



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

FINANCIAL STATEMENTS

September 30, 2023 and 2022

	Page
FINANCIAL SECTION	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements	
Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	16
REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS	
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, <i>Rules of the Auditor General</i>	41
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 <i>Government Auditing Standards</i>	42
Schedule of Findings and Responses	44
Management Letter	47



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital"), an enterprise fund of Franklin County, Florida, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 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

May 21, 2024

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

Introduction

This management’s discussion and analysis of the financial performance of Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the Hospital) provides an overview of the Hospital’s financial activities for the years ended September 30, 2023, and 2022. It should be read in conjunction with the accompanying financial statements of the Hospital.

Using This Annual Report

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

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

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

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

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

The Statements of Cash Flows

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

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

The Hospital’s Statements of Net Position

Restatement of Prior Year Net Position

The previously issued financial statements for the year ended September 30, 2022, issued June 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	\$ 4,161,972	\$ 347,465	\$ 4,509,437
Liabilities			
Current liabilities	\$ 1,326,795	\$ 132,244	\$ 1,459,039
Long-term liabilities	\$ 91,323	\$ 215,221	\$ 306,544

The Hospital’s assets increased approximately \$811,000 in 2023 after a decrease of approximately \$2,038,000 in 2022. The increase in 2023 was largely driven by increased swing bed utilization and increased receipts.

The Hospital’s total liabilities increased approximately \$929,000 in 2023 and decreased approximately \$950,000 in 2022. The increase in 2023 is primarily due to a LIP payback notice received from AHCA related to previous years, which is recorded in estimated third-party settlements. Additionally, the payback of the Medicare accelerated payments was completed in fiscal year 2022 along with prior year cost report settlements.

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

Table 1: Assets, Liabilities and Net Deficit

<i>September 30,</i>	2023	<i>Variance</i>	Restated 2022	<i>Variance</i>	2021
Assets					
Patient accounts receivable, net	\$ 1,043,686	\$ (274,668)	\$ 1,318,354	\$ 305,972	\$ 1,012,382
Other current assets	3,001,854	650,860	2,350,994	(2,594,739)	4,945,733
Capital assets, net	4,944,374	434,937	4,509,437	250,843	4,258,594
Total assets	\$ 8,989,914	\$ 811,129	\$ 8,178,785	\$ (2,037,924)	\$ 10,216,709
Liabilities					
Current liabilities	\$ 1,520,772	\$ 61,733	\$ 1,459,039	\$ (1,117,670)	\$ 2,576,709
Long-term liabilities	1,173,556	867,012	306,544	167,524	139,020
Total liabilities	2,694,328	928,745	1,765,583	(950,146)	2,715,729
Net Position (Deficit)					
Net investment in capital assets	4,639,177	659,895	3,979,282	(64,544)	4,043,826
Unrestricted	1,656,409	(777,511)	2,433,920	(1,023,234)	3,457,154
Total net position (deficit)	6,295,586	(117,616)	6,413,202	(1,087,778)	7,500,980
Total liabilities and net position	\$ 8,989,914	\$ 811,129	\$ 8,178,785	\$ (2,037,924)	\$ 10,216,709

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 June 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:

<i>For the years ended September 30, 2022</i>	As Previously Reported	Increase (Decrease)	As Restated
Operating Expenses			
Other operating expenses	\$ 4,421,621	\$ (117,064)	\$ 4,304,557
Depreciation and amortization	\$ 493,570	\$ 117,063	\$ 610,633

As shown in *Table 2*, in 2023 the Hospital's net position decreased by approximately \$118,000, and approximately \$1,087,000 in 2022, compared to the increase of approximately \$549,000 in 2021. In 2023, the total operating revenues increased approximately \$1,272,000 compared to a decrease of \$1,465,000 in 2022 over 2021. The total operating expenses increased approximately \$695,000 and \$352,000 in 2023 and 2022, respectively. The increase in 2023 of total operating revenues was largely due to a 49.7% increase in swing bed days.

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

The increase in 2023 total operating expenses was primarily because of increases in Supplies, Depreciation and Amortization, and Salary expense. The largest of the increase was in Supplies and was related to increased inflation and energy costs.

Table 2: Operating Results and Changes in Net Position

<i>For the years ended September 30,</i>	2023	<i>Variance</i>	2022	<i>Variance</i>	2021
Operating Revenues					
Net patient service revenue	\$ 7,524,719	\$ 867,810	\$ 6,656,909	\$ (1,447,248)	\$ 8,104,157
Other operating revenue	410,550	403,771	6,779	(17,926)	24,705
Total operating revenues	7,935,269	1,271,581	6,663,688	(1,465,174)	8,128,862
Operating Expenses					
Salaries, wages, and benefits	5,448,084	197,322	5,250,762	(147,180)	5,397,942
Other operating expenses	4,265,808	(38,749)	4,304,557	440,914	3,863,643
Supplies	1,120,888	430,700	690,188	(176,508)	866,696
Depreciation and amortization	716,176	105,543	610,633	234,394	376,239
Total operating expenses	11,550,956	694,816	10,856,140	351,620	10,504,520
Operating income (loss)	(3,615,687)	576,765	(4,192,452)	(1,816,794)	(2,375,658)
Nonoperating Revenue (Expenses)					
Interest income	19,244	13,773	5,471	(967)	6,438
Noncapital grants and contributions	693,934	582,369	111,565	(1,347,452)	1,459,017
CARES PRF income (repayment)	-	(284,811)	284,811	1,330,984	(1,046,173)
Other income (expense)	170,775	57,691	113,084	(2,651)	115,735
Interest expense	(2,751)	5,560	(8,311)	4,275	(12,586)
Total nonoperating revenues (expenses)	881,202	374,582	506,620	(15,811)	522,431
Transfers in	2,616,869	18,815	2,598,054	195,762	2,402,292
Total transfers	2,616,869	18,815	2,598,054	195,762	2,402,292
Increase (decrease) in net position	\$ (117,616)	\$ 970,162	\$ (1,087,778)	\$ (1,636,843)	\$ 549,065

Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income or loss— generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In all of the past three years, the Hospital has reported operating losses. This is consistent with the Hospital's recent operating history, as the Hospital was formed and is operated primarily to serve residents of Franklin County, Florida and the surrounding area.

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

The operating loss for fiscal year 2023 was approximately \$3,616,000, up approximately \$577,000 from an operating loss of approximately \$4,192,000 in 2022. The primary components of the 2023 operating income are:

- An increase in net patient service revenue of approximately \$868,000 or 13.04%.
- An increase in other operating revenue of approximately \$404,000, or 5,956.20%.
- An increase in operating expense of approximately \$695,000, or 6.40%.

Increased net patient service revenue was due to a 49.7% increase in swing bed days and improved revenue cycle processes.

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

Operating expense increased primarily because of increases in Supplies, Depreciation and Amortization, and Salary expense. The largest of the increased was in Supplies and was related to increased inflation and energy costs.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of interest expense, non-capital grants, gifts, and other. Total nonoperating revenues and expenses declined approximately \$15,800 in 2022 to approximately \$506,600, and increased approximately \$375,000 from approximately \$506,600 in 2022 to \$881,000 in 2023. The increase in 2023 is primarily due to non-capital grants and private donations.

Transfers increased to approximately \$2,617,000 in 2023 from \$2,598,000 in 2022, primarily due to increased tax collections for Franklin County, a portion of which are provided to the Hospital.

Capital Contributions

There were no capital contributions in 2023 or 2022.

The Hospital's Cash Flows

As reflected in the Statements of Cash Flows, the Hospital's cash increased in 2023 by approximately \$593,000, and decreased by approximately \$2,955,000 in 2022. The Hospital's cash decreased by approximately \$307,000 in 2021. The increase in the ending cash balance for 2023 was primarily due to an increase in swing bed utilization and increased cash receipts.

Capital Asset and Debt Administration

Capital Assets

The Hospital had approximately \$4,944,000 and \$4,509,000 of capital assets, net of accumulated depreciation, at the end of 2023 and 2022, respectively. In 2023 and 2022, the Hospital purchased new capital assets costing approximately \$1,150,000 and \$701,000, respectively.

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

Debt

At September 30, 2023 and 2022, respectively, the Hospital had \$305,197 and \$530,155 in lease obligations, after the recent adoption of GASB 96 and the accompanying restatement of the 2022 financial statements. At September 30, 2021, the Hospital had \$214,768 in lease obligations.

Other Economic Factors

Weems Memorial Hospital is located within an economically distressed, geographically isolated, rural area. There is no significant manufacturing industry in the area. The major employers are governmental in nature. The largest employers in the area are the Franklin County Government, Franklin County School District, and the Hospital.

Strategic Planning for Future Growth

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

To prepare for the coming years, the Hospital's administration has put into place internal controls to safeguard financial reporting and attempt to ensure proper presentation of the financial statements, both at month-end and year-end, and be in compliance with GAAP. The Hospital has retained staff to assist with the proper reconciliations of balance sheet accounts, bank statements, internal processes, and inventory controls. Additionally, the Hospital has moved forward with the change of the electronic medical record, financial processing and reporting systems to CPSI, to allow for proper and timely coding, billing, and posting of Patient Accounts. This move is in response to several findings on the current and prior audited financial statements. The Hospital has begun the review and updating of several policies and procedures to further assist with the proper presentation of financial information. The hospital has been reviewing and renegotiating its insurance payers' agreements to advocate for better payment terms. This is an ongoing project for the hospital which aligns with its strategic plan under Finance.

The Hospital has endured different barriers over some time. Even with these barriers, it is significant to note the current strengths of George E. Weems Hospital. The hospital currently has three mid-level providers operating in the RHC. The emergency room is staffed by residency trained, board certified physicians who provide services by Southland Emergency Medical Services.

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

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

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

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

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

Contacting the Hospital's Financial Management

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

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

<i>September 30,</i>	2023	Restated 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 1,726,345	\$ 1,133,573
Patient accounts receivable, net of estimated uncollectibles of \$1,377,242 in 2023 and \$1,457,946 in 2022	1,043,686	1,318,354
Due from other funds	579,646	645,249
Estimated third party settlements	156,884	119,019
Other receivables	369,702	342,740
Prepaid expenses	80,931	21,629
Supplies inventory	88,346	88,784
Total current assets	4,045,540	3,669,348
Capital assets		
Land	13,400	13,400
Construction in progress	901,234	-
Right-of-use lease assets, net	105,497	175,270
Right-of-use subscription assets, net	215,221	347,465
Depreciable capital assets, net	3,709,022	3,973,302
Total capital assets, net	4,944,374	4,509,437
Total assets	\$ 8,989,914	\$ 8,178,785

(Continued)

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

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

<i>September 30,</i>	2023	Restated 2022
Liabilities and Net Position		
Current liabilities		
Current maturities of long-term debt		
Lease liability	\$ 37,215	\$ 91,367
Subscription liability	78,601	132,244
Accounts payable	1,016,997	913,102
Accrued compensation	93,422	76,683
Due to other funds	99,169	82,345
Compensated absences	195,368	163,298
Total current liabilities	1,520,772	1,459,039
Long-term liabilities		
Lease liability, less current portion	52,761	91,323
Subscription liability, less current portion	136,620	215,221
Estimated third-party settlements	984,175	-
Total long-term liabilities	1,173,556	306,544
Total liabilities	2,694,328	1,765,583
Net position		
Net investment in capital assets	4,639,177	3,979,282
Unrestricted	1,656,409	2,433,920
Total net position	6,295,586	6,413,202
Total liabilities and net position	\$ 8,989,914	\$ 8,178,785

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

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

<i>For the years ended September 30,</i>	2023	Restated 2022
Operating Revenues		
Net patient service revenue before provision for uncollectible accounts	\$ 8,662,604	\$ 6,845,652
Provision for uncollectible accounts	(1,137,885)	(188,743)
Net patient service revenue	7,524,719	6,656,909
Other operating revenue	410,550	6,779
Total operating revenues	7,935,269	6,663,688
Operating Expenses		
Salaries, wages, and benefits	5,448,084	5,250,762
Other contract services	2,972,535	2,938,496
Supplies	1,120,888	690,188
Depreciation and amortization	716,176	610,633
Repairs and maintenance	357,416	425,486
Insurance	314,719	273,881
Other current expenses	213,448	160,872
Utilities	183,762	190,570
Licenses, permits and fees	88,957	101,999
Communications	74,909	69,699
Lease and rental	54,894	133,292
Other patient care related costs	5,168	10,262
Total operating expenses	11,550,956	10,856,140
Operating income (loss)	(3,615,687)	(4,192,452)
Nonoperating Revenues (Expenses)		
Interest income	19,244	5,471
Grants and contributions	693,934	111,565
CARES PRF income	-	284,811
Other income (expense)	170,775	113,084
Interest expense	(2,751)	(8,311)
Total nonoperating revenues (expenses)	881,202	506,620
Change in net position before transfers	(2,734,485)	(3,685,832)
Transfers In	2,616,869	2,598,054
Increase (decrease) in net position	(117,616)	(1,087,778)
Net position - beginning of year	6,413,202	7,500,980
Net position - end of year	\$ 6,295,586	\$ 6,413,202

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

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

<i>For the years ended September 30,</i>	2023	Restated 2022
Operating Activities		
Receipts from and on behalf of patients	\$ 8,720,086	\$ 6,025,040
Payments to suppliers and others	(5,387,206)	(4,844,436)
Payments to and on behalf of leased employees	(5,355,085)	(5,293,028)
Other receipts (payments), net	410,550	6,779
Net cash provided by (used in) operating activities	(1,611,655)	(4,105,645)
Noncapital Financing Activities		
Receipt (repayment) of CARES Act & ARPA funds, net	-	(761,362)
Receipt (repayment) of advanced Medicare payments	-	(172,867)
Other receipts (payments), net	170,775	224,648
Net change in due from other funds	16,824	82,345
Noncapital related transfers in	2,682,472	2,326,732
Net cash provided by (used in) noncapital financing activities	2,870,071	1,699,496
Capital and Related Financing Activities		
Purchase of capital assets	(1,151,113)	(700,547)
Capital related grants and transfers in	693,934	-
Proceeds from lease liabilities	-	55,984
Proceeds from subscription liabilities	-	303,600
Principal paid on lease liabilities	(92,714)	(88,062)
Principal paid on subscription liabilities	(132,244)	(117,064)
Interest paid	(2,751)	(8,311)
Net cash provided by (used in) capital and related financing activities	(684,888)	(554,400)
Investing Activities		
Interest income	19,244	5,471
Net cash provided by (used in) investing activities	19,244	5,471
Net increase (decrease) in cash and cash equivalents	592,772	(2,955,078)
Cash and cash equivalents - beginning of year	1,133,573	4,088,651
Cash and cash equivalents - end of year	\$ 1,726,345	\$ 1,133,573

(Continued)

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

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

<i>For the years ended September 30,</i>	2023	Restated 2022
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating income (loss)	\$ (3,615,687)	\$ (4,192,452)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	716,176	610,634
Provision for bad debts	1,137,885	188,743
Changes in operating assets and liabilities		
Patient accounts receivable	(863,217)	(494,715)
Supplies	438	63,098
Prepaid expenses	(59,302)	(15,543)
Other receivables	(26,962)	(17,553)
Accounts payable	59,846	110,988
Accrued compensation and payroll taxes	60,788	17,182
Other accrued liabilities	-	(64,000)
Compensated absences	32,070	(993)
Estimated third-party settlements	946,310	(311,034)
Net cash provided by (used in) operating activities	\$ (1,611,655)	\$ (4,105,645)

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

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

Note 1: DESCRIPTION OF HOSPITAL

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

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

Risk Management

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restatement of Prior Year Financial Statements

The previously issued financial statements for the year ended September 30, 2022, issued June 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, 2023.

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			
Total capital assets, net	\$ 4,161,972	\$ 347,465	\$ 4,509,437
Liabilities and Net Position			
Current liabilities			
Subscription liability	\$ -	\$ 132,244	\$ 132,244
Long-term liabilities			
Subscription liability, less current portion	\$ -	\$ 215,221	\$ 215,221

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restatement of Prior Year Financial Statements (continued)

<i>September 30, 2022</i>	As Previously Reported	Increase (Decrease)	As Restated
Statement of Revenues, Expenses and Changes in Net Position			
Operating Expenses			
Other contract services	\$ 3,055,560	\$ (117,064)	\$ 2,938,496
Depreciation and amortization	\$ 493,570	\$ 117,063	\$ 610,633

<i>September 30, 2022</i>	As Previously Reported	Increase (Decrease)	As Restated
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Statement of Cash Flows

Operating Activities			
Payments to suppliers and others	\$ (4,961,500)	\$ 117,064	\$ (4,844,436)
Net cash provided by (used in) operating activities	\$ (4,222,709)	\$ 117,064	\$ (4,105,645)
Capital and Related Financing Activities			
Purchase of capital assets	\$ (396,947)	\$ (303,600)	\$ (700,547)
Proceeds from lease liabilities	\$ (32,078)	\$ 88,062	\$ 55,984
Proceeds from subscription liabilities	\$ -	\$ 303,600	\$ 303,600
Principal paid on lease liabilities	\$ -	\$ (88,062)	\$ (88,062)
Principal paid on subscription liabilities	\$ -	\$ (117,064)	\$ (117,064)
Net cash provided by (used in) capital and related financing activities	\$ (429,025)	\$ (125,375)	\$ (554,400)
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	\$ 493,570	\$ 117,064	\$ 610,634
Net cash provided by (used in) operating activities	\$ (4,222,709)	\$ 117,064	\$ (4,105,645)

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.

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 payor sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debt. Management reviews data about these major payor 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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable, Net (continued)

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors 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 payors related to collectability in fiscal years 2023 or 2022.

Due from Other Funds

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

Prepaid Expenses

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

Supplies

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

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under lease (right of use assets) and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

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

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

Impairment of Long-Lived Assets

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

Compensated Absences

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

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	\$ 163,298	\$ 205,381	\$ 173,311	\$ 195,368	\$ 195,368

	Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022	Due Within One Year
Compensated absences	\$ 164,291	\$ 225,369	\$ 226,362	\$ 163,298	\$ 163,298

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Leased assets, reported with capital assets, and lease liabilities, are reported on the statements of net position.

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 or before the commencement of the subscription term. Amortization of the ROU subscription asset flows through amortization expense monthly using the 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, reported with capital assets, and subscription liabilities, are reported on the statements of net position.

Categories and Classification of Net Position

Net position of the Hospital is classified in two 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/amortization, 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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Categories and Classification of Net Position (continued)

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.

Unrestricted net position – 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.

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 grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs. 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 payors 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 payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors.

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses (continued)

Charity Care (continued)

amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was approximately \$237,000 and \$242,000 for the years ended September 30, 2023 and 2022, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$157,000 and \$175,000, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

Grants and Contributions

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

Ad Valorem Tax

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

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

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 \$67,890 and \$69,650, respectively.

Income Taxes

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

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 requirements of GASB 91 are effective for reporting periods beginning after December 15, 2021. 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 2020, 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 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 GASB 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 7.

In April 2022, the 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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to the determination of the PPP term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections* (GASB 100). GASB 100 prescribes accounting and financial reporting for (1) each type 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, the 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.

In December 2023, the GASB issued 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.

Reclassifications

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

Subsequent Events

Management evaluated all events or transactions that occurred after September 30, 2023 through May 21, 2024, the date the Hospital's financial statements were available to be issued. See Note 16 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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

Note 3: DEPOSITS AND INVESTMENTS

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

<i>September 30,</i>	2023	2022
Petty cash and undeposited cash	\$ 900	\$ 900
Cash deposits with financial institutions	1,725,445	1,132,673
Total deposits	\$ 1,726,345	\$ 1,133,573

Deposits

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The Hospital’s deposit policy for custodial credit risk requires compliance with the provisions of state law.

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

The Hospital had no bank balances exposed to custodial credit risk at September 30, 2023 and 2022. 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.

The Hospital held no investments at September 30, 2023 or 2022.

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

Note 4: PATIENT ACCOUNTS RECEIVABLE

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

<i>September 30,</i>	2023	2022
Medicare	\$ 307,712	\$ 925,680
Medicaid	266,029	189,301
Other third-party payers	1,447,401	1,610,067
Patients	1,253,754	1,476,752
Total patient accounts receivable	3,274,896	4,201,800
Less allowance for contractual and other adjustments	(853,968)	(1,425,500)
Less allowance for uncollectible accounts	(1,377,242)	(1,457,946)
Patient accounts receivable, net	\$ 1,043,686	\$ 1,318,354

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		\$ 13,400	\$ -	\$ -	\$ -	\$ 13,400
Construction in progress		-	901,234	-	-	901,234
Total nondepreciable		13,400	901,234	-	-	914,634
Depreciable capital assets						
Buildings	20 - 50	3,127,813	32,174	-	(27,000)	3,132,987
Equipment and furniture	3 - 10	3,754,277	216,974	-	27,000	3,998,251
ROU Assets - Equipment	2 - 7	608,608	-	(38,953)	-	569,655
ROU Assets - SBITA	2 - 5	464,529	-	-	-	464,529
Total depreciable, at cost		7,955,227	249,148	(38,953)	-	8,165,422
Less accumulated depreciation/amortization						
Buildings		(570,447)	(71,318)	-	-	(641,765)
Equipment and furniture		(2,338,341)	(442,110)	-	-	(2,780,451)
ROU Assets - Equipment		(433,338)	(69,773)	38,953	-	(464,158)
ROU Assets - SBITA		(117,064)	(132,244)	-	-	(249,308)
Total accumulated depreciation/amortization		(3,459,190)	(715,445)	38,953	-	(4,135,682)
Depreciable, net		4,496,037	(466,297)	-	-	4,029,740
Total capital assets, net		\$ 4,509,437	\$ 434,937	\$ -	\$ -	\$ 4,944,374

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems 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		\$ 13,400	\$ -	\$ -	\$ -	\$ 13,400
Total nondepreciable		13,400	-	-	-	13,400
Depreciable capital assets						
Buildings	20 - 50	3,097,155	30,658	-	-	3,127,813
Equipment and furniture	3 - 10	3,443,972	310,305	-	-	3,754,277
ROU Assets - Equipment	2 - 7	552,624	55,984	-	-	608,608
ROU Assets - SBITA	2 - 5	160,929	303,600	-	-	464,529
Total depreciable, at cost		7,254,680	700,547	-	-	7,955,227
Less accumulated depreciation/amortization						
Buildings		(496,150)	(74,297)	-	-	(570,447)
Equipment and furniture		(2,003,257)	(335,084)	-	-	(2,338,341)
ROU Assets - Equipment		(349,150)	(84,188)	-	-	(433,338)
ROU Assets - SBITA		-	(117,064)	-	-	(117,064)
Total accumulated depreciation/amortization		(2,848,557)	(610,633)	-	-	(3,459,190)
Depreciable, net		4,406,123	89,914	-	-	4,496,037
Total capital assets, net		\$ 4,419,523	\$ 89,914	\$ -	\$ -	\$ 4,509,437

Depreciation expense, which includes amortization of right-of-use (ROU) assets, totaled \$716,176 and \$610,633, as restated, for the years ended September 30, 2023 and 2022, respectively.

In fiscal year 2023, the Hospital acquired grant funded assets in the amount of approximately \$588,000. These assets, which have been capitalized in "construction in progress", were recorded as income in "grants and contributions" on the accompanying statement of revenues, expenses and changes in net position.

Note 6: INTERFUND RECEIVABLE, TRANSFERS, AND ACCOUNTS PAYABLE

Interfund balances as of September 30, 2023 and 2022, consisted of the following:

<i>September 30,</i>	2023	2022
Due from Hospital Trust Fund	\$ 579,646	\$ 645,249

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

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

Interfund transfers for the years ended September 30, 2023 and 2022 consisted of the following:

<i>For the years ended September 30,</i>		2023	2022
Transfers in from:			
Hospital Trust Fund	Transfer of ½ cent sales tax	\$ 1,732,615	\$ 1,713,802
General Fund	Operation of clinics	120,000	120,000
General Fund	Operation of ambulance services	764,254	764,252
		\$ 2,616,869	\$ 2,598,054

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

<i>September 30,</i>	2023	2022
Payable to employees (including payroll taxes, accrued compensation, and compensated absences)	\$ 345,923	\$ 253,065
Payable to suppliers and contractors	388,467	328,621
Due to Tallahassee Memorial Hospital	571,397	571,397
	\$ 1,305,787	\$ 1,153,083

Presented on the statements of net positions as:

Accounts payable	\$ 1,016,997	\$ 913,102
Accrued compensation	93,422	76,683
Compensated absences	195,368	163,298
	\$ 1,305,787	\$ 1,153,083

Note 7: LONG-TERM LIABILITIES

Leases – Lessee

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

With the implementation of GASB 87, the initial lease liability was recorded in the amount of \$214,768 (September 30, 2021). As of September 30, 2023 and 2022, the value of lease liability was \$89,976 and \$182,690, respectively. The Hospital is required to make monthly principal and interest payments on the leases totaling approximately \$8,000. The leases have interest rates of approximately 3.25%.

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

Note 7: LONG-TERM LIABILITIES (Continued)

Leases – Lessee (continued)

The following is a schedule of minimum future lease payments from lease agreements as of September 30. Future interest payments are not material.

<i>For the years ending September 30,</i>	Principal Payments
2024	\$ 37,215
2025	37,867
2026	14,894
Total	\$ 89,976

GASB No. 96, *Subscription-Based Information Technology Arrangements*, was adopted October 1, 2021. 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 year 2027.

With the implementation of GASB 96, the initial subscription liability was recorded in the amount of \$160,929. As of September 30, 2023 and 2022, the balance of the subscription liability was \$215,221 and \$347,465, respectively. The Hospital is required to make monthly principal and interest payments totaling approximately \$11,000. The subscriptions do not have stated interest rates. The Hospital used an estimate of its incremental borrowing rate, 3.25%.

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

Note 7: LONG-TERM LIABILITIES (Continued)

Leases – Lessee (continued)

The following is a schedule of minimum future payments from subscription agreements. Future interest amounts on these subscription agreements are not material.

<i>For the years ending September 30,</i>	Principal Payments
2024	\$ 78,601
2025	60,720
2026	60,720
2027	15,180
Total	\$ 215,221

Lease and subscription liability activity for the years ended September 30, 2023 and 2022, was as follows:

	Restated Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Lease liability	\$ 182,690	\$ -	\$ (92,714)	\$ 89,976	\$ 37,215
Subscription liability	347,465	-	(132,244)	215,221	78,601
Total long-term debt	\$ 530,155	\$ -	\$ (224,958)	\$ 305,197	\$ 115,816

	Balance 10/1/2021	Additions	Reductions	Restated Balance 9/30/2022	Due Within One Year
Lease liability	\$ 214,768	\$ 55,983	\$ (88,061)	\$ 182,690	\$ 91,367
Subscription liability	160,929	303,600	(117,064)	347,465	132,244
Total long-term debt	\$ 375,697	\$ 359,583	\$ (205,125)	\$ 530,155	\$ 223,611

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

Note 8: NET INVESTMENT IN CAPITAL ASSETS

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

<u>September 30,</u>	<u>2023</u>	<u>Restated 2022</u>
Capital assets, net	\$ 4,944,374	\$ 4,509,437
Less debt related to capital assets:		
Leases	(89,976)	(182,690)
Subscriptions	(215,221)	(347,465)
<u>Net investment in capital assets</u>	<u>\$ 4,639,177</u>	<u>\$ 3,979,282</u>

Note 9: NET PATIENT SERVICE REVENUE

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

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

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

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

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

<u>For the years ended September 30,</u>	<u>2023</u>	<u>2022</u>
Medicare	25%	23%
Medicaid	1%	1%
Blue Cross	8%	13%
Commercial/HMO/PPO	55%	49%

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

Note 9: NET PATIENT SERVICE REVENUE (Continued)

The composition of net patient service revenue was as follows:

<i>For the years ended September 30,</i>	2023	2022
Gross patient service revenue	\$ 14,845,896	\$ 12,926,265
Less provision for contractual and other adjustments	(6,183,292)	(6,080,613)
Less provision for doubtful accounts	(1,137,885)	(188,743)
Net patient service revenue	\$ 7,524,719	\$ 6,656,909

Note 10: EMPLOYEE LEASING

On July 5, 2021, the Hospital entered into an agreement with DecisionHR (formerly Modern Business Associates, Inc.), to provide employees for the Hospital. Under the agreement, DecisionHR is the employer of all persons working at the Hospital, and is reimbursed by the Hospital for all wages and management fees associated with the lease. Employee leasing costs totaled \$4,523,867 and \$4,359,880 for the years ended September 30, 2023 and 2022, respectively.

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS

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

The net amount of DSH and LIP payments recognized in net patient service revenue (included in contractual deductions) was approximately \$1,600,000 (before recognition of the LIP payback discussed in Note 16) and \$940,000 for fiscal years 2023 and 2022, respectively. DSH and LIP payments receivable of approximately \$334,000 and \$343,000 as of September 30, 2023 and 2022, respectively, are included in other receivables on the accompanying statements of net position.

In fiscal year 2022, the State of Florida began making payments under a new Directed Payment Program (DPP), retroactively for model years beginning October 1, 2020. Under this program, approximately \$93,000 was received by the Hospital in fiscal year 2022 (net of required IGTs). No material amounts were received by the Hospital in fiscal year 2023 under the DPP.

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. See Note 16.

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

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS (Continued)

During fiscal year 2023 and 2022, net patient service revenue decreased by approximately \$17,000 and \$504,000, respectively, due to changes in estimates for outstanding and filed cost reports, and it is reasonably possible that these estimates could further materially change in the near term.

Section 395.701 of the Florida Statutes imposes an annual assessment on all hospitals operating in the State of Florida. The assessment is currently calculated as 1.5% of annual net operating revenues for inpatient services; 1% of annual net operating revenues for outpatient services; and .4% of annual gross operating expenses (per AHCA's definition). The assessments are due on a quarterly basis to AHCA and are used, among other purposes, to obtain federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients, which serve to increase payments to Medicaid provider hospitals throughout the state.

Approximately \$75,000 and \$66,000 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 approximately \$117,000 and \$113,000 as of September 30, 2023 and 2022, respectively, are included in estimated third-party payor settlements on the accompanying statements of net position.

Please see Note 16 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. U.S. GAAP requires a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

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

Note 13: COMMITMENTS AND CONTINGENCIES

Contracts

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

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management

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

Note 13: COMMITMENTS AND CONTINGENCIES (Continued)

Litigation (continued)

records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Supplemental Medicaid Reimbursements

The Hospital receives reimbursements from various programs in relation to the Medicaid uninsured and underinsured patients they serve. Funding received in excess of costs to provide these services is subject to audit and payments received in excess of costs may be required to be refunded to the State of Florida. Please see Note 16.

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 25 percent and 1 percent, respectively, of the Hospital's net patient revenue for the year ended 2023. Revenue from the Medicare and Medicaid programs accounted for approximately 23 percent and 1 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.

Note 14: UNCERTAINTIES

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

Current Healthcare Environment

The Hospital monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that

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

Note 14: UNCERTAINTIES (Continued)

Current Healthcare Environment (continued)

economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care. Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

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

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

Note 15: CARES ACT FUNDING

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

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

Note 15: CARES ACT FUNDING (Continued)

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 \$285 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 2020 - 2023 Federal DSH allotments because of the COVID-19 Pandemic. Medicaid DSH payment reductions are scheduled to be implemented in the near future. The need for Medicaid DSH supplemental funding remains essential 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

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

Note 15: CARES ACT FUNDING (Continued)

Appropriations Act, 2021. During the fiscal year ended September 30, 2020, the Hospital applied for and received accelerated payments totaling approximately \$645,000, which is included in estimated third party settlements on the accompanying statements of net position. During fiscal years 2021 and 2022, these amounts were recouped by the Medicare contractor, with a remaining balance totaling approximately \$172,000 at September 30, 2021, recorded as estimated third party settlements. There was no remaining balance as of September 30, 2022.

- A 6.2% increase in the Federal Medical Assistance Percentage (“FMAP”) matching funds was instituted to help states respond to the COVID-19 pandemic. The additional funds 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. The public health emergency ended on May 11, 2023.

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

Note 16: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2023 through May 21, 2024, the date the Hospital’s financial statements were available to be issued. The following items occurred:

In February of 2024, the Hospital received a demand letter from AHCA totaling \$335,674 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 \$335,674 of current liabilities, which were netted against current receivables in “estimated third party settlements” on the accompanying statement of net position. Additionally,

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

Note 16: SUBSEQUENT EVENTS (Continued)

the Hospital recorded \$984,175 of noncurrent liabilities, included in “estimated third party settlements”, long-term portion.

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.

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**

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

We have examined the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the “Hospital”) compliance with Section 218.415, Florida Statutes, during the year ended September 30, 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
May 21, 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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the “Hospital”) as of and for the year ended September 30, 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 May 21, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We 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 noted no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hospital's Responses to Findings

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

Purpose of this Report

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


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

Enterprise, Alabama
May 21, 2024

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Schedule of Findings and Responses
For the Year Ended September 30, 2023**

2023 – 001 Accrual Basis Accounting (Partial Repeat of 2018-001)

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

Condition: Multiple accounts and financial statement line items required adjustment or reclassification in order for the financial statements to be presented in accordance with generally accepted accounting principles. Such adjustments included proper presentation of prepaid expenses, other assets, accounts payable, payroll accruals, and estimated third-party payor settlements, among others.

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

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

Recommendation: Management should focus on strengthening internal controls surrounding financial reporting and the proper presentation of financial statements in accordance with GAAP, including implementing a formal review process for account reconciliations.

Views of Responsible Officials and Planned Corrective Actions: The Accountant in coordination with the CFO will continue to reconcile balance sheet accounts monthly. Additionally, management will continue to work with the Alliant Centralized Accounting service to aid in the strengthening of internal controls.

2023 – 002 Accounting & Finance Staffing / Segregation of Duties (Repeat of 2018-003)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and presenting financial statements in accordance with generally accepted accounting principles. Such responsibility includes hiring and retaining effective and experienced staff to conduct such activities. Additionally, internal controls should be in place to ensure that proper segregation of duties are implemented by the Hospital, in order to mitigate material misstatement or other reporting errors, and to ensure that assets are safeguarded against loss.

Condition: Accounting and finance staffing is currently limited at the Hospital, increasing the possibility that misstatements may occur that are not identified. Processes and controls in place were not sufficient to maintain effective internal control over financial reporting, which contributed to the other findings described in this schedule. Additionally, limited resources and financial and administrative staffing requires staff to serve multiple roles and prevents optimal segregation of duties. We noted that management does not have a formal process for reviewing journal entries or account reconciliations. It was also noted, within one of the Hospital's accounting software applications, that several staff with access to financial functions also have full administrative access.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Schedule of Findings and Responses
For the Year Ended September 30, 2023**

A lack of segregation of duties can result in intentional or unintentional errors that could be made and not detected.

Cause: The limited resources available to the Hospital, combined with employee turnover in recent years, have resulted in limited accounting and finance staffing. Such limited staffing resulted in a lack of optimal segregation of duties.

Effect: The effect of this finding is reflected in the effects of findings 2023 – 001 and 2023 – 003.

Recommendation: The Hospital should invest in the hiring of accounting staff and focus on retention of existing staff to ensure that existing control activities can be properly conducted and new policies and controls, necessary to address the findings noted herein, can be established and followed. We recommend the Hospital implement a formal review process for journal entries and reconciliations. We also recommend that the Hospital implement a process to periodically review user access, and that only nonfinancial users have full administrative access to accounting software applications. Finally, we recommend that the Hospital evaluate existing controls and improve segregation of duties, to the extent possible with existing resources and staffing.

Views of Responsible Officials and Planned Corrective Actions: Management will continue to work with the Alliant Centralized Accounting service to aid in the strengthening of internal controls. Additionally, management will continue to support the training and advancement opportunities of current staff.

2023 – 003 Information Technology

Criteria: Information technology application controls should be implemented by the Hospital, in order to mitigate destruction of data or improper changes to data, including the recording of unauthorized or nonexistent transactions or inaccurate recording of transactions.

Condition: We noted that management does not have a formal IT risk assessment process to help properly evaluate and identify threats and vulnerabilities, and appropriately address any identified threats and vulnerabilities. It was also noted that processes and controls were not sufficient enough to properly and timely disable user accounts for terminated employees, within one of the Hospital's accounting software applications.

Cause: The limited resources available to the Hospital, combined with limited internal IT staffing, required the Hospital to outsource the IT function to third party vendors. These factors resulted in the lack of a formal IT risk assessment and less than optimal IT processes and controls.

Effect: A lack of regular formal IT risk assessments can lead to risk of financial loss, disruption or damage to the reputation of the Hospital from unplanned failure of its information technology systems, whether due to outside forces such as cyber-attacks, or other incidents such as human error or hardware failure. Failing to properly and timely terminate user access for terminated employees could result in intentional or unintentional errors that could be made and not detected.

**Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Schedule of Findings and Responses
For the Year Ended September 30, 2023**

Recommendation: We recommend the Hospital implement a process for annual formal IT risk assessments, to help identify and address threats and vulnerabilities. We also recommend that Hospital strengthen its controls to review and disable terminated user accounts properly and timely, within its software applications.

Views of Responsible Officials and Planned Corrective Actions: Management will work with Alliant to help identify and implement a formal IT risk assessment. Additionally, management will periodically review access of terminated employees to ensure IT controls are in place and working appropriately.

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the “Hospital”) as of and for the year ended September 30, 2023, and have issued our report thereon dated May 21, 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 May 21, 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	2018-001	Accrual Basis Accounting	Not Cleared
2023-002	2018-003	Accounting & Finance Staffing	Not Cleared
	2019-001	Reconciliation of Cash and Posting of Receipts	Cleared
	2019-003	Capital Assets and Depreciation	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 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Hospital for the fiscal year ended September 30, 2023, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2023. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of this Letter

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

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

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

Enterprise, Alabama
May 21, 2024