (FFP) are to be repaid from AHCA to CMS. In turn, AHCA has demanded these monies back from the participating, affected hospitals. The Hospital's management has determined that this represents a "recognized event", pursuant to GASB No. 56, and should be recorded on the financial statements as of September 30, 2023.

The Hospital closely coordinated and communicated with AHCA in determining the potential total exposure as of September 30, 2023. In addition to the demand letter noted above, AHCA will soon send additional demand letters for state fiscal years ended June 30, 2019 and June 30, 2020. The Hospital estimated the repayment for state fiscal years 2019 and 2020, using the third party examination results letters received (LIP paid in excess of costs), multiplied by the estimated FFP. The Hospital recorded \$1,244,698 of current liabilities. Additionally, the Hospital recorded \$402,387 non-current liabilities.

For state fiscal years ending after June 30, 2020, an exposure exists related to any potential LIP overpayments. The third-party examinations of the LIP program are conducted three years in arrears, and, as such, the actual overpayments, if any, will not be known until such examinations are completed. The Hospital used the best information available, including the CMS / AHCA settlement agreement, third party examination results through state fiscal year 2020, and other information to calculate a most likely exposure, included in the non-current liability discussed above.

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

Note 18: SUBSEQUENT EVENTS (Continued)

It is possible that this matter is not limited only to LIP, as it may also extend to DSH funding for the same general timeframe. As of the date these financials were available for release, the Hospital's management has determined that it is not probable that a liability exists related to DSH.

These matters are complex and fluid. It is possible that additional information may arise in the future, such as a future settlement agreement between CMS and AHCA that could result in additional repayments from the Hospital to AHCA, and such amounts could be significant to the financial statements.



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

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

We have examined Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the “Hospital”) compliance with the Section 218.415, Florida Statutes, during the year ended September 30, 2023. 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, 2023.

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

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

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

Enterprise, Alabama
April 25, 2024



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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the “Hospital”) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated April 25, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

the accompanying schedule of findings and responses as items 2023-001, 2023-002 and 2023-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as findings 2023 – 002.

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.

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

Enterprise, Alabama

April 25, 2024

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Schedule of Findings and Responses
For the Year Ended September 30, 2023**

2023 – 001 Accruals and Net Position Presentation (Partial Repeat of 2018-002)

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

Condition: Audit adjustments were required to adjust estimated amounts due from Medicaid supplemental payments, payroll accruals, accounts payable, County tax receivables / revenues, and others.

Cause: Internal controls were not sufficient to detect certain misstatements in the financial statements.

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

Recommendation: Management should continue to focus on strengthening internal controls surrounding financial reporting and the proper presentation of financial statements in accordance with GAAP and ensure that appropriate measures are taken to reconcile and record all assets and liabilities.

Views of Responsible Officials and Planned Corrective Actions: We agree with the above recommendation and will continue to try to eliminate the occurrence of these issues in the future. The Hospital will be strengthening internal controls surrounding financial reporting and proper presentation of financial statements in accordance with GAAP. The Hospital will provide additional training to ensure that appropriate measures are taken to record all balances. The Hospital is also consulting with other hospitals in the area for best practices to improve upon current closing procedures.

2023 – 002 Public Deposit Act Compliance (Repeat of 2019-003)

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

Condition: During the year ended September 30, 2019, the Hospital transferred its Series 2006 bond reserve and interest and sinking fund cash accounts to a new financial institution which is not a qualified public depository of the State of Florida. This condition remains in fiscal year 2023.

Cause: Cash balances related to the Series 2006 revenue bond were transferred to a new financial institution at the time the financial institution became the new custodian of the related bonds. Internal controls were not sufficient to detect potential noncompliance before this transaction was finalized.

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Schedule of Findings and Responses
For the Year Ended September 30, 2023**

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

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

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

2023 – 003 Going Concern / Deteriorating Financial Condition (Partial Repeat of 2022-001)

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

Condition and Effect: During the course of our audit, we evaluated the Hospital's ability to continue as a going concern, as required of us by our professional standards. We also measured the Hospital's financial metrics, as required by the rules of the Florida Auditor General. The results of our procedures indicated the existence of multiple risk factors challenging the Hospital's ability to continue as a going concern, as well as a deteriorating financial condition, namely: failure during fiscal 2023 to meet bond funding obligations and recurring negative trends such as net losses and equity deficits. These factors raise substantial doubt about the Hospital's ability to continue as a going concern and indicate a deteriorating financial condition. As such, we added an explanatory paragraph to our audit opinion and management included disclosure in the notes to the financial statements addressing these factors. Additionally, lack of a formalized process could result in management not performing Florida's required assessment.

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

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

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Schedule of Findings and Responses
For the Year Ended September 30, 2023**

Views of Responsible Officials and Planned Corrective Actions: Hospital management is in the process of finalizing a Strategic Plan for 2025 that addresses the priorities and objectives summarized below.

Hospital management entered into a fourth amendment to the forbearance agreement with the bondholders to continue our financial agreement with them.

The Hospital's management plans to improve revenues by increasing swing bed utilization and rehabilitation services, increasing emergency department volumes, expanding Rural Health Clinic services and increasing ancillary services through recruitment of additional physicians. The Hospital has been successful in having a ½ cent sales tax referendum passed in November 2020, which has generated over \$945,000 per year. With this surtax expiring at the end of 2026, the Hospital is working to have it put back on the agenda to be reapproved during the 2024 election.

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



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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the “Hospital” or “District”), as of and for the fiscal year ended September 30, 2023 and have issued our report thereon dated April 25, 2024.

Auditor’s 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 Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 25, 2024, 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. The status of each finding and recommendation made in the preceding annual financial audit report is noted below:

Finding No.	Original Finding No.	Description	Status
2023-001	2018-002	Accruals and Net Position Presentation	Not Cleared
2023-002	2019-003	Public Deposit Act Compliance	Not Cleared
2023-003	2022-001	Going Concern / Deteriorating Financial Condition	Not Cleared
2021-001	2021-001	Local Government Investments Compliance	Cleared

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 met the following conditions in Section 218.503(1) as a result of deteriorating financial conditions.

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Hospital. Of 7 key financial indicators, 5 indicated an unfavorable rating. It is management's responsibility to monitor the Hospital's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

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

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Hospital reported:

- a) The total number of District employees compensated in the last pay period of the District's fiscal year was 197.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year was 19.

- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was \$9,756,635.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency was \$1,873,406.
- e) Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:
 - Medical Office Building - The District has or will receive grants totaling approximately \$2,750,000, which represents the estimated cost of constructing a new medical office building on the Hospital's campus, which, when completed, will house a new rural health clinic and other clinical and administrative space. As of September 30, 2023, minimal costs have been incurred on this project. The project is expected to begin, in earnest, in fiscal year 2024, with a targeted completion date of September 30, 2025.
- f) A budget variance report based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes. As the District did not amend their budget, this is not applicable.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Hospital reported:

- a) Currently, there are no taxes imposed by the District. The District is the recipient of a half-cent sales tax (\$0.005 for each \$1.00 of the sale price or actual value received) imposed by Holmes County, Florida. The total amounts received in fiscal year 2023 from this surtax were \$753,763. The amounts recorded as revenues for fiscal year 2023, including amounts receivable from Holmes County, Florida, totaled \$938,332.
- b) There were no ad valorem taxes collected by or on behalf of the District.
- c) The amount of outstanding bonds issued by the District total \$13,933,561 (Series 2006 and 2017) (excluding unamortized premium on the Series 2006 bonds). The terms of these outstanding bonds are fully described in Note 8 to the accompanying financial statements.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we noted that certain deposits were not held at a Qualified Public Depository in accordance with the Public Deposit Act Compliance. This is described in finding 2019 – 003 in the accompanying schedule of findings and responses.

Purpose of this Letter

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

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

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

Enterprise, Alabama
April 25, 2024