

**NESHOBA COUNTY GENERAL HOSPITAL  
AND NESHOBA COUNTY NURSING HOME  
PHILADELPHIA, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
SEPTEMBER 30, 2018**

**WATKINS, WARD AND STAFFORD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS**



NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
September 30, 2018

Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	4
<b>Basic Financial Statements</b>	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	14
<b>Other Information</b>	
Detailed Schedules of Operating Revenues	30
Detailed Schedules of Operating Expenses	33
Schedule of Surety Bonds for Officials and Employees	34
<b>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 <i>Government Auditing Standards</i></b>	35
<b>Independent Auditors' Report on Compliance with State Laws and Regulations</b>	37



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## **Independent Auditors' Report**

The Board of Trustees  
Neshoba County General Hospital and  
Neshoba County Nursing Home  
Philadelphia, Mississippi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Neshoba County General Hospital and Neshoba County Nursing Home, a component unit of Neshoba County, Mississippi, as of and for the years ended September 30, 2018, and 2017, and the accompanying financial statements of Neshoba County Ambulance Enterprise, a discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, as of and for the years ended September 30, 2018, and 2017, and the related notes to financial statements, which collectively comprise Neshoba County General Hospital and Neshoba County Nursing Home's and Neshoba County Ambulance Enterprise's basic financial statements as listed in the contents. We have also compiled the accompanying financial statements of NCGH Leverage, LLC, a discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home as of and for the years ended September 30, 2018, and 2017, and the related notes to financial statements, as discussed in this report under the heading "Report on the Compiled Financial Statements."

### **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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinion on the financial statements of Neshoba County General Hospital and Neshoba County Nursing Home and its discretely presented component unit, Neshoba County Ambulance Enterprise, as of and for the years ended September 30, 2018, and 2017.

### **Opinions**

In our opinion, the financial statements of Neshoba County General Hospital and Neshoba County Nursing Home and its discretely presented component unit, Neshoba County Ambulance Enterprise, a component unit of Neshoba County, Mississippi, present fairly, in all material respects, the financial position of Neshoba County General Hospital and Neshoba County Nursing Home and its discretely presented component unit, Neshoba County Ambulance Enterprise, as of September 30, 2018, and 2017, 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 General Hospital and Neshoba County Nursing Home and the discretely presented component units thereof and do not purport to, and do not, present fairly the financial position of Neshoba County, Mississippi as of September 30, 2018, and 2017, the changes in its financial position, or, where applicable, its 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*

Accounting principles generally accepted in the United States of America require that the management discussion and analysis (pages 4 to 8) 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. Neshoba County General Hospital and Neshoba County Nursing Home management has elected to omit the management discussion and analysis for NCGH Leverage, LLC and Neshoba County Ambulance Enterprise. Our opinion on the basic financial statements is not affected by the omitted information.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The detailed schedules of operating revenues and detailed schedules of operating expenses for the years ended September 30, 2018, and 2017, and the schedule of surety bonds for officials and employees is presented for purposes of additional analysis and are not required parts of the basic financial statements.

The detailed schedules of operating revenues, the detailed schedules of operating expenses and the schedule of surety bonds for officials and employees for the years ended September 30, 2018, and 2017, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the audit procedures applied in the audit 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 detailed schedules of operating revenues, the detailed schedules of operating expenses and the schedule of surety bonds for officers and employees for the years ended September 30, 2018, and 2017, are 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 April 10, 2019, on our consideration of Neshoba County General Hospital and Neshoba County Nursing Home's, and its discretely presented component unit, Neshoba County Ambulance Enterprise's, internal control over financial reporting and on our test 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 General Hospital and Neshoba County Nursing Home's, and its discretely presented component unit, Neshoba County Ambulance Enterprise's, internal control over financial reporting and compliance.

### **Report on the Compiled Financial Statements**

Management is responsible for the accompanying financial statements of NCGH Leverage, LLC, a discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, which comprise the statements of net position as of September 30, 2018, and 2017, and the related statements of revenues, expenses and changes in net position, cash flows, and the related notes to financial statements for the years then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements of NCGH Leverage, LLC, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Eupora, Mississippi  
April 10, 2019

*Watkins Ward and Stafford, PLLC*

**Neshoba County General Hospital and Neshoba County Nursing Home  
Management's Discussion and Analysis  
Years Ended September 30, 2018, and 2017**

Our discussion and analysis of Neshoba County General Hospital and Neshoba County Nursing Home's financial performance provides an overview of the facility's financial activities for the fiscal years ended September 30, 2018, and 2017. Please read it in conjunction with the facility's financial statements, which begin on page 9. This discussion and analysis presents only the activity of Neshoba County General Hospital and Neshoba County Nursing Home and does not present the activity of any discretely presented component units.

**FINANCIAL HIGHLIGHTS**

- ◆ The facility's net position increased by \$750,438 in 2018, and \$1,167,115 in 2017.
- ◆ The facility reported an operating loss of \$132,218 in 2018, and \$433,102 in 2017.
- ◆ Nonoperating revenues and expenses decreased by \$627,645 from 2017 to 2018.

**USING THIS ANNUAL REPORT**

The facility's financial statements consist of three statements – Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These financial statements and related notes provide information about the activities of the facility, including resources held by the facility but restricted for specific purposes by contributors, grantors, or enabling legislation.

**The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position**

Our analysis of the facility's finances begins on page 5. One of the most important questions asked about the facility's finances is, "Is the facility as a whole better or worse off as a result of the year's activities?" The Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position report information about the facility's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the facility's net position and changes in it. You can think of the facility's net position – the difference between assets and liabilities – as one way to measure the facility's financial health, or financial position. Over time, increases or decreases in the facility's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the facility's patient base and measures of the quality of service it provides to the community, as well as local economic factors, to assess the overall health of the facility.

**Neshoba County General Hospital and Neshoba County Nursing Home  
Management's Discussion and Analysis  
Years Ended September 30, 2018, and 2017**

**USING THIS ANNUAL REPORT (Continued)**

**The Statement of Cash Flows**

The final required statement is the Statements of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

**THE FACILITY'S NET POSITION**

The facility's net position is the difference between its assets and liabilities reported in the Statements of Net Position on pages 9 and 10. The facility's net position increased in 2018 by \$750,438, or 1.35%.

	<u>2018</u>	<u>2017</u>
<b>Assets:</b>		
Current assets	\$ 31,447,625	\$ 30,667,884
Capital assets, net	17,587,054	17,133,202
Other noncurrent assets	<u>17,532,488</u>	<u>17,425,557</u>
<b>Total Assets</b>	<u><u>66,567,167</u></u>	<u><u>65,226,643</u></u>
<b>Liabilities:</b>		
Current liabilities	5,916,521	5,215,782
Noncurrent liabilities	<u>4,415,422</u>	<u>4,526,075</u>
<b>Total Liabilities</b>	<u><u>10,331,943</u></u>	<u><u>9,741,857</u></u>
<b>Net Position:</b>		
Invested in capital assets, net of related debt	12,661,879	11,640,494
Unrestricted	<u>43,573,345</u>	<u>43,844,292</u>
<b>Total Net Position</b>	<u><u>56,235,224</u></u>	<u><u>55,484,786</u></u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 66,567,167</u></u>	<u><u>\$ 65,226,643</u></u>

The change in the facility's net position is due to several factors. The facilities cash and cash equivalents balance decreased by \$551,989 for 2018, compared to an increase of \$2,051,879 for 2017. Patient accounts receivable increased by \$2,318,708 for 2018, compared to a decrease of \$3,017,259 for 2017. Other receivables increased by \$538,574 for 2018, compared to a decrease of \$1,561,078 for 2017. The facility's estimated third party payor settlements increased by \$178,235 in 2018, compared to a decrease of \$39,023 for 2017. The facility acquired capital assets in the amounts of \$2,344,180 and \$1,088,426 for the years 2018, and 2017, respectively. Depreciation and amortization expenses amounted to \$1,687,106 in 2018, and \$1,727,984 in 2017.



**Neshoba County General Hospital and Neshoba County Nursing Home  
Management's Discussion and Analysis  
Years Ended September 30, 2018, and 2017**

**OPERATING RESULTS AND CHANGES IN THE FACILITY'S NET POSITION**

**Table 2: Operating Results**

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues:</b>		
Net patient service revenues	\$ 47,716,523	\$ 44,551,965
Other revenues	2,743,610	3,116,604
Electronic health records incentive	1,913	161,562
Total Operating Revenues	<u>50,462,046</u>	<u>47,830,131</u>
<b>Operating Expenses:</b>		
Salaries and benefits	29,877,592	28,466,007
Supplies and drugs	6,361,392	6,103,821
Other operating expenses	12,217,261	11,448,213
Insurance	450,913	517,208
Depreciation and amortization	1,687,106	1,727,984
Total Operating Expenses	<u>50,594,264</u>	<u>48,263,233</u>
<b>Operating Loss</b>	<u>( 132,218)</u>	<u>( 433,102)</u>
<b>Nonoperating Revenues (Expenses):</b>		
Interest income	48,164	51,797
Investment income	193,623	214,070
Donations	15,130	22,909
Grants and contributions	750,000	1,100,000
Loss on sale of equipment	( 53,222)	( 338)
Interest expense	( 71,039)	( 80,134)
ROA settlement	-	201,997
Total Nonoperating Revenues (Expenses)	<u>882,656</u>	<u>1,510,301</u>
<b>Excess of Revenues Over Expenses</b>	750,438	1,077,199
<b>Net Position Beginning of Year</b>	55,484,786	54,317,671
<b>Contributed Capital</b>	<u>-</u>	<u>89,916</u>
<b>Net Position End of Year</b>	<u>\$ 56,235,224</u>	<u>\$ 55,484,786</u>

**Neshoba County General Hospital and Neshoba County Nursing Home  
Management's Discussion and Analysis  
Years Ended September 30, 2018, and 2017**

**OPERATING RESULTS AND CHANGES IN THE FACILITY'S NET POSITION (Continued)**

**Operating Income**

The first component of the overall change in the facility's net position is its operating income – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The facility reported an operating loss of \$132,218 in 2018, and \$433,102 in 2017. Operating income increased by \$300,884 from 2017 to 2018.

The primary components responsible for the fluctuations in operating income are:

- ◆ An increase in net patient service revenues of \$3,164,558, or 7.10%.
- ◆ An increase in salaries and benefits of \$1,411,585, or 4.96%.
- ◆ An increase in supplies and drugs of \$257,571, or 4.22%.
- ◆ An increase in other operating expenses of \$769,048, or 6.72%.

**Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of an ROA settlement, interest income, investment income, donations and grants. The facility received \$201,997 in a ROA settlement during the year ended September 30, 2017. The facility had interest income, primarily from checking accounts and certificates of deposit of \$48,164 for the year ended September 30, 2018, and \$51,797 for the year ended September 30, 2017. The facility had investment income from the Mississippi Hospital Association Investment Pool and the investment in NCGH Leverage, LLC of \$193,623 in 2018, and \$214,070 in 2017. The facility received \$15,130 in donations during the year ended September 30, 2018, and \$22,909 for the year ended September 30, 2017. The facility received \$750,000 in grants from NCGH Improvement Corporation during the year ended September 30, 2018, and \$1,100,000 for the year ended September 30, 2017.

Nonoperating expenses consist primarily of interest expense and loss on sale of equipment. The facility had interest expense in the amount of \$71,039 for the year ended September 30, 2018, and \$80,134 for the year ended September 30, 2017. The facility had a loss on sale of equipment of \$53,222 during the year ended September 30, 2018, and \$338 during the year ended September 30, 2017.

**THE HOSPITAL'S CASH FLOWS**

Changes in the facility's cash flows are consistent with changes in operating income and nonoperating revenues.

**Neshoba County General Hospital and Neshoba County Nursing Home  
Management's Discussion and Analysis  
Years Ended September 30, 2018, and 2017**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2018, the facility's investment in capital assets net of accumulated depreciation was \$17,587,054. In 2018, the facility's net capital assets increased by \$453,852. In 2017, the facility's net capital assets decreased by \$639,896. See page 22 for a detailed analysis of capital assets.

**Long-Term Debt, Including Current Portion**

At the end of 2018, the facility had \$4,925,175 in long-term debt (including current portion) outstanding. The facility issued new debt totaling \$418,720 in 2018, and made \$956,726 in principal payments. At the end of 2017, the facility had \$5,463,181 in long-term debt (including current portion) outstanding. The facility issued new debt totaling \$561,895 in 2017, and made \$595,466 in principal payments. See page 24 for a detailed analysis of long-term debt.

**CONTACTING THE FACILITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the facility's finances and to show the facility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Neshoba County General Hospital and Neshoba County Nursing Home's administrative offices at (601) 663-1200.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME  
Statements of Net Position  
September 30, 2018, and 2017

	2018		2017			
	Primary Government - Audited	Component Units		Primary Government - Audited	Component Units	
		NCGH Leverage LLC - Complied	Ambulance Enterprise - Audited		NCGH Leverage LLC - Complied	Ambulance Enterprise - Audited
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 18,719,960	\$ 1,226,919	\$ 608,579	\$ 19,271,949	\$ 1,019,650	\$ 915,129
MHA pool investment	2,441,689	-	-	2,455,334	-	-
Patient accounts receivable	16,438,448	-	1,074,124	14,119,740	-	1,846,181
Less estimated uncollectables and allowances	( 8,678,724)	-	( 734,253)	( 7,072,613)	-	( 1,270,699)
Other receivables	1,142,595	-	-	604,021	-	-
Nursing home resident's funds	54,057	-	-	54,956	-	-
Estimated third party payor settlements	367,309	-	-	189,074	-	-
Inventories	520,343	-	-	582,506	-	-
Prepaid expenses	393,336	-	4,224	357,680	-	8,098
Deferred expense	48,612	-	-	105,237	-	-
<b>Total Current Assets</b>	<b>31,447,625</b>	<b>1,226,919</b>	<b>952,674</b>	<b>30,667,884</b>	<b>1,019,650</b>	<b>1,498,709</b>
<b>Capital Assets:</b>						
Property and equipment	42,011,614	-	-	40,144,904	-	-
Less accumulated depreciation	( 24,424,560)	-	-	( 23,011,702)	-	-
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>17,587,054</b>	<b>-</b>	<b>-</b>	<b>17,133,202</b>	<b>-</b>	<b>-</b>
<b>Other Assets:</b>						
Investment in NCGH Leverage, LLC	16,530,754	-	-	16,323,485	-	-
Investment in Mississippi True	800,000	-	-	800,000	-	-
Deferred expense	171,265	-	-	191,118	-	-
Physician loan receivable	30,469	-	-	110,954	-	-
Leverage loan receivable	-	15,303,835	-	-	15,303,835	-
<b>Total Other Assets</b>	<b>17,532,488</b>	<b>15,303,835</b>	<b>-</b>	<b>17,425,557</b>	<b>15,303,835</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 66,567,167</b>	<b>\$ 16,530,754</b>	<b>\$ 952,674</b>	<b>\$ 65,226,643</b>	<b>\$ 16,323,485</b>	<b>\$ 1,498,709</b>

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME  
Statements of Net Position  
September 30, 2018, and 2017

	2018			2017		
	Component Units			Component Units		
	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
<b>Liabilities and Net Position</b>						
<b>Current Liabilities:</b>						
Accounts payable	\$ 2,700,893	\$ -	7,737	\$ 1,560,157	\$ -	5,567
Construction payable	-	-	-	29,527	-	-
Accrued expenses and payroll withholdings	2,232,556	-	-	2,021,748	-	-
Accounts receivable credit balances	419,262	-	5,610	612,288	-	12,164
Nursing home resident's funds	54,057	-	-	54,956	-	-
Due to Neshoba County General Hospital	-	-	154,049	-	-	142,284
Current portion of capitalized leases payable	3,565	-	-	39,079	-	-
Current portion of notes payable	506,188	-	-	898,027	-	-
Total Current Liabilities	5,916,521	-	167,396	5,215,782	-	160,015
<b>Long-Term Debt:</b>						
Capitalized leases payable	2,900	-	-	9,528	-	-
Notes payable	4,412,522	-	-	4,516,547	-	-
Total Long-Term Liabilities	4,415,422	-	-	4,526,075	-	-
<b>Net Position:</b>						
Invested in capital assets, net of related debt Unrestricted	12,661,879	-	-	11,640,494	-	-
	43,573,345	16,530,754	785,278	43,844,292	16,323,485	1,338,694
Total Net Position	56,235,224	16,530,754	785,278	55,484,786	16,323,485	1,338,694
<b>Total Liabilities and Net Position</b>	\$ 66,567,167	\$ 16,530,754	\$ 952,674	\$ 65,226,643	\$ 16,323,485	\$ 1,498,709

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

**NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended September 30, 2018, and 2017**

	2018			2017		
	Primary Government - Audited	Component Units		Primary Government - Audited	Component Units	
		NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited		NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
<b>Operating Revenues:</b>						
Net patient services revenue	\$ 47,716,523	\$ -	\$ 1,539,942	\$ 44,551,965	\$ -	\$ 1,874,757
Other revenue	2,743,610	-	-	3,116,604	-	-
Electronic health records incentive	1,913	-	-	161,562	-	-
<b>Total Operating Revenues</b>	<b>50,462,046</b>	<b>-</b>	<b>1,539,942</b>	<b>47,830,131</b>	<b>-</b>	<b>1,874,757</b>
<b>Operating Expenses:</b>						
Salaries and benefits	29,877,592	-	-	28,466,007	-	-
Supplies and drugs	6,361,392	-	42,455	6,103,821	-	38,824
Other operating expenses	12,217,261	-	2,062,197	11,448,213	-	2,190,821
Insurance	450,913	-	-	517,208	-	-
Depreciation and amortization	1,687,106	-	-	1,727,984	-	-
<b>Total Operating Expenses</b>	<b>50,594,264</b>	<b>-</b>	<b>2,104,652</b>	<b>48,263,233</b>	<b>-</b>	<b>2,229,645</b>
<b>Operating Loss</b>	<b>( 132,218)</b>	<b>-</b>	<b>( 564,710)</b>	<b>( 433,102)</b>	<b>-</b>	<b>( 354,888)</b>
<b>Nonoperating Revenues (Expenses):</b>						
Interest income	48,164	207,269	-	51,797	207,269	-
Investment income	193,623	-	-	214,070	-	-
Donations	15,130	-	-	22,909	-	-
Grants and contributions	750,000	-	11,294	1,100,000	-	26,705
Loss on sale of equipment	( 53,222)	-	-	( 338)	-	-
Interest expense	( 71,039)	-	-	( 80,134)	-	-
RDA settlement	-	-	-	201,997	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>882,656</b>	<b>207,269</b>	<b>11,294</b>	<b>1,510,301</b>	<b>207,269</b>	<b>26,705</b>
<b>Excess of Revenues Over (Under) Expenses</b>	<b>750,438</b>	<b>207,269</b>	<b>( 553,416)</b>	<b>1,077,199</b>	<b>( 328,183)</b>	<b>1,666,877</b>
<b>Net Position Beginning of Year</b>	<b>55,484,786</b>	<b>16,323,485</b>	<b>1,338,694</b>	<b>54,317,671</b>	<b>16,116,216</b>	<b>1,666,877</b>
<b>Contributed Capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,916</b>	<b>-</b>	<b>-</b>
<b>Net Position End of Year</b>	<b>\$ 56,235,224</b>	<b>\$ 16,530,754</b>	<b>\$ 785,278</b>	<b>\$ 55,484,786</b>	<b>\$ 16,323,485</b>	<b>\$ 1,338,694</b>

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

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME

Statements of Cash Flows

Years Ended September 30, 2018, and 2017

	2018			2017		
	Component Units			Component Units		
	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
<b>Cash Flows From Operating Activities:</b>						
Receipts from and on behalf of patients	\$ 48,226,670	\$ -	\$ 1,768,999	\$ 46,778,068	\$ -	\$ 1,692,871
Payments to suppliers and contractors	( 19,534,972)	( -)	( 2,086,843)	( 18,303,825)	( -)	( 2,214,482)
Payments to and on behalf of employees	( 29,999,278)	( -)	( -)	( 28,634,714)	( -)	( -)
Other receipts and payments, net	2,743,610	( -)	( -)	3,116,604	( -)	( -)
Receipts from Electronic Health Records	1,913	( -)	( -)	161,562	( -)	( -)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,437,943</b>	<b>( -)</b>	<b>( 317,844)</b>	<b>3,117,695</b>	<b>( -)</b>	<b>( 521,611)</b>
<b>Cash Flows From Noncapital Financing Activities</b>						
Grants and contributions	765,130	( -)	11,294	1,122,909	( -)	26,705
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>765,130</b>	<b>( -)</b>	<b>11,294</b>	<b>1,122,909</b>	<b>( -)</b>	<b>26,705</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Purchase of property and equipment	( 2,344,180)	( -)	( -)	( 998,509)	( -)	( -)
Proceeds from sale of equipment	150,000	( -)	( -)	( -)	( -)	( -)
Principal payment of notes payable	( 914,584)	( -)	( -)	( 1,045,266)	( -)	( -)
Principal payment of capital lease obligations	( 42,142)	( -)	( -)	( 128,507)	( -)	( -)
Interest paid on long term debt	( 71,039)	( -)	( -)	( 80,134)	( -)	( -)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>( 2,803,225)</b>	<b>( -)</b>	<b>( -)</b>	<b>( 1,690,521)</b>	<b>( -)</b>	<b>( -)</b>
<b>Cash Flows From Investing Activities:</b>						
Investment in NCGH Leverage, LLC	( 207,269)	( -)	( -)	( 207,269)	( -)	( -)
Investment in Mississippi HealthCare Providers	( -)	( -)	( -)	( 550,000)	( -)	( -)
Interest income	255,432	207,269	( -)	259,065	207,269	( -)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>48,163</b>	<b>207,269</b>	<b>( -)</b>	<b>498,204</b>	<b>207,269</b>	<b>( -)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>( 551,989)</b>	<b>207,269</b>	<b>( 306,550)</b>	<b>2,051,879</b>	<b>207,269</b>	<b>( 494,906)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>19,271,949</b>	<b>1,019,650</b>	<b>915,129</b>	<b>17,220,070</b>	<b>812,381</b>	<b>1,410,035</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 18,719,960</b>	<b>\$ 1,226,919</b>	<b>\$ 608,579</b>	<b>\$ 19,271,949</b>	<b>\$ 1,019,650</b>	<b>\$ 915,129</b>

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME  
Statements of Cash Flows  
Years Ended September 30, 2018, and 2017

	2018			2017		
	Component Units			Component Units		
	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>						
Operating Loss	\$ ( 132,218)	\$ -	\$ ( 564,710)	\$ ( 433,102)	\$ -	\$ ( 354,888)
Adjustment to Reconcile Operating Loss to Net Cash Flows Provided (Used) by Operating Activities:						
Depreciation and amortization	1,687,106	-	-	1,727,984	-	-
Provision for uncollectible accounts	7,549,111	-	940,692	7,236,031	-	1,090,912
Changes in:						
Patient accounts receivable	( 8,454,734)	-	( 711,635)	( 7,232,319)	-	( 1,272,799)
Supplies and other current assets	( 512,067)	-	3,874	1,564,455	-	( 6,191)
Physician loan receivable	80,485	-	-	2,655	-	1,000
Deferred expense	76,478	-	-	132,340	-	-
Accounts payable, accrued expenses, and other current liabilities	1,322,017	-	13,935	80,628	-	20,355
Estimated third-party payor payments	( 178,235)	-	-	39,023	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,437,943</b>	<b>\$ -</b>	<b>\$ ( 317,844)</b>	<b>\$ 3,117,695</b>	<b>\$ -</b>	<b>\$ ( 521,611)</b>
<b>Capital and Financing Activities:</b>						

The facility did not enter into any new capital lease obligations during the years ended September 30, 2018, and 2017.

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



NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

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

**a. Reporting Entity** – Neshoba County General Hospital and Neshoba County Nursing Home, the Primary Government, is licensed for 38 acute short-term care hospital beds, 10 geriatric psychiatric unit beds and 160 skilled nursing home beds, and is owned by Neshoba County, Mississippi. Neshoba County General Hospital and Neshoba County Nursing Home provides inpatient, outpatient, emergency, psychiatric and long-term care services for residents of Neshoba County, Mississippi, and surrounding areas. Neshoba County General Hospital and Neshoba County Nursing Home is governed by a Board of Trustees appointed by the Board of Supervisors of Neshoba County, Mississippi.

Neshoba County Ambulance 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 Ambulance 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 Ambulance Enterprise joint venture agreement stipulations. The Ambulance Enterprise staffing needs for the operation of the ambulance services is provided by Neshoba County General Hospital and Neshoba County Nursing Home 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 Ambulance 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 Primary Government's) employees. The Ambulance Enterprise is governed by an Enterprise Management Committee consisting of five voting members: Primary Government CEO, Primary Government CFO, Primary Government Director of Ambulance Services, County Emergency Management Director and County Administrator.

NCGH Leverage, LLC is a single member LLC owned and managed by Neshoba County General Hospital and Neshoba County Nursing Home. It was formed on the advice of legal counsel to assist in obtaining and administrating the new markets tax credit program associated with the construction of the new hospital building.

Under *Governmental Accounting Standards Board Statement Number 14: The Financial Reporting Entity*, the Primary Government is defined as a component unit of Neshoba County, Mississippi. The Ambulance Enterprise is defined as a joint venture of Neshoba County, Mississippi and Neshoba County General Hospital and Neshoba County Nursing Home. The Neshoba County Ambulance Enterprise and the NCGH Leverage, LLC were determined to be component units of Neshoba County General Hospital and Neshoba County Nursing Home, the Primary Government, and are included in these financial statements as discretely presented component units. These financial statements present only the financial position and results of operations and cash flows of Neshoba County General Hospital and Neshoba County Nursing Home and its discretely presented component units.

The summary of significant accounting policies apply to Neshoba County General Hospital and Neshoba County Nursing Home and the discretely presented component units as applicable.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

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

Neshoba County General Hospital and Neshoba County Nursing Home considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Primary Government are such that exclusion would cause the Primary Government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Primary Government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Primary Government.

The component unit columns in the financial statements include information for NCGH Leverage, LLC and Neshoba County Ambulance Enterprise, Mississippi entities. They are reported as discretely presented component units to emphasize that they are legally separate from the Primary Government.

**b. Related Organizations** – NCGH Improvement Corporation is a related organization but not a component unit of Neshoba County General Hospital and Neshoba County Nursing Home. The hospital Board of Trustees and the Neshoba County Board of Supervisors appoints the board members for NCGH Improvement Corporation. NCGH Improvement Corporation is fiscally independent from the hospital and the county. Neshoba County General Hospital and Neshoba County Nursing Home is not obligated in any manner for the debt issues of this organization. The financial statements of Neshoba County General Hospital and Neshoba County Nursing Home do not include the funds of NCGH Improvement Corporation.

**c. 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 and third-party settlements.

**d. Proprietary Fund Accounting** – The facilities utilize 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 facilities have 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.

**e. Cash and Cash Equivalents** – Cash and cash equivalents include all cash, savings, and certificates of deposits of the facilities.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

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

**f. Capital Assets** – The Primary Government’s policy is to capitalize acquisition and construction cost greater than \$5,000 which will provide benefit to future periods. Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation, using the following asset lives:

Land improvements	5 to 20 years
Building and building improvements	5 to 40 years
Equipment, computers, and furniture	3 to 20 years
Equipment under capital lease	* years

(\*) The useful lives will correspond with the amounts for the asset classifications, as listed.

**g. Grants and Contributions** – From time to time, Neshoba County General Hospital and Neshoba County Nursing Home receives grants from Neshoba County, the State of Mississippi and NCGH Improvement Corporation, as well as contributions from individuals and private organizations. From time to time, Neshoba County Ambulance Enterprise receives grants 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 for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**h. Net Position** – Net position of Neshoba County General Hospital and Neshoba County Nursing Home are classified in two components. *Net position invested in capital assets net of related debt* consists of capital assets net of accumulated depreciation and is reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted net position* is the remaining net position that does not meet the definition of *invested in capital assets net of related debt*. 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. Net position of NCGH Leverage, LLC is classified as *Unrestricted net position* because there are no restrictions on its use imposed by those charged with governance.

**i. Operating Revenues and Expenses** – Neshoba County General Hospital and Neshoba County Nursing Home’s statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Neshoba County General Hospital and Neshoba County Nursing Home’s Operating revenues result from exchange transactions associated with providing health care services – the Primary Government’s principal activity. Neshoba County Ambulance Enterprise’s operating revenues result from exchange transactions associated with providing ambulance services – the Ambulance Enterprise’s principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital assets acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services and ambulance services, other than financing costs.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

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

**j. Net Patient Service Revenue** – Neshoba County General Hospital and Neshoba County Nursing Home and Neshoba County Ambulance Enterprise have agreements with third-party payors that provide for payments to the Neshoba County General Hospital and Neshoba County Nursing Home and Neshoba County Ambulance Enterprise at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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.

**k. Compensated Absences** – Neshoba County Hospital and Neshoba County Nursing Home's employees earn PTO time at varying rates depending on years of service. PTO time earned may be taken at any time after the first six months of employment. PTO time may, to the extent of the amount earned annually, be carried from one year to the next. Employees may be paid for accumulated PTO time.

**l. Risk Management** – The facilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; 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 which covers the Primary Government and the Ambulance Enterprise. Neshoba County General Hospital and Neshoba County Nursing Home purchase coverage of risks of loss related to theft of, damage to, and destruction of assets from various commercial insurance carriers. Neshoba County General Hospital and Neshoba County Nursing Home purchases coverage of risk of loss related to workers' compensation claims from Healthcare Providers Insurance Company.

*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 facilities have not been exposed to any risk of loss above the applicable insurance coverage amounts at September 30, 2018; therefore, no liability has been accrued at this time.*

**m. Income Taxes** – As a political subdivision of the State of Mississippi, the facilities qualify as tax-exempt organizations under existing provisions of the Internal Revenue Code, and their income is not subject to federal or state income taxes.

**n. Inventories of Supplies and Drugs** – Inventories of supplies and drugs are stated at the lower of cost (first-in, first-out) or market.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

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

**o. 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).

**p. Electronic Health Record Incentive Program** – The Centers for Medicare and Medicaid Services (CMS) have implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, eligible hospitals, and critical access hospitals, as defined, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30. The Primary Government received EHR incentive revenue of \$1,913, and \$161,562 in the years 2018, and 2017, respectively. EHR incentive revenues are included in operating revenues in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

**Note 2: Cash and Other Deposits**

**a. Bank Deposits** – Neshoba County General Hospital and Neshoba County Nursing Home and Neshoba County Ambulance Enterprise deposit funds in financial institutions selected by their Boards of Trustees and invest excess funds in investment instruments that are allowed by statutes. Various restrictions on deposits and investments 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 the program, the facilities' 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. All funds eligible to be included in the state's collateral pool program were properly included and were fully collateralized as of September 30, 2018.

NCGH Leverage, LLC (not eligible for collateralization under State Treasurer program) maintains one cash account at one financial institution. This balance is insured by the Federal Deposit Insurance Corporation up to \$250,000; therefore, at September 30, 2018, and 2017, NCGH Leverage, LLC had \$976,919, and \$769,650, respectively, in cash balances which were uninsured. Management does not consider this to be a significant risk.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

**Note 2: Cash and Other Deposits (Continued)**

**b. Custodial Credit Risk – Deposits** – Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the facility will not be able to recover deposits or collateral securities that are in the possession of an outside party. The facility does not have a deposit policy for custodial credit risk. 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. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the facility. As of September 30, 2018, and 2017, none of the facility's bank balance was exposed to custodial credit risk.

**c. Interest Rate Risk** – The facility does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**d. Credit Risk** – State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The facility does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**Note 3: Charity Care**

The Primary Government provides care to patients who meet certain criteria under its charity care policy. Because the Primary Government does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The cost of charity care provided in 2018, and 2017, approximated \$998,800, and \$1,329,200, respectively.

**Note 4: Fair Value Measurements**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value. In the absence of actively quoted prices and observable inputs, the Primary Government estimates prices based on available historical data and near term future pricing information that reflects its market assumptions. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets and liabilities.
- Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

**Note 4: Fair Value Measurements (Continued)**

Fair values of assets measured on a recurring basis at September 30, 2018, and 2017, are as follows

September 30, 2018	Fair Value	Level 1	Level 2	\$ Level 3
MHA Investment Pool	\$ 2,441,689	\$ -	\$ 2,441,689	-

  

September 30, 2017	Fair Value	Level 1	Level 2	\$ Level 3
MHA Investment Pool	\$ 2,455,334	\$ -	\$ 2,455,334	-

**Mississippi Hospital Association Investment Pool**

The Primary Government participates in the Mississippi Hospital Association pool investment program. The funds are invested for the benefit of the Primary Government by a third-party investment company which is responsible for the management of the pool. A summary of the investments at September 30, 2018, and 2017, follows:

	2018	2017
MHA Investment Pool A	\$ 2,527,627	\$ 2,481,207
Unrealized loss on investments	( 85,938)	( 25,873)
Net value	\$ 2,441,689	\$ 2,455,334

The Primary Government has funds invested in the Mississippi Hospital Association pool investment program, which are not collateralized. However, the funds are invested in accordance with Section 27-105-365 Miss. Code Ann. (1972).

**Note 5: Accounts Receivable – Estimated Uncollectibles and Allowances**

**Primary Government**

The balance in the Primary Government's estimated uncollectibles and allowances accounts at September 30, 2018, and 2017, is composed of the following:

	2018	2017
Provision for uncollectible accounts	\$ 4,127,546	\$ 4,417,046
Allowance for Medicare adjustment	2,120,000	1,357,000
Allowance for Medicaid adjustment	947,000	525,000
Allowance for commercial insurance adjustment	1,484,178	773,567
	\$ 8,678,724	\$ 7,072,613

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME  
Notes to Financial Statements

**Note 5: Accounts Receivable – Estimated Uncollectibles and Allowances (Continued)**

**Ambulance Enterprise**

The balance in the Ambulance Enterprise’s estimated uncollectibles and allowances accounts at September 30, 2018, and 2017, is composed of the following:

	2018	2017
	\$ 366,082	\$ 832,568
Provision for uncollectible accounts	151,495	227,825
Allowance for Medicare adjustment	11,445	39,353
Allowance for Medicaid adjustment	205,231	170,953
Allowance for commercial insurance adjustment	\$ 734,253	\$ 1,270,699

**Note 6: NCGH Leverage, LLC – Leverage Loan Receivable**

In October 2012, Neshoba County General Hospital and Neshoba County Nursing Home made an initial capital contribution in the amount of \$15,303,835 to NCGH Leverage, LLC in exchange for its respective membership interest. The capital contribution to NCGH Leverage, LLC was used by management to make the leverage loan that was necessary to comply with the New Markets Tax Credit program. NCGH Leverage, LLC’s leverage loan receivable balance was \$15,303,835 as of September 30, 2018, and \$15,303,835 as of September 30, 2017.



NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME  
Notes to Financial Statements

**Note 7: Capital Assets**

The Primary Government's Capital asset additions, retirements and balances for the years ended September 30, 2018, and 2017, were as follows:

	Balance September 30, 2017	Additions	Retirements and Other	Balance September 30, 2018
Land	\$ 1,245,165	449,000	( 200,676)	\$ 1,493,489
Land improvements	471,563	90,645	4,679	566,887
Buildings and improvements	16,249,914	682,842	24,540	16,957,296
Fixed equipment	5,069,470	-	-	5,069,470
Major movable equipment				
Under capital lease	126,086	-	( 110,086)	16,000
Other	16,767,413	156,261	( 165,708)	16,757,966
Automobiles	185,075	-	-	185,075
Construction in progress	30,218	965,432	( 30,219)	965,431
Total Historical Cost	<u>40,144,904</u>	<u>2,344,180</u>	<u>( 477,470)</u>	<u>42,011,614</u>
Less: Accumulated Depreciation and Amortization for:				
Land improvements	( 281,994)	( 30,848)	-	( 312,842)
Buildings and improvements	( 6,120,082)	( 575,099)	-	( 6,695,181)
Fixed equipment	( 3,604,771)	( 197,025)	-	( 3,801,796)
Major movable equipment				
Under capital lease	( 120,711)	( 5,714)	114,997	( 11,428)
Other	( 12,734,704)	( 864,315)	159,251	( 13,439,768)
Automobiles	( 149,440)	( 14,105)	-	( 163,545)
Total Accumulated Depreciation and Amortization	<u>( 23,011,702)</u>	<u>( 1,687,106)</u>	<u>274,248</u>	<u>( 24,424,560)</u>
Capital Assets, Net	<u>\$ 17,133,202</u>	<u>657,074</u>	<u>( 203,222)</u>	<u>\$ 17,587,054</u>

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

**Note 7: Capital Assets (Continued)**

	Balance September 30, 2016	Additions and Other	Retirements and Other	Balance September 30, 2017
Land	\$ 1,245,165	-	-	\$ 1,245,165
Land improvements	465,422	6,141	-	471,563
Buildings and improvements	15,490,569	30,742	728,603	16,249,914
Fixed equipment	5,069,470	-	-	5,069,470
Major movable equipment				
Under capital lease	711,325	-	( 585,239)	126,086
Other	15,787,877	441,555	537,981	16,767,413
Automobiles	185,075	-	-	185,075
Construction in progress	148,833	609,988	( 728,603)	30,218
<b>Total Historical Cost</b>	<b><u>39,103,736</u></b>	<b><u>1,088,426</u></b>	<b><u>( 47,258)</u></b>	<b><u>40,144,904</u></b>
Less: Accumulated Depreciation and Amortization for:				
Land improvements	( 255,103)	( 26,891)	-	( 281,994)
Buildings and improvements	( 5,566,691)	( 553,391)	-	( 6,120,082)
Fixed equipment	( 3,394,954)	( 209,817)	-	( 3,604,771)
Major movable equipment				
Under capital lease	( 593,880)	( 35,142)	508,311	( 120,711)
Other	( 11,386,784)	( 886,529)	( 461,391)	( 12,734,704)
Automobiles	( 133,226)	( 16,214)	-	( 149,440)
<b>Total Accumulated Depreciation and Amortization</b>	<b><u>( 21,330,638)</u></b>	<b><u>( 1,727,984)</u></b>	<b><u>46,920</u></b>	<b><u>( 23,011,702)</u></b>
<b>Capital Assets, Net</b>	<b><u>\$ 17,773,098</u></b>	<b><u>( 639,558)</u></b>	<b><u>( 338)</u></b>	<b><u>\$ 17,133,202</u></b>

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

**Note 8: Long-Term Debt**

A schedule of changes in the Primary Government's long-term debt for 2018, and 2017, follows:

	Balance 9/30/2017	Additions	Reductions	Balance 9/30/2018	Amounts Due Within One Year
Notes Payable	\$ 5,414,574	418,720	( 914,584)	\$ 4,918,710	\$ 506,188
Capital Lease Obligations	48,607	-	( 42,142)	6,465	3,565
<b>Total Long-Term Debt</b>	<b>\$ 5,463,181</b>	<b>418,720</b>	<b>( 956,726)</b>	<b>\$ 4,925,175</b>	<b>\$ 509,753</b>

  

	Balance 9/30/2016	Additions	Reductions	Balance 9/30/2017	Amounts Due Within One Year
Note Payable	\$ 5,319,638	561,895	( 466,959)	\$ 5,414,574	\$ 898,027
Capital Lease Obligations	177,114	-	( 128,507)	48,607	39,079
<b>Total Long-Term Debt</b>	<b>\$ 5,496,752</b>	<b>561,895</b>	<b>( 595,466)</b>	<b>\$ 5,463,181</b>	<b>\$ 937,106</b>

A summary of the Primary Government's long-term debt, including capital lease obligations, at September 30, 2018, and 2017, follows:

	2018	2017
CAP loan payable to Neshoba County due in 240 monthly installments of \$20,304.21 with 2.00% interest, secured by a building.	\$ 3,034,765	\$ 3,216,031
Citizens Bank Loan due in 18 monthly installments of \$9,034.47 with 1.45% interest, secured by certificate of deposit #10014781.	-	494,839
Central Electric Power Association Rural Development Loan due in 108 monthly installments of \$18,518.52 with 0% interest, secured by \$2,000,000 certificate of deposit.	1,481,481	1,703,704
Citizens Bank Loan due in 48 monthly installments of \$9,052.01 with 2.25% interest, secured by certificate of deposit #10032311.	402,464	-
Less: Current portion of note payable	( 506,188)	( 898,027)
	<b>\$ 4,412,522</b>	<b>\$ 4,516,547</b>

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

**Note 8: Long-Term Debt (Continued)**

**Capital Lease Obligations**

	2018	2017
Capital lease obligations at varying rates of imputed interest from 2.99% to 3.75%, collateralized by leased equipment with a cost of \$ 16,000 at September 30, 2018, \$180,282 at September 30, 2017.	\$ 6,465	\$ 48,607
Less: Current portion of capital leases obligations	( 3,565)	( 39,079)
	\$ 2,900	\$ 9,528

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

Year Ended Sept. 30:	Note Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2019	506,188	67,176	3,565	455
2020	512,188	61,176	2,900	114
2021	518,349	55,015	-	-
2022	515,883	48,740	-	-
2023	422,203	43,670	-	-
Thereafter	2,443,899	201,606	-	-
Total	\$ 4,918,710	\$ 477,383	\$ 6,465	\$ 569

**Note 9: Net Patient Service Revenue**

**Primary Government**

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

**a. Medicare** – Inpatient acute care services, outpatient services, nonacute inpatient services and geriatric psychiatric services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Primary Government is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Primary Government and audits thereof by the Medicare fiscal intermediary. The Primary Government's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2014.

**b. Medicaid** – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Primary Government is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Primary Government and audits thereof by the Medicaid fiscal intermediary. Nursing home services are reimbursed under a cost based case mix reimbursement system.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

**Note 9: Net Patient Service Revenue (Continued)**

**c. Medicaid Mississippi Hospital Access Payments** –The Primary Government received net Medicaid Mississippi hospital access payments of \$483,303, and \$481,543 for the years ended September 30, 2018, and 2017. The Medicaid Mississippi hospital access program is a program whereby the hospital qualifies for Mississippi hospital access program funds in addition to regular funds. The Mississippi Division of Medicaid administers the program through the MississippiCAN coordinated care organizations, and the continuation of the programs rest with the federal government.

**d. Medicaid Upper Payment Limit Payments** – The nursing home received net Medicaid upper payment limit payments of \$556,403 and \$889,263, for the years ended September 30, 2018, and 2017, respectively. The Medicaid upper payment limit program is a program whereby the facility qualifies for upper payment limit funds in addition to regular funds. The Mississippi Division of Medicaid is currently administering the upper payment limit program, and the continuation of the program rests with the federal government.

**Ambulance Enterprise**

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

**e. 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)

**f. 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.

**Note 10: Medical Benefit Plan**

The Primary Government provides health insurance coverage to its employees through a self-funded medical benefit plan that covers substantially all of its employees and certain dependents of the employees. The total medical benefit expense for the self-funded medical benefit plan for the years ended September 30, 2018, and 2017, amounted to \$3,384,799, and \$3,156,622, respectively. The Primary Government's policy is to fund the estimated medical benefit claims that will be filed against the plan less the contributions made by employees covered by the plan. In addition, an allowance representing the write-off of charges applicable to in-house claims of the employees and their dependents for the years ended September 30, 2018, and 2017, was provided in the amounts of \$1,148,669, and \$1,084,218, respectively.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

**Note 11: Pension Plan**

The Primary Government has established a defined contribution pension plan covering substantially all of its employees. The Primary Government makes annual contributions to the plan subject to the Board of Trustees' approval. In order for an employee to participate in the plan, the employee must be 21 years of age, have completed one year of service, and work at least 1,000 hours. The year ended September 30, 2016 was the final year the Board of Trustees approved contributions to this defined contribution pension plan. This plan is frozen and will not accept future contributions. Accordingly, the Board of Trustees has not approved any contributions and employees have not contributed to the plan during the years ended September 30, 2018, and 2017.

The facility, through the Mississippi Public Employees' Retirement System (PERS), offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all full-time facility employees with one year of service. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The total employee contribution to the deferred compensation plan for the years ended September 30, 2018, and 2017, amounted to \$416,649, and \$235,902.

**Note 12: Commitments and Contingencies**

**a. Noncancellable Operating Leases**

Primary Government

The Primary Government leases buildings and major movable equipment under operating leases expiring at various dates. Future minimum pending noncancellable lease payments are as follows:

<u>Year Ended September 30,</u>	
2019	\$ 1,293,500
2020	\$ 100,000

The Primary Government's rental expense under all operating leases for the years ended September 30, 2018, and 2017, was \$1,422,896, and \$1,389,814, respectively.

Ambulance Enterprise

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

<u>Years Ended September 30,</u>	
2019	\$ 84,041
2020	\$ 39,265

The Ambulance Enterprise's rental expense under all operating leases for the years ended September 30, 2018, and 2017, was \$100,507, and \$82,376, respectively.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME  
Notes to Financial Statements

**Note 12: Commitments and Contingencies (Continued)**

**b. Mississippi True Provider-Sponsored Health Plan**

Neshoba County General Hospital and Neshoba County Nursing Home has an investment in Mississippi True. The facility is a subscriber in the nonprofit corporation, which seeks to establish a Mississippi provider-sponsored health plan intended to provide provider-sponsored coordinated care and improved access and quality, as compared with for-profit plans. The amount of the facility's investment was \$800,000 as of 2018, and \$800,000 as of 2017. The facility has elected to report this investment at cost since there is not a market for the ownership interest in the company. The facility's Board of Trustees approved a total contribution of \$2,000,000 toward the Mississippi True Provider-Sponsored Health Plan. During the 2018 legislative session the legislature failed to pass a bill awarding Mississippi True a Medicaid contract. Mississippi True's attempts to secure a Medicaid contract are ongoing, and any future contributions are dependent on Mississippi True being awarded a Medicaid contract.

**Note 13: Concentrations of Credit Risk**

The facilities grant credit without collateral to their 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, 2018, and 2017, was as follows:

<u>Primary Government</u>	<u>2018</u>	<u>2017</u>
Medicare	20%	16%
Medicaid	13%	12%
Patients and other third-party payors	<u>67%</u>	<u>72%</u>
	<u>100%</u>	<u>100%</u>
 <u>Ambulance Enterprise</u>	 <u>2018</u>	 <u>2017</u>
Medicare	17%	14%
Medicaid	3%	3%
Patients and other third-party payors	<u>80%</u>	<u>83%</u>
	<u>100%</u>	<u>100%</u>

**Note 14: Litigation**

The Primary Government is a defendant in lawsuits and claims arising from normal business activities. At this time, management and legal representatives are expressing no opinion on the ultimate outcome of the litigation. However, state statutes limit the Primary Government's liability exposure to the amount of insurance coverage.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME  
Notes to Financial Statements

**Note 15: Financial Statement Presentation of Audited Component Unit**

The accompanying audited financial statements of Neshoba County General Hospital and Neshoba County Nursing Home for the years ended September 30, 2018, and 2017, include the audited financial statements of Neshoba County Ambulance Enterprise for the same period then ended presented as a discretely presented component unit. Separate audited financial statements of Neshoba County Ambulance Enterprise for the years ended September 30, 2018, and 2017, were issued with a report date of January 11, 2019.

**Note 16: Ambulance Enterprise 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 all operational expenses necessary for the establishment and continued operation of a public ambulance service. The Ambulance Enterprise agrees to reimburse Neshoba County General Hospital and Neshoba County Nursing Home for its actual compensation costs incurred for the employees for their time spent, as well as any other direct out of pocket costs incurred in performance of the ambulance services. The Ambulance Enterprise incurred \$1,821,397 and \$2,207,051, in expenses that were paid by Neshoba County General Hospital and Neshoba County Nursing Home during the years ended September 30, 2018, and 2017, respectively. The Ambulance Enterprise had a payable due to Neshoba County General Hospital and Neshoba County Nursing Home of \$154,049, and 142,284, as of September 30, 2018, and 2017, respectively. Under the terms of this agreement the Ambulance 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.

**Note 17: Subsequent Events**

Events that occur after the Statement of Net Position date but before the consolidated 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 evaluated the activity of the facilities through April 10, 2019, (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.



**NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME**  
**Primary Government**  
**Detailed Schedules of Operating Revenues**  
**Years Ended September 30, 2018, and 2017**

	<u>2018</u>	<u>2017</u>
<b>Inpatient:</b>		
<b>Nursing Services:</b>		
Routine care	\$ 1,695,930	\$ 1,783,365
Geriatric-psych program	1,181,720	1,282,160
Skilled nursing facility	11,532,845	11,639,542
Hospitalist	3,486,908	3,365,297
<b>Other Nursing Services:</b>		
Operating and recovery rooms	46,766	16,316
Observation room	226,348	128,427
Central service and supply	152,744	167,629
Emergency service	1,291,990	1,237,029
<b>Total Nursing Services Revenue</b>	<u>19,615,251</u>	<u>19,619,765</u>
<b>Other Professional Services:</b>		
Laboratory	1,366,705	1,435,485
Blood bank	190,769	100,071
Electrocardiology	99,978	109,866
Radiology	1,417,453	1,485,310
Pharmacy	2,284,131	2,584,074
Pharmacy - SNF	931,057	971,150
Anesthesiology	37,287	15,969
Inhalation therapy	4,124,896	3,823,127
Rehabilitation services	467,022	477,566
<b>Total Other Professional Services Revenue</b>	<u>10,919,298</u>	<u>11,002,618</u>
<b>Total Inpatient Revenue</b>	<u>30,534,549</u>	<u>30,622,383</u>
<b>Outpatient:</b>		
<b>Nursing Services:</b>		
Observation room	1,041,593	721,465
IOP	280,703	291,492
<b>Other Nursing Services:</b>		
Operating and recovery rooms	5,511,516	5,137,768
Central service and supply	611,888	667,432
Emergency service	16,006,751	14,170,952
<b>Total Nursing Services Revenue</b>	<u>\$ 23,452,451</u>	<u>\$ 20,989,109</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME  
 Primary Government  
 Detailed Schedules of Operating Revenues  
 Years Ended September 30, 2018, and 2017

	2018	2017
<b>Outpatient: (Continued)</b>		
Other Professional Services:		
Laboratory	\$ 8,176,621	\$ 7,105,611
Blood	217,486	144,567
Electrocardiology	588,300	551,079
Radiology	11,495,749	11,452,477
Pharmacy	2,201,451	2,448,643
Anesthesiology	1,182,289	1,613,561
Infusion therapy	10,470,803	5,938,451
Inhalation therapy	944,471	818,332
Rehabilitation services	3,726,262	4,140,915
Sleep center	527,561	580,967
Wound care	813,694	467,113
Clinic	10,023,219	10,060,695
Total Other Professional Services Revenue	50,367,906	45,322,411
 Total Outpatient Revenue	 73,820,357	 66,311,520
 <b>Total Patient Services Revenue</b>	 <b>104,354,906</b>	 <b>96,933,903</b>
 <b>Deductions from Patient Service Revenue:</b>		
Contractual Adjustments and Allowances:		
Medicare	18,725,792	17,808,195
Medicaid	3,747,319	2,525,595
Medicaid - SNF	15,487	490,608
Blue Cross	5,354,691	3,710,053
Travelers	1,383,477	1,547,152
Champus	193,867	249,904
Self-insurance adjustment	1,148,669	1,084,218
Commercial adjustments	4,411,015	3,974,153
Mississippi hospital access	( 483,303)	( 481,543)
Upper payment limit payments	( 556,403)	( 889,263)
Administrative adjustments and other	13,358,407	12,767,196
Charity	1,790,254	2,559,639
Total Deductions from Patient Service Revenue	49,089,272	45,345,907
 Provision for Uncollectible Accounts	 7,549,111	 7,036,031
 <b>Net Patient Services Revenue</b>	 <b>\$ 47,716,523</b>	 <b>\$ 44,551,965</b>

**NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME**  
 Primary Government  
 Detailed Schedules of Operating Revenues  
 Years Ended September 30, 2018, and 2017

	2018	2017
<b>Other Revenue:</b>		
Medical records transcripts	\$ 1,063	\$ 2,097
Employee and other meals	472,306	485,686
Beauty shop - SNF	883	903
Services to Neshoba County Ambulance Enterprise *	1,580,749	1,508,003
Miscellaneous revenue	650,566	1,078,371
Lease income	28,043	31,544
Trauma care grant	10,000	10,000
Total Other Revenue	2,743,610	3,116,604
 <b>Electronic Health Records Incentive</b>	 1,913	 161,562
 <b>Total Revenue</b>	 \$ 50,462,046	 \$ 47,830,131

\* - These are charges by the Hospital for providing staffing, management, maintenance and billing and collection services to Neshoba County Ambulance Enterprise

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME  
 Primary Government  
 Detailed Schedules of Operating Expenses  
 Years Ended September 30, 2018, and 2017

	2018			2017		
	Salaries and Benefits	Supplies and Drugs	Other	Salaries and Salaries	Supplies and Drugs	Other
<b>Nursing Services:</b>						
Routine services	\$ 1,326,891	51,353	213,406	\$ 1,325,904	55,208	159,462
Geriatric-psych services	672,238	14,591	96,744	648,318	10,259	99,147
IOP	95,260	3,759	21,687	100,337	4,625	22,049
Hospitalist	219,567	-	-	283,338	-	223,389
Operating and recovery room:	395,910	253,766	349,166	359,378	272,152	335,046
Central service and supply	37,439	142,894	-	38,485	150,057	-
Emergency room	3,709,111	36,787	189,477	3,616,726	41,814	58,994
Skilled nursing facility	3,869,016	892,301	293,931	3,666,989	802,085	329,621
Nursing administration	278,327	-	4,218	260,265	-	676
<b>Other Professional Services:</b>						
Laboratory	796,565	460,606	221,527	746,892	417,666	192,327
Blood bank	-	-	127,247	-	-	83,577
Electrocardiology	39,325	-	18,525	37,015	-	53,022
Radiology	906,147	180,863	1,714,664	857,022	161,917	1,560,953
Pharmacy	265,519	277,119	16,514	220,838	773,106	6,093
Pharmacy-SNF	249,802	261,824	-	210,529	279,392	-
Anesthesiology	232,822	645	33,543	261,385	110	6,428
Infusion therapy	61,618	1,306,861	240,539	71,550	658,745	197,662
Inhalation therapy	316,843	85,087	15,114	305,813	83,235	12,706
Rehabilitation services	23,460	40,684	1,232,539	23,466	62,682	1,323,160
Ambulance	1,289,265	-	24,143	1,235,387	-	25,857
Medical records	430,961	28,104	190,726	405,384	24,851	128,875
Medical records-SNF	27,083	-	-	27,275	-	-
PSRO	152,285	4,786	39,851	114,058	6,738	34,949
Sleep Center	123,496	9,450	32,455	102,245	6,711	30,208
Wound Care	155,514	15,613	48,429	111,614	27,646	48,770
Social services-SNF	194,334	4,755	2,433	194,807	1,626	574
Clinic	5,498,358	610,829	1,126,098	5,315,685	680,655	833,808
<b>General Services:</b>						
Dietary	368,689	504,998	30,243	345,409	540,881	35,053
Dietary-SNF	347,423	593,865	45,161	332,486	573,913	23,567
Maintenance	78,182	82,115	1,075,883	73,908	49,514	915,443
Maintenance-SNF	108,634	4,646	11,845	99,452	2,454	18,655
Housekeeping	-	92,605	493,993	-	74,926	487,028
Housekeeping-SNF	-	62,107	313,648	-	50,884	316,637
Laundry and linen	-	5,273	57,623	-	4,809	68,311
Laundry and linen-SNF	-	5,487	68,825	-	5,886	86,265
Security	151,591	2,465	825	138,416	1,874	369
Security-SNF	31,725	-	-	31,743	-	-
Beauty shop-SNF	37,610	1,340	-	33,362	2,408	-
<b>Administrative and Fiscal Services:</b>						
Administrative	2,003,556	323,814	3,071,029	1,768,776	274,992	2,931,520
Administrative-SNF	138,723	-	795,210	146,757	-	798,012
Employee benefits	3,164,582	-	-	3,105,748	-	-
Employee benefits-SNF	2,079,721	-	-	1,849,245	-	-
<b>Total Operating Expenses</b>	<b>\$ 29,877,592</b>	<b>6,361,392</b>	<b>12,217,261</b>	<b>\$ 28,466,007</b>	<b>6,103,821</b>	<b>11,448,213</b>

**NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME**  
**Primary Government**  
**Schedule of Surety Bonds for Officials and Employees**  
**September 30, 2018**

Name	Position	Company	Amount of Bond
Lee McCall	Chief Executive Officer	Travelers Casualty and Surety Company of America	\$ 10,000
Scott McNair	Chief Financial Officer	Travelers Casualty and Surety Company of America	\$ 10,000
Kenneth Posey	Trustee	Travelers Casualty and Surety Company of America	\$ 10,000
Oliver Jolly	Trustee	Travelers Casualty and Surety Company of America	\$ 50,000
Jean Brazzle	Trustee	Travelers Casualty and Surety Company of America	\$ 10,000
Jo Helen Daly	Trustee	Travelers Casualty and Surety Company of America	\$ 10,000
Roger Owen	Trustee	Travelers Casualty and Surety Company of America	\$ 10,000



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Stagers, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
R. Steve Sinclair, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA

Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, Jr., CPA  
Perry C. Rackley, Jr., CPA  
Jerry L. Gammel, CPA  
Michael C. Knox, CPA  
Clifford P. Stewart, CPA

**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 Board of Trustees  
Neshoba County General Hospital and  
Neshoba County Nursing Home  
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 General Hospital and Neshoba County Nursing Home, a component unit of Neshoba County, Mississippi, as of and for the years ended September 30, 2018, and 2017, and the related notes to financial statements, and the financial statements of Neshoba County Ambulance Enterprise, a discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, as of and for the years ended September 30, 2018, and 2017, and the related notes to financial statements, which collectively comprise Neshoba County General Hospital and Neshoba County Nursing Home's and Neshoba County Ambulance Enterprise's basic financial statements, and have issued our report thereon dated April 10, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Neshoba County General Hospital and Neshoba County Nursing Home and its discretely presented component unit, 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neshoba County General Hospital and Neshoba County Nursing Home's and Neshoba County Ambulance Enterprise's internal control. Accordingly, we do not express an opinion of the effectiveness of Neshoba County General Hospital and Neshoba County Nursing Home's and Neshoba County Ambulance Enterprise's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 General Hospital and Neshoba County Nursing Home's and 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  
April 10, 2019

*Watkins Ward and Stafford, PLLC*



**WATKINS, WARD and STAFFORD**  
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 Certified Public Accountants

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Susan M. Lummus, CPA	

**Independent Auditors' Report on Compliance with State Laws and Regulations**

The Board of Trustees  
 Neshoba County General Hospital and  
 Neshoba County Nursing Home  
 Philadelphia, Mississippi

We have audited the financial statements of Neshoba County General Hospital and Neshoba County Nursing Home, a component unit of Neshoba County, Mississippi, as of and for the years ended September 30, 2018, and 2017, and the financial statements of Neshoba County Ambulance Enterprise, a discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, as of and for the years ended September 30, 2018, and 2017, and have issued our report thereon dated April 10, 2019.

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 General Hospital and Neshoba County Nursing Home and Neshoba County Ambulance Enterprise is the responsibility of the facility's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Neshoba County General Hospital and Neshoba County Nursing Home's and 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 General Hospital and Neshoba County Nursing Home and 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 General Hospital and Neshoba County Nursing Home and Neshoba County Ambulance Enterprise had not complied with state laws and regulations.

Eupora, Mississippi  
 April 10, 2019

*Watkins Ward and Stafford, PLLC*