

**NESHOBA COUNTY AMBULANCE ENTERPRISE
PHILADELPHIA, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2016**

NESHOPA COUNTY AMBULANCE ENTERPRISE
Audited Financial Statements and Additional Information
September 30, 2016

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Certified Public Accountants

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Independent Auditors' Report

The Enterprise Management Committee
Neshoba County Ambulance Enterprise
Philadelphia, Mississippi

Report on Financial Statements

We have audited the accompanying financial statements of Neshoba County Ambulance Enterprise, a joint venture of Neshoba County, Mississippi and Neshoba County General Hospital and Neshoba County Nursing Home, as of and for the years ended September 30, 2016, and 2015, and the related notes to financial statements, which collectively comprise Neshoba County Ambulance Enterprise's basic financial statements as listed in the 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 the financial statements based on our audits. We conducted the audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 auditors consider 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neshoba County Ambulance Enterprise as of September 30, 2016, and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Neshoba County Ambulance Enterprise and do not purport to, and do not, present fairly the financial position of Neshoba County, Mississippi or Neshoba County General Hospital and Neshoba County Nursing Home, as of September 30, 2016, and 2015, the changes in their financial position, or, where applicable, their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Neshoba County Ambulance Enterprise has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the omitted information.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The schedule of surety bonds for officials is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of surety bonds for officials is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of surety bonds for officials is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2017, on our consideration of the Neshoba County Ambulance Enterprise'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 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 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 Neshoba County Ambulance Enterprise's internal control over financial reporting and compliance.

Eupora, Mississippi
February 15, 2017

Watkins Ward and Stafford, PLLC

NESHOPA COUNTY AMBULANCE ENTERPRISE
 Statements of Net Position
 September 30, 2016, and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets:		
Cash	\$ 1,410,035	\$ 2,677,008
Patient accounts receivable (Net of estimated uncollectibles and allowances of \$816,616 in 2016 and \$632,487 in 2015)	381,431	296,782
Prepaid Expenses	<u>1,907</u>	<u>1,516</u>
Total Current Assets	<u>1,793,373</u>	<u>2,975,306</u>
Other Assets:		
Deferred Expense	<u>1,000</u>	<u>-</u>
Total Assets	\$ <u><u>1,794,373</u></u>	\$ <u><u>2,975,306</u></u>
Liabilities and Net Position		
Current Liabilities:		
Due to Neshoba County General Hospital and Neshoba County Nursing Home	\$ <u>127,496</u>	\$ <u>1,163,496</u>
Unrestricted Net Position	<u>1,666,877</u>	<u>1,811,810</u>
Total Liabilities and Net Position	\$ <u><u>1,794,373</u></u>	\$ <u><u>2,975,306</u></u>

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

NESHOPA COUNTY AMBULANCE ENTERPRISE
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended September 30, 2016, and 2015

	2016	2015
Operating Revenues:		
Net patient service revenue (Net of provision for bad debts of \$577,144 in 2016 and \$672,165 in 2015)	\$ 1,888,654	\$ 1,580,671
Operating Expenses:		
Supplies and drugs	58,614	50,051
Other operating expenses	2,003,536	1,456,558
Total Operating Expenses	2,062,150	1,506,609
Operating Income (Loss)	(173,496)	74,062
Nonoperating Revenues:		
Grants and contributions	28,563	30,729
Excess of Revenues Over (Under) Expenses	(144,933)	104,791
Unrestricted Net Position Beginning of Year	1,811,810	1,707,019
Unrestricted Net Position End of Year	\$ 1,666,877	\$ 1,811,810

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

NESHOPA COUNTY AMBULANCE ENTERPRISE
 Statements of Cash Flows
 Years Ended September 30, 2016, and 2015

	2016	2015
Cash From Operating Activities:		
Receipts from and on behalf of patients	\$ 1,804,005	\$ 1,823,011
Payments to suppliers and contractors	(3,099,541)	(1,021,073)
Net Cash Provided (Used) by Operating Activities	(1,295,536)	801,938
Cash From Noncapital Financing Activities:		
Grants and contributions	28,563	30,729
Net Cash Provided by Noncapital Financing Activities	28,563	30,729
Net Increase (Decrease) in Cash and Cash Equivalents	(1,266,973)	832,667
Cash and Cash Equivalents at Beginning of Year	2,677,008	1,844,341
Cash and Cash Equivalents at End of Year	\$ 1,410,035	\$ 2,677,008
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (173,496)	\$ 74,062
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:		
Provision for bad debts	577,144	672,165
Changes in:		
Patient accounts receivable	(661,793)	(429,825)
Prepaid expenses	(391)	(1,516)
Deferred expense	(1,000)	-
Due to Neshoba County General Hospital and Neshoba County Nursing Home	(1,036,000)	487,052
Net Cash Provided (Used) by Operating Activities	\$ (1,295,536)	\$ 801,938

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

NESHOBA COUNTY AMBULANCE ENTERPRISE
Notes to Financial Statements

Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity - The Enterprise operates a public ambulance service for the benefit of the citizens of Neshoba County, Mississippi and the surrounding area, as authorized by law. The Enterprise has been established as a separate county enterprise maintaining its own books and records of its expenses and revenues and billing directly for ambulance services according to the Enterprise joint venture agreement stipulations. The Enterprise staffing needs for the operation of the ambulance services is provided by the Hospital in accordance with the Management Services Agreement entered into between Neshoba County Ambulance Enterprise and Neshoba County General Hospital and Neshoba County Nursing Home. The Enterprise uses vehicles and certain equipment owned by Neshoba County (the County), and uses the management and personnel services of Neshoba County General Hospital and Neshoba County Nursing Home's (the Hospital's) employees. The Enterprise is governed by an Enterprise Management Committee consisting of five voting members: Hospital CEO, Hospital CFO, Hospital Director of Ambulance Services, County Emergency Management Director and County Administrator. However, due to the resignation of one County member, there were only four voting members in 2016 and 2015.

Under *Governmental Accounting Standards Board Statement Number 14: The Financial Reporting Entity*, the Enterprise is defined as a joint venture of Neshoba County, Mississippi and Neshoba County General Hospital and Neshoba County Nursing Home. The financial statements of Neshoba County Ambulance Enterprise are presented as a discretely presented component unit in the financial statements of Neshoba County General Hospital and Neshoba County Nursing Home. These financial statements present only the financial position and results of operations and cash flows of Neshoba County Ambulance Enterprise.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allowance for uncollectibles.

Proprietary Fund Accounting - The Enterprise utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. Based on *Governmental Accounting Standards Board (GASB) Statement No. 20: Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Enterprise has elected to apply the provisions and all pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict or contradict GASB pronouncements.

Cash and Cash Equivalents - Cash and cash equivalents include unrestricted cash used for operating purposes only.

Net Position - Net position of Neshoba County Ambulance Enterprise is classified as *unrestricted net position* because there are no restrictions on its use imposed by those charged with governance.

Operating Revenues and Expenses - Neshoba County Ambulance Enterprise's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing ambulance services – the enterprise's principal activity. Operating expenses are all expenses incurred to provide ambulance services, other than financing costs.

NESHOPA COUNTY AMBULANCE ENTERPRISE
Notes to Financial Statements

Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Risk Management - The Enterprise is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Neshoba County General Hospital and Neshoba County Nursing Home purchases coverage of risks of loss related to torts and malpractice up to \$500,000 per case from Healthcare Providers Insurance Company. This coverage is effective for Neshoba County General Hospital and Neshoba County Nursing Home as well as Neshoba County Ambulance Enterprise.

Under *Governmental Accounting Standards Board Statement Number 10: Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, a liability for a claim must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The Enterprise has not been exposed to any risk of loss above the applicable insurance coverage amounts at September 30, 2016; therefore, no liability has been accrued at this time.

Income Taxes - As a political subdivision of the State of Mississippi, the Enterprise qualifies as a tax-exempt organization under existing provisions of the Internal Revenue Code, and its income is not subject to federal or state income taxes.

Excess of Revenues Over (Under) Expenses - The statements of revenues, expenses and changes in net position includes excess of revenues over (under) expenses. Changes in net position which are excluded from excess of revenues over (under) expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Note 2: Cash and Other Deposits

The Enterprise deposits funds in financial institutions selected by the Enterprise Management Committee. Various restrictions on deposits are imposed by statutes.

The collateral for public entities' deposits in financial institutions is required to be held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the Enterprise's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. The Enterprise's cash account was fully collateralized as of September 30, 2016.

NESHOBA COUNTY AMBULANCE ENTERPRISE
Notes to Financial Statements

Note 3: Accounts Receivable – Estimated Uncollectibles and Allowances

The balance in the estimated uncollectibles and allowances accounts at September 30, 2016, and 2015, is composed of the following:

	2016	2015
Provision for uncollectible accounts	\$ 394,029	\$ 451,045
Allowance for Medicare adjustment	117,834	69,573
Allowance for Medicaid adjustment	33,909	12,649
Allowance for commercial insurance adjustment	270,844	99,220
	\$ 816,616	\$ 632,487

Note 4: Commitments Under Noncancelable Operating Leases

The Enterprise leases ambulances under operating leases from Neshoba County, Mississippi, expiring at various dates. Future minimum pending noncancelable lease payments are as follows:

<u>Year Ended September 30,</u>		
2017	\$	73,526
2018	\$	42,250
2019	\$	31,687
2020	\$	-
2021	\$	-

Rental expense under all operating leases for the years ended September 30, 2016, and 2015, was \$89,781 and \$107,874, respectively.

Note 5: Net Patient Service Revenue

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

Medicare – Under the ambulance fee schedule, the Medicare program pays for transportation services for Medicare beneficiaries when other means of transportation are contraindicated. Ambulance services are classified into different levels of ground services based on the medically necessary treatment provided during transport. These services include the following levels of service:

- Basic Life Support (BLS)
- Advanced Life Support, Level 1 (ALS1)
- Advanced Life Support, Level 2 (ALS2)
- Specialty Care Transport (SCT)
- Paramedics ALS Intercept (PI)

Medicaid – Ambulance services are reimbursed from a statewide uniform fixed fee schedule based on seventy percent (70%) of the rate established under Medicare (Title XVIII of the Social Security Act), as amended.

NESHOBA COUNTY AMBULANCE ENTERPRISE
Notes to Financial Statements

Note 6: Concentrations of Credit Risk

The Enterprise grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2016, and 2015, was as follows:

	<u>2016</u>	<u>2015</u>
Medicare	14%	11%
Medicaid	4%	2%
Patients and other third-party payors	<u>82%</u>	<u>87%</u>
	<u>100%</u>	<u>100%</u>

Note 7: Management Agreement

On April 1, 2012, Neshoba County Ambulance Enterprise entered into a management services agreement with Neshoba County General Hospital and Neshoba County Nursing Home to provide various management and administrative services and incur certain operational expenses necessary for the establishment and continued operation of a public ambulance service. The Enterprise shall operate and continue according to the Joint Venture Agreement until terminated pursuant to the Joint Venture Agreement between, Neshoba County, Mississippi and Neshoba County General Hospital and Neshoba County Nursing Home. Under the terms of this agreement, the Enterprise agrees to reimburse the Hospital for its actual compensation costs incurred for the employees for their time spent in performance of these management services. The Enterprise shall also reimburse the Hospital for any direct out of pocket expenses incurred by the Hospital on it's behalf in performance of the management services. Neshoba County General Hospital and Neshoba County Nursing Home will accrue charges due until such time as the Enterprise has sufficient revenues to reimburse the Hospital. The Enterprise incurred \$2,045,746, and \$1,506,609, in expense that was paid by Neshoba County General Hospital and Neshoba County Nursing Home during the years ended September 30, 2016, and 2015, respectively. The Enterprise had a payable due to Neshoba County General Hospital and Neshoba County Nursing Home of \$127,496, and \$1,163,496, as of September 30, 2016, and 2015, respectively.

Note 8: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Neshoba County Ambulance Enterprise evaluated the activity of the Enterprise through February 15, 2017, (the date the financial statements were available to be issued), and determined that there were no subsequent events requiring disclosures in the notes to the financial statements.

NESHOPA COUNTY AMBULANCE ENTERPRISE
Schedule of Surety Bonds for Officials
September 30, 2016

Name	Position	Company	Amount of Bond
Lee McCall	Chairman	Travelers Casualty and Surety Company of America	\$ 100,000
Scott McNair	Member	Travelers Casualty and Surety Company of America	\$ 100,000
Jeff Mayo	Member	Travelers Casualty and Surety Company of America	\$ 100,000
Dale Joyner	Member	Travelers Casualty and Surety Company of America	\$ 100,000



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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***

The Enterprise Management Committee
Neshoba County Ambulance Enterprise
Philadelphia, Mississippi

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 Neshoba County Ambulance Enterprise, a joint venture between Neshoba County, Mississippi and Neshoba County General Hospital and Neshoba County Nursing Home, as of and for the years ended September 30, 2016, and 2015, and the related notes to financial statements, which collectively comprise Neshoba County Ambulance Enterprise's basic financial statements as listed in the contents, and have issued our report thereon dated February 15, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neshoba County Ambulance Enterprise'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Eupora, Mississippi
February 15, 2017

Watkins Ward and Stafford, PLLC



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Independent Auditors' Report on Compliance with State Laws and Regulations

The Enterprise Management Committee
 Neshoba County Ambulance Enterprise
 Philadelphia, Mississippi

We have audited the financial statements of Neshoba County Ambulance Enterprise, a joint venture between Neshoba County, Mississippi and Neshoba County General Hospital and Neshoba County Nursing Home, as of September 30, 2016, and 2015, and have issued our report thereon dated February 15, 2017.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement.

Compliance with state laws applicable to Neshoba County Ambulance Enterprise is the responsibility of the Enterprise's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Neshoba County Ambulance Enterprise's compliance with certain provisions of state laws and regulations. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, Neshoba County Ambulance Enterprise complied with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Neshoba County Ambulance Enterprise had not complied with state laws and regulations.

This report is intended solely for the information and use of the Enterprise Management Committee, management, others within the organization, Neshoba County General Hospital and Neshoba County Nursing Home, and the Board of Supervisors of Neshoba County, Mississippi and is not intended to be and should not be used by anyone other than these specified parties.

Eupora, Mississippi
 February 15, 2017

Watkins Ward and Stafford, PLLC