

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

**AUDITED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2019**

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME
September 30, 2019

Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
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
Other Information	
Detailed Schedules of Operating Revenues	32
Detailed Schedules of Operating Expenses	35
Schedule of Surety Bonds for Officials and Employees	36
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>	37
Independent Auditors' Report on Compliance with State Laws and Regulations	39
Schedule of Findings and Responses	40



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

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, 2019, and 2018, 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, 2019, and 2018, 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, 2019, and 2018, 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, 2019, and 2018.

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, 2019, and 2018, 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, 2019, and 2018, 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, 2019, and 2018, and the schedule of surety bonds for officials and employees (pages 32 to 36) are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The schedule of surety bonds for officials and employees is the responsibility of management and was 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 auditing 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 schedule of surety bonds for officials and employees is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The detailed schedules of operating revenues and detailed schedules of operating expenses for the years ended September 30, 2019, and 2018 have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion on them or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2020, 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, 2019, and 2018, 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 13, 2020

Watkins Ward and Stafford, P.C.

**Neshoba County General Hospital and Neshoba County Nursing Home
Management's Discussion and Analysis
Years Ended September 30, 2019, and 2018**

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, 2019, and 2018. 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 decreased by \$3,792,035 in 2019, and increased by \$750,438 in 2018.
- ◆ The facility reported an operating loss of \$4,911,134 in 2019, and \$132,218 in 2018.
- ◆ Nonoperating revenues and expenses increased by \$236,443 from 2018 to 2019.

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, 2019, and 2018**

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 decreased in 2019 by \$3,792,035, or 6.74%.

Table 1: Assets, Liabilities and Net Position

	2019	2018 As Restated
Assets:		
Current assets	\$ 30,371,829	\$ 31,447,625
Capital assets, net	19,502,007	19,920,939
Other noncurrent assets	17,750,745	17,532,488
Total Assets	67,624,581	68,901,052
Liabilities:		
Current liabilities	8,072,951	6,439,031
Noncurrent liabilities	7,108,441	6,226,797
Total Liabilities	15,181,392	12,665,828
Net Position:		
Invested in capital assets, net of related debt	10,517,385	12,661,879
Unrestricted	41,925,804	43,573,345
Total Net Position	52,443,189	56,235,224
Total Liabilities and Net Position	\$ 67,624,581	\$ 68,901,052

The change in the facility's net position is due to several factors. The facilities cash and cash equivalents balance decreased by \$4,102,089 for 2019, compared to a decrease of \$551,989 for 2018. Patient accounts receivable increased by \$5,889,943 for 2019, compared to an increase of \$2,318,708 for 2018. Other receivables decreased by \$842,355 for 2019, compared to an increase of \$538,574 for 2018. The facility's estimated third party payor settlements increased by \$97,177 in 2019, compared to an increase of \$178,235 for 2018. The facility acquired capital assets in the amounts of \$1,449,218 and \$4,678,065 for the years 2019, and 2018, respectively. Depreciation and amortization expenses amounted to \$1,868,150 in 2019, and \$1,687,106 in 2018.

**Neshoba County General Hospital and Neshoba County Nursing Home
Management's Discussion and Analysis
Years Ended September 30, 2019, and 2018**

Table 2: Operating Results

	<u>2019</u>	<u>2018 As Restated</u>
Operating Revenues:		
Net patient service revenues	\$ 43,608,840	\$ 47,716,523
Other revenues	2,696,121	2,743,610
Electronic health records incentive	59,500	1,913
Total Operating Revenues	<u>46,364,461</u>	<u>50,462,046</u>
Operating Expenses:		
Salaries and benefits	30,306,007	29,877,592
Supplies and drugs	6,580,692	6,361,392
Other operating expenses	11,999,309	12,217,261
Insurance	521,437	450,913
Depreciation and amortization	1,868,150	1,687,106
Total Operating Expenses	<u>51,275,595</u>	<u>50,594,264</u>
Operating Loss	<u>(4,911,134)</u>	<u>(132,218)</u>
Nonoperating Revenues (Expenses):		
Interest income	132,990	48,164
Investment income	362,248	193,623
Donations	-	15,130
Grants and contributions	750,000	750,000
Gain (loss) on sale of equipment	9,000	(53,222)
Interest expense	(135,139)	(71,039)
Total Nonoperating Revenues	<u>1,119,099</u>	<u>882,656</u>
Excess of Revenues Over (Under) Expenses	<u>(3,792,035)</u>	<u>750,438</u>
Net Position Beginning of Year	<u>56,235,224</u>	<u>55,484,786</u>
Net Position End of Year	<u>\$ 52,443,189</u>	<u>\$ 56,235,224</u>

**Neshoba County General Hospital and Neshoba County Nursing Home
Management's Discussion and Analysis
Years Ended September 30, 2019, and 2018**

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

Operating Loss

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 \$4,911,134 in 2019, and \$132,218 in 2018. The operating loss increased by \$4,778,916 from 2018 to 2019.

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

- ◆ A decrease in net patient service revenues of \$4,107,683, or 8.61%.
- ◆ An increase in salaries and benefits of \$428,415, or 1.43%.
- ◆ An increase in supplies and drugs of \$219,300, or 3.45%.
- ◆ A decrease in other operating expenses of \$217,952, or 1.78%.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of interest income, investment income, donations, grants, and gain on sale of equipment. The facility had interest income, primarily from checking accounts and certificates of deposit of \$132,990 for the year ended September 30, 2019, and \$48,164 for the year ended September 30, 2018. The facility had investment income from the Mississippi Hospital Association Investment Pool and the investment in NCGH Leverage, LLC of \$362,248 in 2019, and \$193,623 in 2018. The facility did not receive any donations during the year ended September 30, 2019, but did receive \$15,130 in donations for the year ended September 30, 2018. The facility received \$750,000 in grants from NCGH Improvement Corporation during the year ended September 30, 2019, and \$750,000 for the year ended September 30, 2018. The facility had a gain on sale of equipment of \$9,000 during the year ended September 30, 2019.

Nonoperating expenses consist primarily of interest expense and loss on sale of equipment. The facility had interest expense in the amount of \$135,139 for the year ended September 30, 2019, and \$71,039 for the year ended September 30, 2018. The facility had a loss on sale of equipment of \$53,222 during the year ended September 30, 2018.

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, 2019, and 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the facility's investment in capital assets net of accumulated depreciation was \$19,502,007. In 2019, the facility's net capital assets decreased by \$418,932. In 2018, the facility's net capital assets increased by \$2,787,737. See page 22 for a detailed analysis of capital assets.

Long-Term Debt, Including Current Portion

At the end of 2019, the facility had \$8,902,722 in long-term debt (including current portion) outstanding. The facility issued new debt totaling \$3,000,000 in 2019, and made \$1,356,338 in principal payments. At the end of 2018, the facility had \$7,259,060 in long-term debt (including current portion) outstanding. The facility issued new debt totaling \$3,553,788 in 2018, and made \$1,757,909 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, 2019, and 2018

	2019			2018 As Restated		
	Primary Government - Audited	Component Units		Primary Government - Audited	Component Units	
		NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited		NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Assets						
Current Assets:						
Cash and cash equivalents	\$ 14,617,871	\$ 1,434,188	\$ 321,560	\$ 18,719,960	\$ 1,226,919	\$ 608,579
MHA pool investment	2,596,667	-	-	2,441,689	-	-
Patient accounts receivable	22,328,391	-	1,012,982	16,438,448	-	1,074,124
Less estimated uncollectables and allowances	(11,016,218)	-	(693,515)	(8,678,724)	-	(734,253)
Other receivables	300,240	-	-	1,142,595	-	-
Nursing home resident's funds	45,995	-	-	54,057	-	-
Estimated third party payor settlements	464,486	-	-	367,309	-	-
Inventories	556,773	-	-	520,343	-	-
Prepaid expenses	420,799	-	12,759	393,336	-	4,224
Deferred expense	56,825	-	-	48,612	-	-
Total Current Assets	30,371,829	1,434,188	653,786	31,447,625	1,226,919	952,674
Capital Assets:						
Property and equipment	45,759,100	-	-	44,345,499	-	-
Less accumulated depreciation	(26,257,093)	-	-	(24,424,560)	-	-
Total Capital Assets, Net of Accumulated Depreciation	19,502,007	-	-	19,920,939	-	-
Other Assets:						
Investment in NCGH Leverage, LLC	16,738,023	-	-	16,530,754	-	-
Investment in Mississippi True	800,000	-	-	800,000	-	-
Deferred expense	189,563	-	-	171,265	-	-
Physician loan receivable	23,159	-	-	30,469	-	-
Leverage loan receivable	-	15,303,835	-	-	15,303,835	-
Total Other Assets	17,750,745	15,303,835	-	17,532,488	15,303,835	-
Total Assets	\$ 67,624,581	\$ 16,738,023	\$ 653,786	\$ 68,901,052	\$ 16,530,754	\$ 952,674

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, 2019, and 2018

	2019			2018 As Restated		
	Primary Government - Audited	Component Units		Primary Government - Audited	Component Units	
		NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited		NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Liabilities and Net Position						
Current Liabilities:						
Accounts payable	\$ 2,052,813	\$ -	\$ 14,186	\$ 2,700,893	\$ -	\$ 7,737
Construction payable	81,900	-	-	-	-	-
Accrued expenses and payroll withholdings	2,422,412	-	-	2,232,556	-	-
Accounts receivable credit balances	1,675,550	-	-	419,262	-	5,610
Nursing home resident's funds	45,995	-	-	54,057	-	-
Due to Neshoba County General Hospital	-	-	168,485	-	-	154,049
Current portion of capitalized leases payable	2,900	-	-	3,565	-	-
Current portion of notes payable	1,791,381	-	-	1,028,698	-	-
Total Current Liabilities	<u>8,072,951</u>	<u>-</u>	<u>182,671</u>	<u>6,439,031</u>	<u>-</u>	<u>167,396</u>
Long-Term Debt:						
Capitalized leases payable	-	-	-	2,900	-	-
Notes payable	7,108,441	-	-	6,223,897	-	-
Total Long-Term Liabilities	<u>7,108,441</u>	<u>-</u>	<u>-</u>	<u>6,226,797</u>	<u>-</u>	<u>-</u>
Net Position:						
Invested in capital assets, net of related debt	10,517,385	-	-	12,661,879	-	-
Unrestricted	41,925,804	16,738,023	471,115	43,573,345	16,530,754	785,278
Total Net Position	<u>52,443,189</u>	<u>16,738,023</u>	<u>471,115</u>	<u>56,235,224</u>	<u>16,530,754</u>	<u>785,278</u>
Total Liabilities and Net Position	<u>\$ 67,624,581</u>	<u>\$ 16,738,023</u>	<u>\$ 653,786</u>	<u>\$ 68,901,052</u>	<u>\$ 16,530,754</u>	<u>\$ 952,674</u>

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 Revenues, Expenses, and Changes in Net Position
 Years Ended September 30, 2019, and 2018

	2019			2018 As Restated		
	Primary Government - Audited	Component Units		Primary Government - Audited	Component Units	
		NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited		NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Operating Revenues:						
Net patient services revenue	\$ 43,608,840	\$ -	\$ 1,826,678	\$ 47,716,523	\$ -	\$ 1,539,942
Other revenue	2,696,121	-	-	2,743,610	-	-
Electronic health records incentive	59,500	-	-	1,913	-	-
Total Operating Revenues	<u>46,364,461</u>	<u>-</u>	<u>1,826,678</u>	<u>50,462,046</u>	<u>-</u>	<u>1,539,942</u>
Operating Expenses:						
Salaries and benefits	30,306,007	-	-	29,877,592	-	-
Supplies and drugs	6,580,692	-	50,978	6,361,392	-	42,455
Other operating expenses	11,999,309	-	2,114,866	12,217,261	-	2,062,197
Insurance	521,437	-	-	450,913	-	-
Depreciation and amortization	1,868,150	-	-	1,687,106	-	-
Total Operating Expenses	<u>51,275,595</u>	<u>-</u>	<u>2,165,844</u>	<u>50,594,264</u>	<u>-</u>	<u>2,104,652</u>
Operating Loss	<u>(4,911,134)</u>	<u>-</u>	<u>(339,166)</u>	<u>(132,218)</u>	<u>-</u>	<u>(564,710)</u>
Nonoperating Revenues (Expenses):						
Interest income	132,990	207,269	-	48,164	207,269	-
Investment income	362,248	-	-	193,623	-	-
Donations	-	-	-	15,130	-	-
Grants and contributions	750,000	-	25,003	750,000	-	11,294
Gain (loss) on sale of equipment	9,000	-	-	(53,222)	-	-
Interest expense	(135,139)	-	-	(71,039)	-	-
Total Nonoperating Revenues	<u>1,119,099</u>	<u>207,269</u>	<u>25,003</u>	<u>882,656</u>	<u>207,269</u>	<u>11,294</u>
Excess of Revenues Over (Under) Expenses	<u>(3,792,035)</u>	<u>207,269</u>	<u>(314,163)</u>	<u>750,438</u>	<u>207,269</u>	<u>(553,416)</u>
Net Position Beginning of Year	<u>56,235,224</u>	<u>16,530,754</u>	<u>785,278</u>	<u>55,484,786</u>	<u>16,323,485</u>	<u>1,338,694</u>
Net Position End of Year	<u>\$ 52,443,189</u>	<u>\$ 16,738,023</u>	<u>\$ 471,115</u>	<u>\$ 56,235,224</u>	<u>\$ 16,530,754</u>	<u>\$ 785,278</u>

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, 2019, and 2018

	2019			2018 As Restated		
	Primary Government - Audited	Component Units		Primary Government - Audited	Component Units	
		NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited		NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Cash Flows From Operating Activities:						
Receipts from and on behalf of patients	\$ 42,041,052	\$ -	\$ 1,841,472	\$ 48,226,670	\$ -	\$ 1,768,999
Payments to suppliers and contractors	(19,103,107)	-	(2,153,494)	(19,534,972)	-	(2,086,843)
Payments to and on behalf of employees	(30,746,675)	-	-	(29,999,278)	-	-
Other receipts and payments, net	2,696,121	-	-	2,743,610	-	-
Receipts from Electronic Health Records	59,500	-	-	1,913	-	-
Net Cash Provided (Used) by Operating Activities	(5,053,109)	-	(312,022)	1,437,943	-	(317,844)
Cash Flows From Noncapital Financing Activities						
Grants and contributions	750,000	-	25,003	765,130	-	11,294
Net Cash Provided by Noncapital Financing Activities	750,000	-	25,003	765,130	-	11,294
Cash Flows From Capital and Related Financing Activities:						
Purchase of property and equipment	(1,449,218)	-	-	(4,678,065)	-	-
Proceeds from sale of equipment	9,000	-	-	150,000	-	-
Proceeds from notes payable	3,000,000	-	-	3,553,788	-	-
Principal payment of notes payable	(1,352,773)	-	-	(1,715,767)	-	-
Principal payment of capital lease obligations	(3,565)	-	-	(42,142)	-	-
Interest paid on long term debt	(135,414)	-	-	(71,039)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	68,030	-	-	(2,803,225)	-	-
Cash Flows From Investing Activities:						
Investment in NCGH Leverage, LLC	(207,269)	-	-	(207,269)	-	-
Interest income	340,259	207,269	-	255,432	207,269	-
Net Cash Provided by Investing Activities	132,990	207,269	-	48,163	207,269	-
Net Increase (Decrease) in Cash and Cash Equivalents	(4,102,089)	207,269	(287,019)	(551,989)	207,269	(306,550)
Cash and Cash Equivalents at Beginning of Year	18,719,960	1,226,919	608,579	19,271,949	1,019,650	915,129
Cash and Cash Equivalents at End of Year	\$ 14,617,871	\$ 1,434,188	\$ 321,560	\$ 18,719,960	\$ 1,226,919	\$ 608,579

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, 2019, and 2018

	2019			2018 As Restated		
	Component Units			Component Units		
	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:						
Operating Loss	\$ (4,911,134)	\$ -	\$ (339,166)	\$ (132,218)	\$ -	\$ (564,710)
Adjustment to Reconcile Operating Loss to Net Cash Flows Provided (Used) by Operating Activities:						
Depreciation and amortization	1,868,150	-	-	1,687,106	-	-
Provision for uncollectible accounts	5,530,506	-	598,292	7,549,111	-	940,692
Changes in:						
Patient accounts receivable	(7,826,667)	-	(583,498)	(8,454,734)	-	(711,635)
Supplies and other current assets	778,462	-	(8,535)	(512,067)	-	3,874
Physician loan receivable	7,310	-	-	80,485	-	-
Deferred expense	(26,511)	-	-	76,478	-	-
Accounts payable, accrued expenses, and other current liabilities	(376,048)	-	20,885	1,322,017	-	13,935
Estimated third-party payor payments	(97,177)	-	-	(178,235)	-	-
Net Cash Provided (Used) by Operating Activities	\$ (5,053,109)	\$ -	\$ (312,022)	\$ 1,437,943	\$ -	\$ (317,844)

Capital and Financing Activities:

The facility did not enter into any new capital lease obligations during the years ended September 30, 2019, and 2018.

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. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three years.

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, 2019; 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.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA 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 \$59,500, and \$1,913 in the years 2019, and 2018, 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, 2019.

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, 2019, and 2018, NCGH Leverage, LLC had \$1,184,188, and \$976,919, 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, 2019, and 2018, 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 2019, and 2018, approximated \$1,026,300, and \$998,800, 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, 2019, and 2018, are as follows

September 30, 2019	Fair Value	Level 1	Level 2	\$	Level 3
MHA Investment Pool	\$ 2,596,667	\$ -	\$ 2,596,667		-

September 30, 2018	Fair Value	Level 1	Level 2	\$	Level 3
MHA Investment Pool	\$ 2,441,686	\$ -	\$ 2,441,686		-

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, 2019, and 2018, follows:

	2019	2018
MHA Investment Pool A	\$ 2,585,933	\$ 2,527,627
Unrealized gain (loss) on investments	10,734	(85,938)
Net value	<u>\$ 2,596,667</u>	<u>\$ 2,441,689</u>

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, 2019, and 2018, is composed of the following:

	2019	2018
Provision for uncollectible accounts	\$ 4,125,361	\$ 4,127,546
Allowance for Medicare adjustment	2,820,000	2,120,000
Allowance for Medicaid adjustment	1,879,000	947,000
Allowance for commercial insurance adjustment	2,191,857	1,484,178
	<u>\$ 11,016,218</u>	<u>\$ 8,678,724</u>

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, 2019, and 2018, is composed of the following:

	2019	2018
	\$ 269,225	\$ 366,082
Provision for uncollectible accounts	101,290	151,495
Allowance for Medicare adjustment	16,371	11,445
Allowance for Medicaid adjustment	306,629	205,231
Allowance for commercial insurance adjustment	\$ 693,515	\$ 734,253

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, 2019, and \$15,303,835 as of September 30, 2018.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA 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, 2019, and 2018, were as follows:

	September 30, 2018 <u>As Restated</u>	<u>Additions</u>	<u>Retirements and Other</u>	Balance September 30, 2019
Land	\$ 1,493,489	-	-	\$ 1,493,489
Land improvements	566,887	-	-	566,887
Buildings and improvements	16,957,296	106,633	(185,152)	16,878,777
Fixed equipment	5,069,470	-	185,152	5,254,622
Major movable equipment				
Under capital lease	16,000	-	-	16,000
Other	16,757,966	624,408	3,263,700	20,646,074
Automobiles	185,075	-	-	185,075
Construction in progress	3,299,316	718,177	(3,299,317)	718,176
Total Historical Cost	<u>44,345,499</u>	<u>1,449,218</u>	<u>(35,617)</u>	<u>45,759,100</u>
Less: Accumulated Depreciation and Amortization for:				
Land improvements	(312,842)	(34,416)	-	(347,258)
Buildings and improvements	(6,695,181)	(605,568)	(31,686)	(7,332,435)
Fixed equipment	(3,801,796)	(155,554)	31,686	(3,925,664)
Major movable equipment				
Under capital lease	(11,428)	(2,286)	3,428	(10,286)
Other	(13,439,768)	(1,061,826)	32,189	(14,469,405)
Automobiles	(163,545)	(8,500)	-	(172,045)
Total Accumulated Depreciation and Amortization	<u>(24,424,560)</u>	<u>(1,868,150)</u>	<u>35,617</u>	<u>(26,257,093)</u>
Capital Assets, Net	<u>\$ 19,920,939</u>	<u>(418,932)</u>	<u>-</u>	<u>\$ 19,502,007</u>

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

Note 7: Capital Assets (Continued)

	Balance September 30, 2017	Additions and Other	Retirements and Other	September 30, 2018 As Restated
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	3,299,317	(30,219)	3,299,316
Total Historical Cost	40,144,904	4,678,065	(477,470)	44,345,499
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	(23,011,702)	(1,687,106)	274,248	(24,424,560)
Capital Assets, Net	\$ 17,133,202	2,990,959	(203,222)	\$ 19,920,939

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 2019, and 2018, follows:

	Balance 2018 As Restated	Additions	Reductions	Balance 2019	Amounts Due Within One Year
Notes Payable	\$ 7,252,595	3,000,000	(1,352,773)	\$ 8,899,822	\$ 1,791,381
Capital Lease Obligation	6,465	-	(3,565)	2,900	2,900
Total Long-Term Debt	\$ 7,259,060	3,000,000	(1,356,338)	\$ 8,902,722	\$ 1,794,281
	Balance 2017	Additions	Reductions	Balance 2018 As Restated	Amounts Due Within One Year
Notes Payable	\$ 5,414,574	3,553,788	(1,715,767)	\$ 7,252,595	\$ 1,028,698
Capital Lease Obligations	48,607	-	(42,142)	6,465	3,565
Total Long-Term Debt	\$ 5,463,181	3,553,788	(1,757,909)	\$ 7,259,060	\$ 1,032,263

A summary of the Primary Government's long-term debt, including capital lease obligations, at September 30, 2019, and 2018, follows:

Notes Payable

	2019	2018 As Restated
CAP loan payable to Neshoba County due in 240 monthly installments of \$20,304.21 with 2.00% interest, secured by a building.	\$ 2,849,839	\$ 3,034,765
Cerner note due in 6 quarterly installments of \$174,170 and 35 monthly installments of \$41,801 with 0% interest, secured by EHR system.	1,811,375	2,333,885
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.	1,259,259	1,481,481
Citizens Bank Loan due in 48 monthly installments of \$9,052.01 with 2.25% interest, secured by certificate of deposit #10032311.	302,864	402,464

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

Note 8: Long-Term Debt (Continued)

	2019	2018 As Restated
Citizens Bank Loan due in 60 monthly installments of \$55,978.43 with 4.5% interest, secured by certificate of deposit #10035421.	2,676,485	-
Less: Current portion of note payable	(1,791,381)	(1,028,698)
	\$ 7,108,441	\$ 6,223,897

Capital Lease Obligation

	2019	2018 As Restated
Capital lease obligation at 9.368% interest, collateralized by leased equipment with a cost of \$16,000 at September 30, 2019, and 2018.	\$ 2,900	\$ 6,465
Less: Current portion of capital leases obligations	(2,900)	(3,565)
	\$ -	\$ 2,900

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
2020	\$ 1,791,381	\$ 164,096	\$ 2,900	\$ 114
2021	1,604,898	141,819	-	-
2022	1,629,311	108,291	-	-
2023	1,104,406	74,698	-	-
2024	548,024	10,069	-	-
Thereafter	2,221,802	201,606	-	-
Total	\$ 8,899,822	\$ 700,579	\$ 2,900	\$ 114

Note 9: Net Patient Service Revenue

Primary Government

The Primary Government's net patient service revenue for the years ended September 30, 2019, and 2018, is detailed in the accompanying schedule of operating revenues.

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:

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

Note 9: Net Patient Service Revenue (Continued)

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, 2015.

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.

c. Medicaid Mississippi Hospital Access Payments –The Primary Government received net Medicaid Mississippi hospital access payments of \$617,240, and \$483,303 for the years ended September 30, 2019, and 2018. 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 \$465,462 and \$556,403, for the years ended September 30, 2019, and 2018, 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's net patient service revenue for the years ended September 30, 2019, and 2018, is as follows:

	2019	2018
Gross Patient Service Revenue	\$ 5,555,071	\$ 5,582,762
Less provisions for contractual and other adjustments	(3,136,068)	(3,106,255)
Less provisions for bad debts	(592,325)	(936,565)
Net Patient Service Revenue	<u>\$ 1,826,678</u>	<u>\$ 1,539,942</u>

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

Note 9: Net Patient Service Revenue (Continued)

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, 2019, and 2018, amounted to \$3,047,711, and \$3,384,799, 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, 2019, and 2018, was provided in the amounts of \$926,711, and \$1,148,669, respectively.

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 as the plan was frozen at that time. Accordingly, the Board of Trustees has not approved any contributions and employees have not contributed to the plan during the years ended September 30, 2019, and 2018. Furthermore, the plan was terminated as of September 30, 2019.

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

Note 11: Pension Plan (Continued)

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, 2019, and 2018, amounted to \$401,743, and \$416,649.

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> 2020	\$ 147,541
---	------------

The Primary Government's rental expense under all operating leases for the years ended September 30, 2019, and 2018, was \$1,424,003, and \$1,422,896, 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> 2020	\$ 94,867
2021	\$ 55,602
2022	\$ 13,900

The Ambulance Enterprise's rental expense under all operating leases for the years ended September 30, 2019, and 2018, was \$129,720, and \$100,507, respectively.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA 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 2019, and \$800,000 as of 2018. 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, 2019, and 2018, was as follows:

<u>Primary Government</u>	<u>2019</u>	<u>2018</u>
Medicare	29%	20%
Medicaid	13%	13%
Patients and other third-party payors	<u>58%</u>	<u>67%</u>
	<u>100%</u>	<u>100%</u>
 <u>Ambulance Enterprise</u>	 <u>2019</u>	 <u>2018</u>
Medicare	14%	17%
Medicaid	4%	3%
Patients and other third-party payors	<u>82%</u>	<u>80%</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, 2019, and 2018, 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, 2019, and 2018, were issued with a report date of March 27, 2020.

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 \$1,885,268 and \$1,821,397, in expenses that were paid by Neshoba County General Hospital and Neshoba County Nursing Home during the years ended September 30, 2019, and 2018, respectively. The Ambulance Enterprise had a payable due to Neshoba County General Hospital and Neshoba County Nursing Home of \$170,428, and \$154,049, as of September 30, 2019, and 2018, 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: Restatement

Neshoba County General Hospital and Neshoba County Nursing Home took out a loan with Cerner to replace their EHR system in November 2017 with payments beginning in January 2018. In the prior year, the paid invoices related to the replacement of the EHR system were recorded as construction in progress, and the note was not recorded. The construction in progress and note payables have been restated to reflect what the balances should have been for the year ended September 30, 2018. The restatement resulted in an increase in construction in progress of \$2,333,885, an increase in current portion of notes payable of \$522,510, and an increase in notes payable of \$1,811,375 as of September 30, 2018. The restatement had no effect on net position.

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

Note 18: 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 13, 2020, (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, except for the events in the following paragraphs.

The unwinding of NCGH Improvement Corporation occurred on November 14, 2019. NCGH Improvement Corporation, a related organization but not a component unit of Neshoba County General Hospital and Neshoba County Nursing Home, transferred all of its assets and liabilities, with the exception of \$90,000 cash to pay for any unexpected expenses, to Neshoba County General Hospital and Neshoba County Nursing Home. NCGH Improvement Corporation's assets consist of cash and property and equipment, and its liabilities consist of DVCI CDE VIII, LLC and SECDE Sub-IV, LLC loans. Part of this debt will be forgiven in the transfer of the debt to Neshoba County General Hospital and Neshoba County Nursing Home, and the remaining debt will be assigned to Neshoba County General Hospital and Neshoba County Nursing Home. NCGH Improvement Corporation will go dormant after the transfer of its assets and liabilities are completed and could then be used by Neshoba County General Hospital and Neshoba County Nursing Home for future purposes.

NCGH Leverage, LLC, a discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, was dissolved on December 2, 2019. As NCGH Leverage, LLC's sole member, Neshoba County General Hospital and Neshoba County Nursing Home is entitled to NCGH Leverage, LLC's assets upon its dissolution.

On March 11, 2020, the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on its business operations. Elective services have been postponed until the situation improves, which will decrease the facility's revenues significantly. This pandemic has also caused a disruption in the supply chain and management is exhausting every available option to procure essential supplies. While the facility expects the COVID-19 crisis to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
Primary Government

Detailed Schedules of Operating Revenues
Years Ended September 30, 2019, and 2018

	<u>2019</u>	<u>2018</u> As Restated
Inpatient:		
Nursing Services:		
Routine care	\$ 1,837,500	\$ 1,695,930
Geriatric-psych program	1,256,746	1,181,720
Skilled nursing facility	11,916,676	11,532,845
Hospitalist	1,169,050	3,486,908
Other Nursing Services:		
Operating and recovery rooms	41,022	46,766
Observation room	-	226,348
Central service and supply	123,099	152,744
Emergency service	1,229,751	1,291,990
Total Nursing Services Revenue	<u>17,573,844</u>	<u>19,615,251</u>
Other Professional Services:		
Laboratory	1,562,054	1,366,705
Blood bank	155,881	190,769
Electrocardiology	112,720	99,978
Radiology	1,616,711	1,417,453
Pharmacy	2,354,402	2,284,131
Pharmacy - SNF	814,530	931,057
Anesthesiology	21,049	37,287
Infusion therapy	2,901	-
Inhalation therapy	3,025,216	4,124,896
Rehabilitation services	1,302,340	467,022
Wound care	1,356	-
Total Other Professional Services Revenue	<u>10,969,160</u>	<u>10,919,298</u>
Total Inpatient Revenue	<u>28,543,004</u>	<u>30,534,549</u>
Outpatient:		
Nursing Services:		
IOP	287,517	280,703
Hospitalist	144,510	-
Other Nursing Services:		
Operating and recovery rooms	4,953,247	5,511,516
Observation room	1,155,704	1,041,593
Central service and supply	479,921	611,888
Emergency service	16,114,790	16,006,751
Total Nursing Services Revenue	<u>\$ 23,135,689</u>	<u>\$ 23,452,451</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
 Primary Government
 Detailed Schedules of Operating Revenues
 Years Ended September 30, 2019, and 2018

	<u>2019</u>	<u>2018</u> <u>As Restated</u>
Outpatient: (Continued)		
Other Professional Services:		
Laboratory	\$ 7,032,671	\$ 8,176,621
Blood	298,354	217,486
Electrocardiology	580,323	588,300
Radiology	11,405,748	11,495,749
Pharmacy	6,178,468	2,201,451
Anesthesiology	1,270,516	1,182,289
Infusion therapy	5,018,225	10,470,803
Inhalation therapy	1,050,017	944,471
Rehabilitation services	4,127,096	3,726,262
Sleep center	171,515	527,561
Wound care	737,545	813,694
Clinic	8,695,046	10,023,219
Total Other Professional Services Revenue	<u>46,565,524</u>	<u>50,367,906</u>
 Total Outpatient Revenue	 <u>69,701,213</u>	 <u>73,820,357</u>
 Total Patient Services Revenue	 <u>98,244,217</u>	 <u>104,354,906</u>
 Deductions from Patient Service Revenue:		
Contractual adjustments and allowances	48,306,109	48,176,137
Mississippi hospital access	(617,240)	(483,303)
Upper payment limit payments	(465,462)	(556,403)
Charity	1,881,464	1,952,841
Total Deductions from Patient Service Revenue	<u>49,104,871</u>	<u>49,089,272</u>
 Provision for Uncollectible Accounts	 <u>5,530,506</u>	 <u>7,549,111</u>
 Net Patient Services Revenue	 <u>\$ 43,608,840</u>	 <u>\$ 47,716,523</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
Primary Government
Detailed Schedules of Operating Revenues
Years Ended September 30, 2019, and 2018

	<u>2019</u>	<u>2018</u> <u>As Restated</u>
Other Revenue:		
Medical records transcripts	\$ 5,115	\$ 1,063
Employee and other meals	410,157	472,306
Beauty shop - SNF	853	883
Services to Neshoba County Ambulance Enterprise *	1,574,912	1,580,749
Miscellaneous revenue	663,080	650,566
Lease income	32,004	28,043
Trauma care grant	10,000	10,000
Total Other Revenue	<u>2,696,121</u>	<u>2,743,610</u>
Electronic Health Records Incentive	<u>59,500</u>	<u>1,913</u>
Total Revenue	<u>\$ 46,364,461</u>	<u>\$ 50,462,046</u>

* - 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, 2019, and 2018

	2019			2018 As Restated		
	Salaries and Benefits	Supplies and Drugs	Other	Salaries and Salaries	Supplies and Drugs	Other
Nursing Services:						
Routine services	\$ 1,356,560	94,785	135,424	\$ 1,326,891	51,353	213,406
Geriatric-psych services	729,042	24,666	125,345	672,238	14,591	96,744
IOP	91,626	2,435	34,144	95,260	3,759	21,687
Hospitalist	37,992	19	12,303	219,567	-	-
Operating and recovery rooms	408,772	158,674	239,332	395,910	253,766	349,166
Central service and supply	37,833	106,469	1,500	37,439	142,894	-
Emergency room	4,080,391	106,152	89,899	3,709,111	36,787	189,477
Skilled nursing facility	3,984,249	914,679	586,618	3,869,016	892,301	293,931
Nursing administration	283,139	-	7,609	278,327	-	4,218
Other Professional Services:						
Laboratory	854,546	419,447	278,434	796,565	460,606	221,527
Blood bank	-	69,894	77,103	-	-	127,247
Electrocardiology	39,446	-	59,152	39,325	-	18,525
Radiology	892,635	181,180	1,014,230	906,147	180,863	1,714,664
Pharmacy	241,958	369,150	7,120	265,519	277,119	16,514
Pharmacy-SNF	249,593	184,610	58	249,802	261,824	-
Anesthesiology	-	-	77,544	232,822	645	33,543
Infusion therapy	73,981	1,537,911	100,083	61,618	1,306,861	240,539
Inhalation therapy	330,218	95,661	23,754	316,843	85,087	15,114
Rehabilitation services	23,751	37,774	1,492,636	23,460	40,684	1,232,539
Ambulance	1,328,621	-	-	1,289,265	-	24,143
Medical records	446,632	9,575	179,515	430,961	28,104	190,726
Medical records-SNF	27,402	-	25	27,083	-	-
PSRO	156,389	5,953	79,247	152,285	4,786	39,851
Sleep Center	122,765	3,231	32,629	123,496	9,450	32,455
Wound Care	227,190	23,000	27,455	155,514	15,613	48,429
Social services-SNF	212,061	1,686	1,637	194,334	4,755	2,433
Clinic	5,110,926	477,035	831,598	5,498,358	610,829	1,126,098
General Services:						
Dietary	356,149	452,023	17,469	368,689	504,998	30,243
Dietary-SNF	374,764	618,866	15,368	347,423	593,865	45,161
Maintenance	93,157	73,239	976,346	78,182	82,115	1,075,883
Maintenance-SNF	121,299	7,085	45,609	108,634	4,646	11,845
Housekeeping	-	116,387	503,504	-	92,605	493,993
Housekeeping-SNF	-	35,335	383,204	-	62,107	313,648
Laundry and linen	-	10,533	48,035	-	5,273	57,623
Laundry and linen-SNF	-	6,482	51,201	-	5,487	68,825
Security	148,520	1,847	60	151,591	2,465	825
Security-SNF	31,725	-	-	31,725	-	-
Beauty shop-SNF	39,555	-	21	37,610	1,340	-
Administrative and Fiscal Services:						
Administrative	2,349,184	434,723	3,638,919	2,003,556	323,814	3,071,029
Administrative-SNF	-	186	805,179	138,723	-	795,210
Employee benefits	3,416,091	-	-	3,164,582	-	-
Employee benefits-SNF	2,027,845	-	-	2,079,721	-	-
Total Operating Expenses	\$ 30,306,007	6,580,692	11,999,309	\$ 29,877,592	6,361,392	12,217,261

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
 Primary Government
 Schedule of Surety Bonds for Officials and Employees
 September 30, 2019

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, 2019, and 2018, 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, 2019, and 2018, 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 13, 2020.

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 13, 2020

Watkins Ward and Stafford, P.C.



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

James L. Stafford, CPA	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
S. Keith Winfield, CPA	John N. Russell, CPA
William B. Stagers, CPA	Thomas A. Davis, CPA
Michael W. McCully, CPA	Anita L. Goodrum, CPA
Mort Stroud, CPA	Ricky D. Allen, CPA
R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
Wanda S. Holley, CPA	Perry C. Rackley, Jr., CPA
Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
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, 2019, and 2018, 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, 2019, and 2018, and have issued our report thereon dated April 13, 2020.

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, except as described in the accompanying schedule of findings and responses. 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.

This report is intended solely for the information and use of the board of trustees, management, others within the organization, 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. However, this report is a matter of public record and its distribution is not limited.

Eupora, Mississippi
 April 13, 2020

Watkins Ward and Stafford, P.C.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME
Schedule of Findings and Responses
September 30, 2019

2019-001 Finding

Condition: Neshoba County General Hospital and Neshoba County Nursing Home have deposited funds with financial institutions that have not been named as depositories.

Criteria: As per Miss. Code Ann. § 27-105-365 (1), Neshoba County General Hospital and Neshoba County Nursing Home may deposit funds in one or more financial institutions who have been named as depositories in the same manner as county depositories are selected by boards of supervisors pursuant to Section 27-105-305.

Cause: Neshoba County General Hospital and Neshoba County Nursing Home allows Neshoba County to advertise and accept bids for bank depositories on Neshoba County General Hospital and Neshoba County Nursing Home's behalf. As of September 30, 2019, Neshoba County had named Citizens Bank as the sole depository for Neshoba County and, therefore, Neshoba County General Hospital and Neshoba County Nursing Home. Neshoba County General Hospital and Neshoba County Nursing Home has bank accounts and certificate of deposit with Citizens Bank, the named depository, and with Cadence Bank and Regions Bank, which have not been named as depositories.

Effect: Neshoba County General Hospital and Neshoba County Nursing Home was not in compliance with state bank depository law.

Recommendation: Neshoba County General Hospital and Neshoba County Nursing Home should follow proper bank depository law for all future fiscal years.

Response: Neshoba County General Hospital and Neshoba County Nursing Home will follow proper bank depository law for all future fiscal years.