



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

FINANCIAL STATEMENTS

September 30, 2021 and 2020



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Holmes County Hospital Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holmes County Hospital Corporation, as of September 30, 2021 and 2020, and the changes in its financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2022, on our consideration of Holmes County Hospital Corporation'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 Holmes County Hospital Corporation'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 Holmes County Hospital Corporation's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama
March 3, 2022

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

Introduction

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

Financial Highlights

- Cash and cash equivalents decreased by approximately \$4,217,000 in 2021 after an increase of approximately \$3,749,000 between 2020 and 2019.
- The Hospital's net position decreased by \$454,074 and increased by \$2,855,610 in 2021 and 2020, respectively.
- The Hospital reported operating income (loss) of (\$2,089,929) and \$14,957 in 2021 and 2020, respectively.
- Operating expenses increased by \$5,494,857 in 2021 after an increase of \$556,228 in 2020.

Using This Annual Report

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

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

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

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

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

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

The Statements of Cash Flows

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

The Hospital's Balance Sheets

The Hospital's assets decreased \$371,116 in 2021 and increased \$3,110,928 in 2020. The increase in 2020 was largely driven by the receipt of \$3,640,148 in Coronavirus Aid, Relief, and Economic Security (CARES) Act monies, \$1,117,100 in Paycheck Protection Program monies and \$1,076,309 in Medicare Advanced Payments. The decrease in 2021 is the result of increased costs for salaries and supplies due to the COVID 19 Pandemic. In addition to the increased salaries and supplies, Medicare began withholding 25% of all Medicare remittances in March of 2021 as recoupment of the Accelerated Payments received in 2020. As of 09/30/2021, the balance remaining to be paid to Medicare for the Accelerated Payments was \$465,763. This withholding was in addition to the 2 Extended Repayment Plans for the 09/30/2018 Cost Report already being paid back through the remittances at \$22,203.89 per month. The Medicare Accelerated Payments withholdings is projected to be completed April of 2022. The 2 Extended Repayment Plans for the 2018 Cost Report overpayment will be complete in March of 2022. With these completed, the Hospital has a potential of approximately \$97,000 per month in cash receipts.

The Hospital's total liabilities increased \$192,958 in 2021 and increased \$257,318 in 2020. The increase in 2020 was primarily due to recognizing the related liability of the \$1,117,100 in Paycheck Protection Program monies. These monies are considered a liability until a Notice of Paycheck Protection Program Forgiveness letter is received, which was received on November 10, 2020.

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

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

<i>September 30,</i>	2021	<i>Variance</i>	2020	<i>Variance</i>	2019
Assets					
Patient accounts receivable, net	\$ 2,744,110	\$ 1,393,293	\$ 1,350,817	\$ 105,791	\$ 1,245,026
Other current assets	1,478,548	(4,368,048)	5,846,596	4,477,115	1,369,481
Capital assets, net	6,089,854	885,615	5,204,239	(731,176)	5,935,415
Other noncurrent assets	2,031,252	1,718,024	313,228	(740,802)	1,054,030
Total assets	\$ 12,343,764	\$ (371,116)	\$ 12,714,880	\$ 3,110,928	\$ 9,603,952
Deferred Outflows of Resources					
Excess consideration provided for acquisition	\$ 110,000	\$ 110,000	\$ -	\$ -	-
Liabilities					
Current liabilities	\$ 4,056,118	\$ 1,825,244	\$ 2,230,874	\$ (775,781)	\$ 3,006,655
Long-term liabilities	13,959,750	(1,632,286)	15,592,036	1,031,099	14,560,937
Total liabilities	18,015,868	192,958	17,822,910	255,318	17,567,592
Net Position (Deficit)					
Net investment in capital assets	(8,391,032)	946,179	(9,337,211)	(651,683)	(8,685,528)
Restricted expendable	864,438	552,959	311,479	(740,802)	1,052,281
Unrestricted	1,964,490	(1,953,212)	3,917,702	4,248,095	(330,393)
Total net position (deficit)	(5,562,104)	(454,074)	(5,108,030)	2,855,610	(7,963,640)
Total liabilities and net position	\$ 12,453,764	\$ (261,116)	\$ 12,714,880	\$ 3,110,928	\$ 9,603,952

Operating Results and Changes in the Hospital's Net Position

As shown in *Table 2*, in 2021 the Hospital's net position decreased by \$454,074, while in 2020, the Hospital's net position increased by \$2,855,610, compared to the decrease of \$897,163 in 2019. In 2021, the total operating revenues increased \$3,389,971 over 2020 and the total operating expenses increased \$5,494,857. The increase in 2021 total operating revenues was largely due to the increase in surgery cases with the addition of a second surgeon, as well as increases in other ancillary services. COVID 19 played a part in the increase in 2021. The increase in total operating expenses was largely due to salaries and wages increasing by \$2,649,273 and other operating expenses increasing by \$2,567,067 due to demands of the COVID-19 pandemic.

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

Table 2: Operating Results and Changes in Net Position

<i>For the years ended September 30,</i>	2021	<i>Variance</i>	2020	<i>Variance</i>	2019
Operating Revenues					
Net patient service revenue	\$15,639,910	\$ 3,404,214	\$ 12,235,696	\$ 746,851	\$ 11,488,845
Other operating revenue	45,711	(14,243)	59,954	(14,345)	74,299
Total operating revenues	15,685,621	3,389,971	12,295,650	732,506	11,563,144
Operating Expenses					
Salaries and wages and employee benefits	8,684,570	2,649,273	6,035,297	255,116	5,780,181
Physician and professional fees	827,671	172,221	655,450	(3,136)	658,586
Depreciation and amortization	844,883	106,296	738,587	(20,572)	759,159
Other operating expenses	7,418,426	2,567,067	4,851,359	324,820	4,526,539
Total operating expenses	17,775,550	5,494,857	12,280,693	556,228	11,724,465
Operating (loss) income	(2,089,929)	(2,104,886)	14,957	176,278	(161,321)
Nonoperating Revenues (Expenses)					
Investment income	41,342	27,632	13,710	(1,557)	15,267
Interest expense	(817,253)	46,777	(864,030)	(7,849)	(856,181)
Loss on impairment	-	-	-	160,000	(160,000)
Noncapital gifts and other	2,411,766	(1,279,207)	3,690,973	3,425,901	265,072
Total nonoperating revenues (expenses)	1,635,855	(1,204,798)	2,840,653	3,576,495	(735,842)
Increase (decrease) in net position	\$ (454,074)	\$ (3,309,684)	\$ 2,855,610	\$ 3,752,773	\$ (897,163)

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 one of the past three years, the Hospital has reported operating losses. This is consistent with the Hospital's recent operating history as the Hospital was formed and is operated primarily to serve residents of Holmes County, Florida and the surrounding area. The Hospital does not have the authority to levy property taxes to provide sufficient resources to help the Hospital to serve lower income and other residents.

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

The operating loss for fiscal year 2021 was approximately (\$2,089,929), compared to a net income of \$15,000 in 2020, which was an increase from an operating loss of approximately \$161,000 in 2019.

The primary components of the 2021 operating income are:

- An increase in net patient service revenue of approximately \$3,404,214 or 27.8%.
- A decrease in other operating revenue of approximately \$14,243, or (23.76)%.
- An increase in operating expense of approximately \$5,494,857, or 44.74%.

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

Operating expense increased primarily because of increases of salaries and wages.

Non-operating Revenues and Expenses

Non-operating revenues and expenses consist primarily of investment income, interest expense, gains/losses on asset disposals and non-capital grants, gifts, and other. Total non-operating revenues and expenses improved from approximately (\$2,841,000) in 2021 to \$1,635,000 in 2021, compared with (\$736,000) in 2019. However, non-operating revenue/expense decreased in 2021 by \$1,204,798. The change in 2020 compared to 2019 is primarily due to the receipt of \$3,640,149 in CARES Act Monies.

Capital Contributions

There were no capital contributions in 2021 or 2020.

The Hospital's Cash Flows

As reflected in the Statements of Cash Flows, the Hospital's cash decreased in 2021 by approximately \$4,216,722, compared to the increase in 2020 by approximately \$3,749,000. The decrease in cash flow in 2021 was due to the purchase of capital assets. This included a new 3D Mammography machine, new monitors for the ICU, a ventilator and a new Anesthesia machine. The remainder was used as intended, to cover significant operating costs due to the COVID Pandemic. The increase in the ending cash balance for 2020 was primarily due to the receipt of \$3,640,148 in CARES Act monies, \$1,117,100 in Paycheck Protection Program monies and \$1,076,309 in Medicare Advanced Payments.

Capital Asset and Debt Administration

Capital Assets

The Hospital had \$6,089,854 and \$5,204,239 of capital assets, net of accumulated depreciation, at the end of 2021 and 2020, respectively. In 2021 and 2020, the Hospital purchased new capital assets costing approximately \$1,713,286 and \$7,415, respectively.

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

Debt

At September 30, 2021 and 2020, respectively, the Hospital had \$14,451,974 and \$15,653,835 in revenue bonds, notes payable and capital lease obligations. The Hospital's formal debt issuances, revenue bonds, are subject to limitations imposed by state law. There have been no changes in the Hospital's debt ratings in the past three years.

Other Economic Factors

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

Strategic Planning for Future Growth

Fiscal year 2021 for DMH was the 'best of the times, it was the worst of times.' The year encompassed the peak of the Covid-19 Pandemic. For a hospital committed to increasing its clinical services and caring for more complex patients than previously, the Pandemic forced that transformation. DMH revived its intensive care program by re-opening a four-bed intensive care unit complete with updated equipment such as ventilators and monitors. DMH innovated clinical/workflow processes to provide more monoclonal antibody therapy than any hospital in the Florida Panhandle. It made the commitment to have more experience physician coverage in the emergency department (ED) and not rely solely on mid-level practitioners; thereby, it was better positioned to treat critical ill patient in ED. This transformation translated in a significant increase in operating revenues, but it also came at tremendous increase in operating expenses. Like every American hospital, DMH had to expend additional cost for temporary staffing, increased overtime wages and work incentives, and an exponential rise in supply cost. The Hospital endured a great deal of financial challenges due to the Pandemic, however, the CARES funds were very helpful in sustaining the hospital during the crisis. More importantly, the transformation that begun during the Pandemic has positioned the hospital for sustained revenue growth while management aggressively moves to control cost.

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

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

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

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

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

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

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

- 4) The Medicare cost report for fiscal year 2018, left the hospital owing a payable in the amount of \$652,000. The total amount owed through January is \$28,129.23, which the Hospital is paying off monthly per an agreement. The repayment should be completely paid by March 2022. Furthermore, Medicare has withheld 25% of its reimbursement as pay back for Medicare Advanced Payment made during the Pandemic. This repayment should end in April 2022. The end of these Medicare repayments should reap non-operating cost savings of approximately \$90,000 monthly.

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

- 1) Refinancing our bond debt. The hospital has continued to work very closely with the bond holders and a Second Amendment to the Forbearance Agreement was entered into on January 26, 2022. Management is committed to refinancing the current bond debt via the USDA indirect loan program. This USDA guaranteed program will allow the hospital to lower its monthly debt burden substantially.
- 2) Continue to renegotiate with insurers. In the coming year, management intends to evaluate and increase our global chargemaster which is initial basis for any discount to any insurers including Medicare and Medicaid. Doctors Memorial Hospital continues to work with the Governor's Appointment Office to recruit two additional board members in order to have a complete a five-person board. COVID-19 has made recruitment difficult as many of the appointment officers were having to work from home.
- 3) The hospital will continue to take advantage of grant programs that allow for additional training and updates. Hospital management continues to participate in weekly webinar's hosted by Hometown Health, LLC to keep the hospital informed on industry best practices and abreast of the new legislative changes that are forthcoming that will affect the Hospital. The hospital continues to participate in the State Rural Health FLEX Program to ensure the successful continuation of performance improvement interventions for Florida's Critical Access Hospitals (CAHs) participating in the FLEX program for Financial and Quality Improvement.
- 4) The hospital continues its efforts to meet with legislative officials to request funding for capital equipment needs. The hospital was successful in obtaining funding in the amount of \$250,000 during the Florida legislative 2020/2021 session toward construction of office space for future growth. The hospital has filed another appropriation for 2021/2022 for \$1,000,000 for more funding to put towards completion of the project to provide more clinical space. The hospital has also completed an application with USDA for \$1,000,000 to further offset the amount needed to complete the medical office building project.
- 5) Holmes County citizens elected to support the hospital by passing a half-cent local sales tax Referendum on November 3, 2020. Local businesses were instructed to begin collecting 0.5 cent sales tax for the indebtedness of the hospital January 2021 through December 31, 2026. The sales tax has only been used for repayment of the bond debts. Easing the debt burden with public support will allow to continue greater level of services than is typical for a critical access hospital.

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

Contacting the Hospital's Financial Management

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

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

<i>September 30,</i>	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 542,141	\$ 5,416,561
Patient accounts receivable, net of estimated uncollectibles of approximately \$3,055,000 and \$2,012,000 in 2021 and 2020, respectively	2,744,110	1,350,817
Supplies	625,366	334,450
Prepaid expenses and other	311,041	95,585
Total current assets	4,222,658	7,197,413
Noncurrent assets		
Investments, at fair value	1,026,016	-
Restricted cash and cash equivalents		
Surtax account	104,739	-
Building fund	39,559	38,259
Grant fund	1,749	1,749
Debt reserve fund	824,879	273,220
Other receivables	34,310	-
Total noncurrent assets	2,031,252	313,228
Capital assets		
Land	319,513	319,513
Depreciable capital assets, net	5,770,341	4,884,726
Total capital assets, net	6,089,854	5,204,239
Total assets	\$ 12,343,764	\$ 12,714,880
Deferred Outflows of Resources		
Excess consideration provided for acquisition	\$ 110,000	\$ -

(Continued)

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

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

<i>September 30,</i>	2021	2020
Liabilities and Net Position (Deficit)		
Current liabilities		
Current maturities of long-term debt	\$ 492,224	\$ 61,799
Accounts payable	1,111,862	642,027
Accrued compensation and payroll taxes	867,361	617,268
Unearned revenue	1,749	1,749
Other accrued expenses	246,807	148,736
Accrued interest payable	326,775	337,341
Short-term debt	69,111	-
Estimated third-party settlements (including Medicare accelerated payments)	940,229	421,954
Total current liabilities	4,056,118	2,230,874
Long-term liabilities		
Capital lease obligation, net of current maturities	3,069	13,399
Payroll Protection Program loan	-	1,117,100
Bonds payable, net of current maturities	13,956,681	14,461,537
Total long-term liabilities	13,959,750	15,592,036
Total liabilities	18,015,868	17,822,910
Net position (deficit)		
Net investment in capital assets	(8,391,032)	(9,337,211)
Restricted - expendable for		
Debt service	824,879	273,220
Specified operating activities	39,559	38,259
Unrestricted	1,964,490	3,917,702
Total net position (deficit)	(5,562,104)	(5,108,030)
Total liabilities and net position deficit	\$ 12,453,764	\$ 12,714,880

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

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

<i>For the years ended September 30,</i>	2021	2020
Operating Revenues		
Net patient service revenue before provision for uncollectible accounts	\$ 19,693,781	\$ 14,756,390
Provision for uncollectible accounts	(4,053,871)	(2,520,694)
Net patient service revenue	15,639,910	12,235,696
Other operating revenue	45,711	59,954
Total operating revenues	15,685,621	12,295,650
Operating Expenses		
Salaries and wages	8,080,481	5,621,722
Supplies and other operating expense	6,337,209	3,973,322
Insurance	1,081,217	878,037
Depreciation and amortization	844,883	738,587
Physician and professional fees	827,671	655,450
Employee benefits and payroll taxes	604,089	413,575
Total operating expenses	17,775,550	12,280,693
Operating income (loss)	(2,089,929)	14,957
Nonoperating Revenues (Expenses)		
Investment income	41,342	13,710
Interest expense	(817,253)	(864,030)
CARES PRF income, tax revenues, donations and other	2,411,766	3,690,973
Total nonoperating revenues (expenses)	1,635,855	2,840,653
Increase (decrease) in net position	(454,074)	2,855,610
Net position (deficit) - beginning of year	(5,108,030)	(7,963,640)
Net position (deficit) - end of year	\$ (5,562,104)	\$ (5,108,030)

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

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

<i>For the years ended September 30,</i>	2021	2020
Operating Activities		
Receipts from and on behalf of patients	\$ 14,862,963	\$ 11,490,860
Payments to suppliers and contractors	(8,247,097)	(5,676,192)
Payments to and on behalf of employees	(8,502,811)	(5,916,798)
Other receipts (payments), net	(17,615)	51,909
Net cash provided by (used in) operating activities	(1,904,560)	(50,221)
Noncapital Financing Activities		
Receipt of CARES PRF funding	406,778	3,640,149
Proceeds from Payroll Protection Program loan	-	1,117,100
Receipt of other noncapital grants	261,500	39,144
Tax revenues and other	532,077	17,185
Financing of insurance premiums	69,111	-
Principal paid on short-term debt	-	(61,677)
Interest paid on short-term debt	-	(786)
Interest and finance charges paid on trade payables	(19,679)	(61,893)
Net cash provided by (used in) noncapital financing activities	1,249,787	4,689,222
Capital and Related Financing Activities		
Purchase of capital assets	(1,684,374)	(7,415)
Interest paid on long-term debt	(831,102)	(835,289)
Principal paid on long-term debt	(61,799)	(61,119)
Net cash provided by (used in) capital and related financing activities	(2,577,275)	(903,823)
Investing Activities		
Purchase of investments	(1,000,000)	-
Interest Income	15,326	13,953
Net cash provided by (used in) investing activities	(984,674)	13,953
Net increase (decrease) in cash and cash equivalents	(4,216,722)	3,749,131
Cash and cash equivalents - beginning of year	5,729,789	1,980,658
Cash and cash equivalents - end of year	\$ 1,513,067	\$ 5,729,789

(Continued)

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

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

<i>For the years ended September 30,</i>	2021	2020
Reconciliation of Cash to Balance Sheets		
Cash and cash equivalents	\$ 542,141	\$ 5,416,561
Restricted cash and cash equivalents, noncurrent		
Building fund	39,559	38,259
Grant fund	1,749	1,749
Surtax account	104,739	-
Debt reserve fund	824,879	273,220
Cash and cash equivalents - end of year	\$ 1,513,067	\$ 5,729,789
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating income (loss)	\$ (2,089,929)	\$ 14,957
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	827,671	738,587
Provision for bad debts	4,053,871	2,520,694
Other nonoperating income	94,311	-
Changes in assets, deferred outflows, liabilities and deferred inflows		
Patient accounts receivable	(5,447,164)	(2,626,485)
Supplies	(290,916)	(50,070)
Prepaid expenses and other	(215,456)	62,645
Other noncurrent assets	(34,310)	-
Accounts payable	440,923	(151,647)
Accrued expenses	348,164	(308)
Estimated third-party settlements	518,275	(558,594)
Deferred outflows related to excess consideration	(110,000)	-
Net cash provided by (used in) operating activities	\$ (1,904,560)	\$ (50,221)
Noncash Investing, Capital and Financing Activities		
Purchase of equipment through accounts payable	\$ 28,912	\$ 4,715
Amortization of bond premium included in interest expense	\$ 23,089	\$ 23,088
Forgiveness of SBA PPP loan	\$ 1,117,000	\$ -

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

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

Note 1: DESCRIPTION OF HOSPITAL

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Use of Estimates

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

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

Risk Management

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management (continued)

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

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, 2021 and 2020, cash equivalents consisted primarily of demand deposits.

Investments and Investment Income

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

Patient Accounts Receivable, Net

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

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable, Net (continued)

For receivables associated with uninsured patients (also known as 'self-pay'), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2021 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2021 or 2020.

Supplies

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

Prepaid Expenses

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

Capital Assets

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

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

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs incurred in connection with the obtaining of financing are deferred and amortized over the period the obligation is outstanding using the interest method. Premiums or discounts incurred in connection with the issuance of bonds and indentures are amortized over the life of the obligations on the interest method, and the unamortized amount is included in the balance of the outstanding debt.

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the years ended September 30, 2021 and 2020.

Deferred Outflows/Inflows of Resources

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

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

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

The Hospital has no items that qualify for reporting as deferred inflows of resources at September 30, 2021 and 2020.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Net Position

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

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

Restricted net position – made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

Unrestricted net position – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

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

Operating Revenue and Expenses

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

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

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

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

Charity Care

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was approximately \$675,000 and \$650,000 for the years ended September 2021 and 2020, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$263,000 and \$253,000, 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 non-operating revenues. Amounts restricted to capital acquisition are reported after non-operating revenue and expenses.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Healthcare Environment

The Hospital monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

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

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

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended September 30, 2021 and 2020 was \$25,015 and \$22,467, respectively.

Income Taxes

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

Electronic Health Records Incentive Program

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Electronic Health Records Incentive Program (continued)

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

The Hospital received and recognized EHR incentive payments prior to fiscal 2019. No such significant incentive payments were received or recognized in either fiscal 2020 or 2021, and management believes it is unlikely that any additional significant meaningful use incentives will be received in the future, as the terms of the program are coming to a close. However, prior incentive payments remain subject to future audits and recoupments.

Recently Issued and Implemented Accounting Pronouncements

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

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The implementation of this statement had no impact on the financial statements.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

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

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

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

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPAs). As used in this Statement, a PPPA is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPPA asset), for a period of time in an exchange or exchange-like transaction. Some PPPAs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

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

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

In October 2021, the GASB issued GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 3, 2022. See Note 20 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

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

Note 3: DEPOSITS AND INVESTMENTS

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

<i>September 30,</i>	2021	2020
Petty cash and undeposited cash	\$ 215	\$ 215
Cash deposits with financial institutions	1,512,852	5,729,574
Mutual funds	1,026,016	-
Total deposits and investments	\$ 2,539,083	\$ 5,729,789

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

<i>September 30,</i>	2021	2020
Cash and cash equivalents	\$ 542,141	\$ 5,416,561
Investments, at fair value	1,026,016	-
Restricted cash and cash equivalents, noncurrent		
Building fund	39,559	38,259
Grant fund	1,749	1,749
Debt reserve fund	824,879	273,220
Surtax account	104,739	-
Total	\$ 2,539,083	\$ 5,729,789

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

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

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

Note 3: DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

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

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

The fair value of all securities currently owned is determined by quoted market prices (Level 1).

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

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

Note 3: DEPOSITS AND INVESTMENTS (Continued)

<i>September 30,</i>	2021	2020
Domestic fixed income	\$ 639,977	-
Domestic equity	140,237	-
International fixed income	23,536	-
International equity	75,350	-
Cash equivalents	146,915	-
Total	\$ 1,026,016	\$ -

Deposits

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

At September 30, 2021, \$824,879 of cash deposits in sinking, interest and reserve fund accounts related to the Hospital’s Series 2006 revenue bonds were held at a financial institution which is not a qualified public depository. \$250,000 of such deposits were collateralized by the FDIC, while the balance was uncollateralized. The remainder of the Hospital’s deposits at September 30, 2021 and 2020 were covered under the FDIC and the Act.

Investments

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

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

Note 4: PATIENT ACCOUNTS RECEIVABLE

The Hospital is located in Bonifay, Florida. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2021 and 2020 was:

<i>September 30,</i>	2021	2020
Medicare	\$ 518,385	\$ 464,864
Medicaid	376,550	124,554
Other third-party payers	1,532,289	496,918
Patients	3,371,981	2,276,661
Total patient accounts receivable	5,799,205	3,362,997
Less allowance for uncollectible accounts	(3,055,095)	(2,012,180)
Patient accounts receivable, net	\$ 2,744,110	\$ 1,350,817

Note 5: CAPITAL ASSETS

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

	Estimated Useful Lives (in years)	Balance 10/1/2020	Additions	Reductions	Transfers	Balance 9/30/2021
Nondepreciable capital assets						
Land		\$ 319,513	\$ -	\$ -	\$ -	\$ 319,513
Total nondepreciable		319,513	-	-	-	319,513
Depreciable capital assets						
Land improvements	5 - 40	1,856,984	-	-	-	1,856,984
Buildings and improvements	5 - 40	6,960,315	-	-	-	6,960,315
Furniture and fixtures	7 - 20	203,112	-	-	-	203,112
Machinery and equipment	7 - 20	11,488,963	1,713,286	-	-	13,202,249
Total depreciable, at cost		20,509,374	1,713,286	-	-	22,222,660
Less accumulated depreciation						
Land improvements		(1,383,917)	(58,353)	-	-	(1,442,270)
Buildings and improvements		(4,223,877)	(231,294)	-	-	(4,455,171)
Furniture and fixtures		(176,031)	(7,535)	-	-	(183,566)
Machinery and equipment		(9,840,823)	(530,489)	-	-	(10,371,312)
Total accumulated depreciation		(15,624,648)	(827,671)	-	-	(16,452,319)
Depreciable, net		4,884,726	885,615	-	-	5,770,341
Total capital assets, net		\$ 5,204,239	\$ 885,615	\$ -	\$ -	\$ 6,089,854

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

Note 5: CAPITAL ASSETS (Continued)

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

	Estimated Useful Lives (in years)	Balance 10/1/2019	Additions	Reductions	Transfers	Balance 9/30/2020
Nondepreciable capital assets						
Land		\$ 319,513	\$ -	\$ -	\$ -	\$ 319,513
Construction in progress		1,700	-	-	(1,700)	-
Total nondepreciable		321,213	-	-	(1,700)	319,513
Depreciable capital assets						
Land improvements	5 - 40	1,856,984	-	-	-	1,856,984
Buildings and improvements	5 - 40	6,960,315	-	-	-	6,960,315
Furniture and fixtures	7 - 20	203,112	-	-	-	203,112
Machinery and equipment	7 - 20	11,479,848	7,415	-	1,700	11,488,963
Total depreciable, at cost		20,500,259	7,415	-	1,700	20,509,374
Less accumulated depreciation						
Land improvements		(1,325,564)	(58,353)	-	-	(1,383,917)
Buildings and improvements		(3,992,583)	(231,294)	-	-	(4,223,877)
Furniture and fixtures		(168,256)	(7,775)	-	-	(176,031)
Machinery and equipment		(9,399,654)	(441,169)	-	-	(9,840,823)
Total accumulated depreciation		(14,886,057)	(738,591)	-	-	(15,624,648)
Depreciable, net		5,614,202	(731,176)	-	1,700	4,884,726
Total capital assets, net		\$ 5,935,415	\$ (731,176)	\$ -	\$ -	\$ 5,204,239

Depreciation expense for the years ended September 30, 2021 and 2020 totaled to \$827,671 and \$738,587, respectively, including insignificant amounts related to equipment under capital lease. No interest was capitalized during the years ended September 30, 2021 and 2020.

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

Note 6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

<i>September 30,</i>	2021	2020
Payable to suppliers and contractors	\$ 1,111,862	\$ 642,027
Payable to employees (including payroll taxes and benefits)	867,361	617,268
Accrued interest payable	326,775	337,341
Due to patients and their insurers	246,807	148,736
	\$ 2,552,805	\$ 1,745,372

Note 7: SHORT-TERM DEBT

In September 2019, the Hospital financed \$61,677 related to its fiscal 2020 Property, Cyber and Directors and Officers insurance premiums. Under the financing agreement, which bore interest at 4.95%, principal and interest payments were due in 10 consecutive monthly installments of \$6,308 beginning in November 2019. The balance of this financial agreement was paid off in August 2020.

In October 2021, the Hospital financed \$69,111 related to its fiscal 2021 Property, Cyber and Directors and Officers insurance premiums. Under the financing agreement, which bears interest at 4.95%, principal and interest payments are due in 10 consecutive monthly installments of \$7,069 beginning in November 2021 through August 2022.

A summary of changes in the Hospital's short-term debt for the years ended September 30, 2021 and 2020 follows:

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

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
Insurance premium financing	\$ 61,677	\$ -	\$ (61,677)	\$ -	\$ -

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

Note 8: LONG-TERM DEBT

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

<i>September 30,</i>	2021	2020
Capital lease obligation, interest rate of 9.90%, monthly payments of \$848, maturing January 2023, collateralized by leased equipment with an amortized cost of approximately \$30,000.	\$ 13,399	\$ 21,791
Hospital Revenue Bonds Series 2006, original principal amount of \$16,935,000. The bond is comprised of two individual issues, the first in the principal amount of \$6,820,000 with an interest rate of 5.75%, and the second in the principal amount of \$10,115,000 with an interest rate of 6.00%. Principal payments are due annually on November 1, and interest is payable semiannually on May 1 and November 1. Proceeds from the bonds were used to construct a replacement facility which was placed into service on April 1, 2008. The bonds mature in 2039.	13,875,000	13,875,000
Hospital Revenue Bonds Series 2017, original principal amount of \$375,000, bearing an interest rate of 2.75%. Principal and interest payments in the amount of \$59,625 are due annually beginning on February 22, 2018 through February 22, 2024. Proceeds from the bonds were used for the reimbursement and purchase of imaging equipment.	169,878	223,285
Payroll Protection Program (PPP) Loan	-	1,117,100
Plus: unamortized portion of premium on Series 2006 bonds	393,697	416,659
	14,451,974	15,653,835
Less: current portion	(492,224)	(61,799)
Total	\$ 13,959,750	\$ 15,592,036

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

Note 8: LONG-TERM DEBT (Continued)

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

As of September 30, 2020 and 2021, the Hospital had violated certain of its bond covenants. The Hospital has received a waiver of these events for the current year, due to a renewed forbearance agreement (see below). The financial statements do not include any adjustments related to the events of default or that would result from the Hospital's inability to cure such defaults in the future.

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

For the agreement to remain in effect, the Hospital was required pay all expenses, including consulting fees, related to the agreement and comply with a new budget and various other terms, including keeping the aging of accounts payable to a certain limit and remitting any excess of days cash on hand over 20 to the debt service fund (among others). The Hospital was also required to search for an affiliation partner and choose one by February 2020. No affiliation was executed during the fiscal years ended September 30, 2020 or 2021.

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

In February of 2022, a second amendment to the forbearance agreement was successfully executed, extending the period of time covered by the agreement through October of 2022. All other significant terms remain similar to the first amendment. Bond principal and interest payment requirements remain, and these were fully paid during fiscal year 2021.

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

Note 8: LONG-TERM DEBT (Continued)

A summary of changes in the Hospital's long-term debt, including capital lease obligations, for the years ended September 30, 2021 and 2020 follows:

	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021	Due Within One Year
Capital lease obligation	\$ 21,791	\$ -	\$ (8,392)	\$ 13,399	\$ 10,330
Revenues bonds payable					
Series 2006	13,875,000	-	-	13,875,000	427,000
Series 2017	223,285	-	(53,407)	169,878	54,894
Premium on Series 2006	416,659	127	(23,089)	393,697	-
Revenues bonds payable	14,514,944	127	(76,496)	14,438,575	481,894
Notes Payable - PPP loan	1,117,100	-	(1,117,100)	-	-
Total long-term debt	\$ 15,653,835	\$ 127	\$ (1,201,988)	\$ 14,451,974	\$ 492,224

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
Capital lease obligation	\$ 30,950	\$ -	\$ (9,159)	\$ 21,791	\$ 8,392
Revenues bonds payable					
Series 2006	13,875,000	-	-	13,875,000	-
Series 2017	275,245	-	(51,960)	223,285	53,407
Premium on Series 2006	439,748	-	(23,089)	416,659	-
Revenues bonds payable	14,589,993	-	(75,049)	14,514,944	53,407
Notes Payable - PPP loan	-	1,117,100	-	1,117,100	-
Total long-term debt	\$ 14,620,943	\$ 1,117,100	\$ (84,208)	\$ 15,653,835	\$ 61,799

Scheduled principal and interest payments on revenue bonds payable and future minimum lease payments on capital lease obligations are as follows:

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

Note 8: LONG-TERM DEBT (Continued)

For the year ending <i>September 30,</i>	Capital Lease Obligation		Revenue Bonds Payable		Total to be Paid
	Principal	Interest	Principal	Interest	
2022	10,330	804	484,965	769,973	1,266,072
2023	4,875	103	511,476	743,018	1,259,472
2024	-	-	538,029	714,584	1,252,613
2025	-	-	505,000	684,669	1,189,669
2026-2030	-	-	3,010,000	2,931,213	5,941,213
2031-2035	-	-	4,020,000	1,886,400	5,906,400
2036-2040	-	-	4,975,408	520,650	5,496,058
Total	\$ 15,205	\$ 907	\$ 14,044,878	\$ 8,250,507	\$ 22,311,497

Depreciation expense includes an insignificant amount of depreciation on equipment under capital lease for the years ended September 30, 2021 and 2020. No interest was capitalized during the years ended September 30, 2021 and 2020.

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

Note 9: NET INVESTMENT IN CAPITAL ASSETS

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

<i>September 30,</i>	2021	2020
Capital assets, net	\$ 6,089,854	\$ 5,204,239
Less outstanding accounts payable related to capital assets	(28,912)	(4,715)
Less debt related to capital assets:		
Capital leases	(13,399)	(21,791)
Bonds payable, net of premium	(14,438,575)	(14,514,944)
Net investment in capital assets	\$ (8,391,032)	\$ (9,337,211)

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

Note 10: NET PATIENT SERVICE REVENUE

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

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

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

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

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

<i>For the years ended September 30,</i>	2021	2020
Medicare	34%	36%
Medicaid	2%	1%
Blue Cross	16%	13%
Commercial/HMO/PPO	46%	48%

The composition of net patient service revenue was as follows:

<i>For the years ended September 30,</i>	2021	2020
Gross patient service revenue	\$ 49,654,472	\$ 33,367,247
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	(29,960,691)	(18,610,857)
Provision for bad debts	(4,053,871)	(2,520,694)
Net patient service revenue	\$ 15,639,910	\$ 12,235,696

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

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS

The Agency for Health Care Administration (“AHCA”) is the entity designated by the State of Florida to administer its Medicaid program. AHCA and the State of Florida have established various programs that provide additional payments from the state to qualifying Florida hospitals that service a disproportionate share of Medicaid, underinsured, uninsured and low-income patients. Notably, these programs include Medicaid disproportionate share (“DSH”) and the low income pool (“LIP”). The Hospital generally qualifies as a DSH and LIP provider and receives payments based on formulas established by AHCA. The possibility exists that the formulas may continue to change, pending federal and/or state legislation. Total proceeds of DSH and LIP payments were approximately \$647,000 and \$661,000 for fiscal years 2021 and 2020, respectively.

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

During fiscal year 2021, net patient service revenue decreased by approximately \$289,000 due to changes in estimates for outstanding and filed cost reports, and it is reasonably possible that these estimates could further materially change in the near term.

Section 395.701 of the Florida Statutes imposes an annual assessment on all hospitals operating in the State of Florida. The assessment is currently calculated as 1.5% of annual net operating revenues for inpatient services; 1% of annual net operating revenues for outpatient services; and .4% of annual gross operating expenses (per AHCA’s definition). The assessments are due on a quarterly basis to AHCA and are used, among other purposes, to obtain federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients, which serve to increase payments to Medicaid provider hospitals throughout the state. Approximately \$153,000 and \$121,000 of expenses related to these assessments are included in operating expenses on the accompanying statements of revenues, expenses and changes in net position for fiscal years 2021 and 2020, respectively. Estimated assessments payable totaling \$149,000 and \$129,000 at both September 30, 2021 and 2020 are included in estimated third-party payer settlements on the accompanying balance sheets.

Note 12: 340B DRUG PRICING PROGRAM

The Hospital participates in the 340B Drug Pricing Program (340B Program), enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Hospital operates an internal pharmacy and has partnered with a network of participating local pharmacies that dispense the pharmaceuticals to its patients under a contractual arrangement with the Hospital.

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

Note 12: 340B DRUG PRICING PROGRAM (Continued)

The Hospital recorded 340B Program revenues of \$27,126 and \$21,249 for the years ended September 30, 2021 and 2020, respectively, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. 340B program expenses of \$291,235 and \$322,610 for the years ended September 30, 2021 and 2020, respectively, are included in supplies and other operating expense in the accompanying statements of revenues, expenses and changes in net position.

This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 13: MEDICAL MALPRACTICE INSURANCE

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

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

Note 14: 403(B) DEFERRED COMPENSATION PLAN

The Hospital sponsors a deferred compensation plan, which qualifies as a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code. The Plan covers all employees who elect to participate. The plan allows participants to defer a portion of their annual compensation. The amount of annual contributions to the plan by participants is subject to certain limitations as defined in the plan document. Plan participants vest 100% immediately in their contributions and investment earnings thereon. The plan does not require or provide for employer contributions, and, accordingly, no contribution expense was recognized for the years ended September 30, 2021 and 2020.

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

Note 15: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Notes 2, 10, and 11.

Litigation

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

Supplemental Medicaid Reimbursements

The Hospital receives reimbursements from various programs in relation to the Medicaid uninsured and underinsured patients they serve. Funding received in excess of costs to provide these services is subject to audit and payments received in excess of costs may be required to be refunded to the State of Florida. The estimate of potential liability is described in Note 11.

Note 16: COMMITMENTS AND CONTINGENCIES

Operating Leases

The Hospital leases various pieces of equipment under operating leases expiring at various dates through 2026. Total rental expense for the years ended September 30, 2021 and 2020 for all operating leases was approximately \$168,000 and \$177,000, respectively.

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

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

Note 16: COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (continued)

For the years ending September 30,

2022	\$	225,732
2023		105,732
2024		104,079
2025		30,274
2026		9,074
Thereafter		-
Total		\$ 474,891

Note 17: 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.

Note 18: CARES ACT FUNDING

Additional funding for the Public Health and Social Services Emergency Fund (“Relief Fund”) was among the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which was signed into law on March 27, 2020, and other legislation. In the year ended September 30, 2020, the Hospital received cash payments of approximately \$3,640,000 from the Relief Fund and state grant programs, which is reported as non-operating revenues in accompanying statement of revenues, expenses and changes in net position.

Payments from the Relief Fund are not loans therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions. Including, among other things, that the funds are being used for lost operating revenues and COVID-related costs, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider. The Hospital recognizes grant payments as income when there is reasonable assurance of compliance with the conditions associated with the grant. The Hospital’s estimates could change materially in the future based on the Hospital’s operating performance or COVID-19 activities, as well as the evolving grant compliance guidance provided by the government.

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

Note 18: CARES ACT FUNDING (Continued)

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

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

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

During the years ended September 30, 2021 and 2020, the Hospital recognized approximately \$490 thousand and \$3.6 million of Relief Fund income, respectively, included as non-operating income, associated with lost operating revenue and COVID-related costs.

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

- Effective May 1, 2020 through December 31, 2020, the 2% sequestration reduction on Medicare FFS and Medicare Advantage payments to hospitals, physicians and other providers authorized by the Sequestration Transparency Act of 2020 is suspended and will resume at a future date.
- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency as declared by the Secretary of HHS.
- The scheduled reduction of \$4 billion in federal Medicaid DSH allotments in FFY 2020, as mandated by the Affordable Care Act, is suspended until December 1, 2020. Also, the federal

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

Note 18: CARES ACT FUNDING (Continued)

DSH allotment reduction for FFY 2021 will be reduced from \$8 billion to \$4 billion. Notwithstanding these adjustments, the ACA-mandated reduction is not expected to be extended past its original termination in FFY 2025.

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

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

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

Note 19: CARES PRF INCOME, TAX REVENUES, DONATIONS AND OTHERS

<i>For the years ended September 30,</i>	2021	2020
PPP forgiveness	\$ 1,117,100	\$ -
Holmes County tax revenues	532,077	-
CARES PRF	406,778	3,640,149
Donated hospital equipment	261,500	11,866
Grants, donations and other miscellaneous	94,311	38,958
CARES PRF, tax revenues, donations, grants and other	\$ 2,411,766	\$ 3,690,973

Effective January 1, 2021, the Hospital began receiving sales tax funds from Holmes County, via voter approval of an indigent care one-half cent sales surtax. Proceeds of these taxes are recorded as non-operating income, in the amounts shown in the table above. Additionally, due to timing differences between when the taxes are received by Holmes County and remitted to the Hospital, an amount totaling approximately \$115,000 was recorded as a receivable at September 30, 2021, included in other current assets on the accompanying balance sheet.

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

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

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

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

Note 20: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2021 through March 3, 2022 the date the Hospital's financial statements were available to be issued. The following items occurred:

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

In November of 2021, the Hospital submitted their first required reporting of expenditures and lost revenues via the CARES PRF portal. As a result of this submission, there was no required repayment for unspent funds, through the period of availability.



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

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

We have examined Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital") compliance with the Section 218.415, Florida Statutes, during the year ended September 30, 2021. Management is responsible for the Hospital's compliance with those requirements. Our responsibility is to express an opinion on the Hospital's compliance based on our examination.

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

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

In our opinion, the Hospital did not comply, in all material respects, with the aforementioned requirements of Section 218.415 during the year ended September 30, 2021. This noncompliance, and management's response, is addressed in finding 2021-001 in the accompanying Schedule of Findings and Responses.

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

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

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

Enterprise, Alabama
March 3, 2022



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated March 3, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Hospital's Responses to Findings

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

Purpose of this Report

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

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

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

Enterprise, Alabama

March 3, 2022

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Schedule of Findings and Responses**

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

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

Condition: Audit adjustments were required to adjust estimated third party payer settlements, accounts receivable, prepaids, accounts payable, County tax receivables / revenues, and others.

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

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

Recommendation: Management should continue to focus on strengthening internal controls surrounding financial reporting and the proper presentation of financial statements in accordance with GAAP and ensure that appropriate measures are taken to record all assets and liabilities. Financial close procedures should include an analysis of all prepaid expenses, accrued expenses, debt and related accounts and estimated third party payer settlements.

Views of Responsible Officials and Planned Corrective Actions: Agree with the above recommendation. The hospital is comparing all general ledger accounts balances to worksheet that calculate the current balances of prepaid expenses and accrued expenses, debt and related accounts and estimated third party payer settlements.

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

2019 – 003 Public Deposit Act Compliance

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

Condition: During the year ended September 30, 2019, the Hospital transferred its Series 2006 bond reserve and interest and sinking fund cash accounts to a new financial institution which is not a qualified public depository of the State of Florida. This condition remains in fiscal year 2021.

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

**Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Schedule of Findings and Responses**

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

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

Views of Responsible Officials and Planned Corrective Actions: The Hospital attorney has communicated to the bond holders the necessity to transfer funds from the account to a qualified public depository with the State of Florida. Future transfers will include an analysis of the bank status regarding its qualification as a public depository with the State of Florida.

2021 – 001 Local Government Investments Compliance

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

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

The Hospital has an investment policy, dated September of 2020, which outlines various directions of the Board related to any future investments. However, the Hospital’s investment policy does not meet all of the requirements of Florida Statutes 218.415. Additionally, the Hospital does not have an Investment Committee currently in place, as contemplated by its investment policy. As such, the Hospital is not in compliance with Florida Statutes as of September 30, 2021.

Cause: The Hospital’s investment policy was not drafted in a format that meets Florida Statutes, and an Investment Committee has not been appointed or actively managing the \$1 million investment portfolio.

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

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

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



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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital"), as of and for the fiscal year ended September 30, 2021 and have issued our report thereon dated March 3, 2022

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, *AT-C Section 315*, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 3, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audits, we determined that finding 2019-003 of the second preceding annual financial audit report, and finding 2018-002 in the third preceding annual financial audit report (identified as finding 2017-001 in the fiscal year 2017 audit), were all or partially repeated, as described in the accompanying schedule of findings and responses.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate

procedures and communicate the results of our determination as to whether or not the Hospital has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific 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.b. 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.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we noted that certain deposits were not held at a Qualified Public Depository in accordance with the Public Deposit Act Compliance. This is described in finding 2019 – 003 in the accompanying schedule of findings and responses. Additionally, we determined that the Hospital's investment policy was not in compliance with current Florida statutes. This is described in finding 2021 – 001 in the accompanying schedule of findings and responses.

Purpose of this Letter

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

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

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

Enterprise, Alabama
March 3, 2022