

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

**AUDITED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2020**

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
September 30, 2020

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Neshoba County General Hospital and Neshoba County Nursing Home, a component unit of Neshoba County, Mississippi, as of and for the years ended September 30, 2020, and 2019, 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, 2020, and 2019, 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 year ended September 30, 2019, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2020, and 2019.

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, 2020, and 2019, 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, 2020, and 2019, the changes in its financial position, or 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, 2020, and 2019, and the Schedule of Surety Bonds for Officials and Employees (pages 35 to 39) 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, 2020, and 2019 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 May 17, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 statement of net position as of September 30, 2019, and the related statement of revenues, expenses, and changes in net position, cash flows, and the related notes to financial statements for the year 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
May 17, 2021

Watkins Ward and Stafford, P.C.

**Neshoba County General Hospital and Neshoba County Nursing Home
Management's Discussion and Analysis
Years Ended September 30, 2020, and 2019**

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, 2020, and 2019. 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 \$237,032 in 2020, and decreased by \$3,792,035 in 2019.
- ◆ The facility reported an operating loss of \$3,073,421 in 2020, and \$4,911,134 in 2019.
- ◆ Nonoperating revenues and expenses increased by \$1,634,290 from 2019 to 2020.

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, 2020, and 2019

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 2020 by \$237,032, or 0.45%.

Table 1: Assets, Liabilities and Net Position

	2020	2019
Assets:		
Current assets	\$ 53,816,639	\$ 30,371,829
Capital assets, net	32,536,805	19,502,007
Other noncurrent assets	1,031,108	17,750,745
Total Assets	\$ 87,384,552	\$ 67,624,581
Liabilities:		
Current liabilities	\$ 24,626,804	\$ 8,072,951
Noncurrent liabilities	10,551,591	7,108,441
Total Liabilities	35,178,395	15,181,392
Net Position:		
Invested in capital assets, net of related debt	15,141,551	10,517,385
Unrestricted	37,064,606	41,925,804
Total Net Position	52,206,157	52,443,189
Total Liabilities and Net Position	\$ 87,384,552	\$ 67,624,581

The change in the facility's net position is due to several factors. Cash and cash equivalents increased by \$25,100,810 for 2020, compared to a decrease of \$4,102,089 for 2019. Patient accounts receivable decreased by \$4,846,404 for 2020, compared to an increase of \$5,889,943 for 2019. Other receivables increased by \$1,333,708 for 2020, compared to a decrease of \$842,355 for 2019. The facility's estimated third party payor settlements increased by \$121,675 in 2020, compared to an increase of \$97,122 for 2019. The facility acquired capital assets in the amounts of \$15,408,887 and \$1,449,218 for the years 2020, and 2019, respectively. Depreciation and amortization expenses amounted to \$2,374,089 in 2020, and \$1,868,150 in 2019. Medicare advance payments increased \$5,959,326 for 2020, compared to \$0 in 2019. Deferred revenue increased \$11,128,449 for 2020, compared to \$0 in 2019.

Neshoba County General Hospital and Neshoba County Nursing Home
Management's Discussion and Analysis
Years Ended September 30, 2020, and 2019

OPERATING RESULTS AND CHANGES IN THE FACILITY'S NET POSITION

Table 2: Operating Results

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Net patient service revenues	\$ 44,140,054	\$ 43,608,840
Other revenues	2,456,254	2,696,121
Electronic health records incentive	-	59,500
Total Operating Revenues	<u>46,596,308</u>	<u>46,364,461</u>
Operating Expenses:		
Salaries and benefits	31,000,910	30,306,007
Supplies and drugs	6,531,709	6,580,692
Other operating expenses	9,325,771	11,999,309
Insurance	437,250	521,437
Depreciation and amortization	2,374,089	1,868,150
Total Operating Expenses	<u>49,669,729</u>	<u>51,275,595</u>
Operating Loss	<u>(3,073,421)</u>	<u>(4,911,134)</u>
Nonoperating Revenues (Expenses):		
Interest income	174,133	132,990
Investment income	141,342	362,248
Donations	159,495	-
Grants and contributions	-	750,000
Gain on sale of equipment	3,653	9,000
Gain on dissolution/unwinding	326,767	-
Provider Relief Funds	2,148,541	-
Interest expense	(200,542)	(135,139)
Total Nonoperating Revenues (Expenses)	<u>2,753,389</u>	<u>1,119,099</u>
Excess of Revenues Under Expenses	<u>(320,032)</u>	<u>(3,792,035)</u>
Net Position Beginning of Year	52,443,189	56,235,224
Contributed Capital	<u>83,000</u>	<u>-</u>
Net Position End of Year	<u><u>\$ 52,206,157</u></u>	<u><u>\$ 52,443,189</u></u>

**Neshoba County General Hospital and Neshoba County Nursing Home
Management's Discussion and Analysis
Years Ended September 30, 2020, and 2019**

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 loss – 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 \$3,073,421 in 2020, and \$4,911,134 in 2019. The operating loss decreased by \$1,837,713 from 2019 to 2020.

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

- ◆ An increase in net patient service revenues of \$531,124, or 1.22%.
- ◆ An increase in salaries and benefits of \$694,903, or 2.29%.
- ◆ A decrease in other operating expenses of \$2,673,538, or 22.28%.
- ◆ An increase in depreciation and amortization of \$505,939, or 27.08%.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of interest income, investment income, donations, grants, gains, and Provider Relief Funds. The facility had interest income, primarily from checking accounts and certificates of deposit of \$174,133 for the year ended September 30, 2020, and \$132,990 for the year ended September 30, 2019. The facility had investment income from the Mississippi Hospital Association Investment Pool and the investment in NCGH Leverage, LLC of \$141,342 in 2020, and \$362,248 in 2019. The facility received donations of \$159,495 during the year ended September 30, 2020, but did not receive any donations for the year ended September 30, 2019. The facility did not receive any grants from NCGH Improvement Corporation during the year ended September 30, 2020, but received grants from NCGH Improvement Corporation of \$750,000 for the year ended September 30, 2019. The facility had a gain on sale of equipment of \$3,653 and \$9,000 during the years ended September 30, 2020, and 2019, respectively. The facility had a net gain of \$326,767 on the combined dissolution of NCGH Leverage, LLC and unwinding of NCGH Improvement Corporation during the year ended September 30, 2020. The facility received Provider Relief Funds of \$2,148,541 for the year ended September 30, 2020, and \$0 for the year ended September 30, 2019.

Nonoperating expenses consist of interest expense. The facility had interest expense in the amount of \$200,542 for the year ended September 30, 2020, and \$135,139 for the year ended September 30, 2019.

THE HOSPITAL'S CASH FLOWS

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

**Neshoba County General Hospital and Neshoba County Nursing Home
Management's Discussion and Analysis
Years Ended September 30, 2020, and 2019**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the facility's investment in capital assets net of accumulated depreciation was \$32,536,805. In 2020, the facility's net capital assets increased by \$13,034,798. In 2019, the facility's net capital assets decreased by \$418,932. See Note 7 for a detailed analysis of capital assets.

Long-Term Debt, Including Current Portion

At the end of 2020, the facility had \$12,578,144 in long-term debt (including current portion) outstanding. The facility issued new debt totaling \$5,310,283 in 2020, and made \$1,634,861 in principal payments. 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. See Note 8 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.

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME

Statements of Net Position

September 30, 2020, and 2019

	2020			2019		
	Component Units			Component Units		
	Primary Government - Audited	NCGH Leverage LLC	Ambulance Enterprise - Audited	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Assets						
Current Assets:						
Cash	\$ 39,718,681	\$ -	\$ 575,877	\$ 14,617,871	\$ 1,434,188	\$ 321,560
MHA investment pool	2,713,252	-	-	2,596,667	-	-
Patient accounts receivable	17,481,987	-	1,463,602	22,328,391	-	1,012,982
Less estimated uncollectables and allowances	(9,507,193)	-	(1,100,725)	(11,016,218)	-	(693,515)
Other receivables	1,633,948	-	-	300,240	-	-
Nursing home residents' funds	81,327	-	-	45,995	-	-
Estimated third party payor settlements	586,161	-	-	464,486	-	-
Inventories	577,167	-	-	556,773	-	-
Prepaid expenses	474,784	-	14,424	420,799	-	12,759
Deferred expense	56,525	-	-	56,825	-	-
Total Current Assets	53,816,639	-	953,178	30,371,829	1,434,188	653,786
Capital Assets:						
Property and equipment	61,035,030	-	-	45,759,100	-	-
Less accumulated depreciation	(28,498,225)	-	-	(26,257,093)	-	-
Total Capital Assets, Net of Accumulated Depreciation	32,536,805	-	-	19,502,007	-	-
Other Assets:						
Investment in NCGH Leverage, LLC	-	-	-	16,738,023	-	-
Investment in Mississippi True	800,000	-	-	800,000	-	-
Deferred expense	215,865	-	-	189,563	-	-
Physician loan receivable	15,243	-	-	23,159	-	-
Leverage loan receivable	-	-	-	-	15,303,835	-
Total Other Assets	1,031,108	-	-	17,750,745	15,303,835	-
Total Assets	\$ 87,384,552	\$ -	\$ 953,178	\$ 67,624,581	\$ 16,738,023	\$ 653,786

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

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME

Statements of Net Position

September 30, 2020, and 2019

	2020			2019		
	Component Units			Component Units		
	Primary Government - Audited	NCGH Leverage LLC	Ambulance Enterprise - Audited	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Liabilities and Net Position						
Current Liabilities:						
Accounts payable	\$ 2,041,864	\$ -	\$ 15,490	\$ 2,052,813	\$ -	\$ 14,186
Construction payable	-	-	-	81,900	-	-
Accelerated payments	5,959,326	-	164,817	-	-	-
Accrued expenses and payroll withholdings	2,851,983	-	-	2,422,412	-	-
Accounts receivable credit balances	537,302	-	-	1,675,550	-	-
Nursing home residents' funds	81,327	-	-	45,995	-	-
Due to Neshoba County General Hospital	-	-	157,083	-	-	168,485
Current portion of capitalized leases payable	39,880	-	-	2,900	-	-
Current portion of notes payable	1,986,673	-	-	1,791,381	-	-
Deferred revenue	11,128,449	-	60,815	-	-	-
Total Current Liabilities	24,626,804	-	398,205	8,072,951	-	182,671
Long-Term Debt:						
Capitalized leases payable	61,588	-	-	-	-	-
Notes payable	10,490,003	-	-	7,108,441	-	-
Total Long-Term Liabilities	10,551,591	-	-	7,108,441	-	-
Total Liabilities	35,178,395	-	398,205	15,181,392	-	182,671
Net Position:						
Invested in capital assets, net of related debt	15,141,551	-	-	10,517,385	-	-
Unrestricted	37,064,606	-	554,973	41,925,804	16,738,023	471,115
Total Net Position	52,206,157	-	554,973	52,443,189	16,738,023	471,115
Total Liabilities and Net Position	\$ 87,384,552	\$ -	\$ 953,178	\$ 67,624,581	\$ 16,738,023	\$ 653,786

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, 2020, and 2019

	2020			2019		
	Component Units			Component Units		
	Primary Government - Audited	NCGH Leverage LLC	Ambulance Enterprise - Audited	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Operating Revenues:						
Net patient services revenue	\$ 44,140,054	\$ -	\$ 1,907,294	\$ 43,608,840	\$ -	\$ 1,826,678
Other revenue	2,456,254	-	-	2,696,121	-	-
Electronic health records incentive	-	-	-	59,500	-	-
Total Operating Revenues	46,596,308	-	1,907,294	46,364,461	-	1,826,678
Operating Expenses:						
Salaries and benefits	31,000,910	-	-	30,306,007	-	-
Supplies and drugs	6,531,709	-	55,240	6,580,692	-	50,978
Other operating expenses	9,325,771	-	1,794,735	11,999,309	-	2,114,866
Insurance	437,250	-	-	521,437	-	-
Depreciation and amortization	2,374,089	-	-	1,868,150	-	-
Total Operating Expenses	49,669,729	-	1,849,975	51,275,595	-	2,165,844
Operating Income (Loss)	(3,073,421)	-	57,319	(4,911,134)	-	(339,166)
Nonoperating Revenues (Expenses):						
Interest income	174,133	24,757	-	132,990	207,269	-
Investment income	141,342	-	-	362,248	-	-
Donations	159,495	-	-	-	-	-
Grants and contributions	-	-	26,539	750,000	-	25,003
Gain on sale of equipment	3,653	-	-	9,000	-	-
Gain on dissolution of NCGH Leverage, LLC and unwinding of NCGH Improvement Corporation	326,767	-	-	-	-	-
Provider Relief Funds	2,148,541	-	-	-	-	-
Interest expense	(200,542)	-	-	(135,139)	-	-
Total Nonoperating Revenues (Expenses)	2,753,389	24,757	26,539	1,119,099	207,269	25,003
Excess of Revenues Over (Under) Expenses	(320,032)	24,757	83,858	(3,792,035)	207,269	(314,163)
Net Position Beginning of Year	52,443,189	16,738,023	471,115	56,235,224	16,530,754	785,278
Contributed (Distributed) Capital	83,000	(16,762,780)	-	-	-	-
Net Position End of Year	\$ 52,206,157	\$ -	\$ 554,973	\$ 52,443,189	\$ 16,738,023	\$ 471,115

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

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME

Statements of Cash Flows

Years Ended September 30, 2020, and 2019

	2020				2019			
	Component Units				Component Units			
	Primary Government - Audited	NCGH Leverage LLC	Ambulance Enterprise - Audited	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited		
Cash Flows From Operating Activities:								
Receipts from and on behalf of patients	\$ 47,742,985	\$ -	\$ 1,863,884	\$ 42,041,052	\$ -	\$ 1,841,472		
Payments to suppliers and contractors	(19,334,608)	-	(1,861,738)	(19,103,107)	-	(2,153,494)		
Payments to and on behalf of employees	(30,596,486)	-	-	(30,746,675)	-	-		
Other receipts and payments, net	2,491,586	-	-	2,688,059	-	-		
Receipts from Electronic Health Records	-	-	-	59,500	-	-		
Net Cash Provided (Used) by Operating Activities	303,477	-	2,146	(5,061,171)	-	(312,022)		
Cash Flows From Noncapital Financing Activities:								
Donations and grants	159,495	-	26,539	750,000	-	25,003		
Unwinding of NCGH Improvement Corporation	1,069,120	-	-	-	-	-		
Provider Relief Funds	13,276,990	-	60,815	-	-	-		
Accelerated payments	5,959,326	-	164,817	-	-	-		
Proceeds from notes payable	4,817,110	-	-	-	-	-		
Net Cash Provided by Noncapital Financing Activities	25,282,041	-	252,171	750,000	-	25,003		
Cash Flows From Capital and Related Financing Activities:								
Purchase of property and equipment	(726,405)	-	-	(1,449,218)	-	-		
Proceeds from sale of equipment	3,653	-	-	9,000	-	-		
Contributed capital	83,000	-	-	-	-	-		
Proceeds from notes payable	372,173	-	-	3,000,000	-	-		
Principal payment of notes payable	(1,612,429)	-	-	(1,352,773)	-	-		
Principal payment of capital lease obligations	(22,432)	-	-	(3,565)	-	-		
Interest paid on long term debt	(180,014)	-	-	(135,414)	-	-		
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,082,454)	-	-	68,030	-	-		
Cash Flows From Investing Activities:								
Investment in NCGH Leverage, LLC	1,458,945	(1,458,945)	-	(207,269)	-	-		
Change in MHA Investment Pool	65,316	-	-	58,306	-	-		
Interest income	174,133	24,757	-	340,259	207,269	-		
Net Cash Provided (Used) by Investing Activities	1,698,394	(1,434,188)	-	191,296	207,269	-		
Net Increase (Decrease) in Cash and Cash Equivalents	25,201,458	(1,434,188)	254,317	(4,051,845)	207,269	(287,019)		
Cash and Cash Equivalents at Beginning of Year	17,249,799	1,434,188	321,560	21,301,644	1,226,919	608,579		
Cash and Cash Equivalents at End of Year	\$ 42,451,257	\$ -	\$ 575,877	\$ 17,249,799	\$ 1,434,188	\$ 321,560		

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

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME

Statements of Cash Flows

Years Ended September 30, 2020, and 2019

	2020			2019		
	Component Units			Component Units		
	Primary Government - Audited	NCGH Leverage LLC	Ambulance Enterprise - Audited	Primary Government - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (3,073,421)	\$ -	\$ 57,319	\$ (4,911,134)	\$ -	\$ (339,166)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities:						
Depreciation and amortization	2,374,089	-	-	1,868,150	-	-
Provision for uncollectible accounts	6,046,899	-	800,568	5,530,506	-	598,292
Changes in:						
Patient accounts receivable	(3,847,768)	-	(843,978)	(7,826,667)	-	(583,498)
Supplies and other current assets	(1,408,087)	-	(1,665)	778,462	-	(8,535)
Physician loan receivable	7,916	-	-	7,310	-	-
Deferred expense	(26,002)	-	-	(26,511)	-	-
Accounts payable, accrued expenses, and other current liabilities	351,526	-	(10,098)	(384,110)	-	20,885
Estimated third-party payor payments	(121,675)	-	-	(97,177)	-	-
Net Cash Provided (Used) by Operating Activities	\$ 303,477	\$ -	\$ 2,146	\$ (5,061,171)	\$ -	\$ (312,022)

Capital and Financing Activities:

The facility entered into one capital lease obligation for new equipment totaling \$121,000 during the year ended September 30, 2020. The facility did not enter into any new capital lease obligations during the year ended September 30, 2019.

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

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

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. See Note 17 for information regarding its dissolution during the year ended September 30, 2020.

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 it's discretely presented component units.

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

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)

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. See Note 17 for information regarding its unwinding during the year ended September 30, 2020

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.

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)

e. Cash and Cash Equivalents – For purposes of the statements of cash flows, cash and cash equivalents include all cash on hand, checking accounts, certificates of deposit, and funds invested in the MHA Investment Pool program. The following tables provide a reconciliation of cash and cash equivalents reported within the statements of net position that sum to the total of the same such amounts shown in the statements of cash flows:

2020			
	Primary Government - Audited	Component Units	
		NCGH Leverage LLC	Ambulance Enterprise - Audited
Cash	\$ 39,718,681	\$ -	\$ 575,877
MHA investment pool	2,713,252	-	-
Less: Noncash/Unrealized gain on investment	(62,003)	-	-
Nursing home residents' funds	81,327	-	-
	<u>\$ 42,451,257</u>	<u>\$ -</u>	<u>\$ 575,877</u>

2019			
	Primary Government - Audited	Component Units	
		NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Cash	\$ 14,617,871	\$ 1,434,188	\$ 321,560
MHA investment pool	2,596,667	-	-
Less: Noncash/Unrealized gain on investment	(10,734)	-	-
Nursing home residents' funds	45,995	-	-
	<u>\$ 17,249,799</u>	<u>\$ 1,434,188</u>	<u>\$ 321,560</u>

f. Capital Assets – The Primary Government's policy is to capitalize acquisition and construction costs 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.

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)

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. Restricted Resources – When the facilities have both restricted and unrestricted resources available to finance a particular program, the facilities' policies are to use restricted resources before unrestricted resources.

i. Net Position – Net position of Neshoba County General Hospital and Neshoba County Nursing Home is 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* or *restricted net position*. Net position of Neshoba County Ambulance Enterprise is classified as *Unrestricted net position* because there are no restrictions on its use imposed by those charged with governance. Net position of NCGH Leverage, LLC as of September 30, 2019 was classified as *Unrestricted net position* because there were no restrictions on its use imposed by those charged with governance.

j. 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)

k. 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.

l. 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. Due to the COVID-19 pandemic, in April 2020, the facility suspended the PTO buyback policy and the maximum PTO carry over allowed through December 31, 2020.

m. 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, 2020; therefore, no liability has been accrued at this time.

n. 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.

o. 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)

p. 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).

q. 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 did not receive any EHR incentive revenue in the year ended September 30, 2020, but received EHR incentive revenue of \$59,500 in the year ended September 30, 2019. EHR incentive revenues are included in operating revenues in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

r. Financial Statement Presentation – On November 18, 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) *Restricted Cash*. The standard became effective for governmental entities for fiscal years beginning after December 15, 2018. The facility has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period as of and for the year ended September 30, 2019. The new standard requires changes in the hospital's restricted cash to be classified as either operating activities, investing activities, or financing activities in the Statements of Cash Flows, depending on the nature of the activities that gave rise to the restriction.

The current presentation reduced the decrease in the Primary Government's cash and cash equivalents by \$50,244 as presented on the Statements of Cash Flows for the year ended September 30, 2019.

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.

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

Note 2: Cash and Other Deposits (Continued)

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, 2020.

NCGH Leverage, LLC (not eligible for collateralization under State Treasurer program) maintained one cash account at one financial institution until its dissolution during the year ended September 30, 2020.

This balance was insured by the Federal Deposit Insurance Corporation up to \$250,000; therefore, at September 30, 2019, NCGH Leverage, LLC had a cash balance of \$1,184,188 which was uninsured. Management did not consider this to be a significant risk.

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, 2020, and 2019, 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 2020, and 2019, approximated \$609,400, and \$1,026,300, respectively.

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

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.

Fair values of assets measured on a recurring basis at September 30, 2020, and 2019, are as follows

<u>September 30, 2020</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
MHA Investment Pool	\$ <u>2,713,252</u>	\$ <u>-</u>	\$ <u>2,713,252</u>	\$ <u>-</u>

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

Mississippi Hospital Association Investment Pool

The Primary Government participates in the Mississippi Hospital Association Investment Pool 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, 2020, and 2019, follows:

	<u>2020</u>	<u>2019</u>
MHA Investment Pool A	\$ 2,651,249	\$ 2,585,933
Unrealized gain on investments	<u>62,003</u>	<u>10,734</u>
Net value	\$ <u>2,713,252</u>	\$ <u>2,596,667</u>

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

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

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, 2020, and 2019, is composed of the following:

	2020	2019
Provision for uncollectible accounts	\$ 3,712,873	\$ 4,125,361
Allowance for Medicare adjustment	1,653,735	2,820,000
Allowance for Medicaid adjustment	1,008,214	1,879,000
Allowance for commercial insurance adjustment	3,132,371	2,191,857
	<u>\$ 9,507,193</u>	<u>\$ 11,016,218</u>

Ambulance Enterprise

The balance in the Ambulance Enterprise's estimated uncollectibles and allowances accounts at September 30, 2020, and 2019, is composed of the following:

	2020	2019
Provision for uncollectible accounts	\$ 648,353	\$ 269,225
Allowance for Medicare adjustment	110,510	101,290
Allowance for Medicaid adjustment	23,715	16,371
Allowance for commercial insurance adjustment	318,147	306,629
	<u>\$ 1,100,725</u>	<u>\$ 693,515</u>

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. NCGH Leverage, LLC was dissolved, as discussed in Note 17, during the year ended September 30, 2020, and Neshoba County General Hospital and Neshoba County Nursing Home received NCGH Leverage, LLC's assets at the time of dissolution.

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

Note 7: Capital Assets

The Primary Government's Capital asset additions, retirements and balances for the years ended September 30, 2020, and 2019, were as follows:

	Balance September 30, 2019	Additions	Retirements and Other	Balance September 30, 2020
Land	\$ 1,493,489	-	-	\$ 1,493,489
Land improvements	566,887	-	-	566,887
Buildings and improvements	16,878,777	11,971,498	719,083	29,569,358
Fixed equipment	5,254,622	2,589,984	(123,817)	7,720,789
Major movable equipment				
Under capital lease	16,000	121,000	(16,000)	121,000
Other	20,646,074	577,209	16,000	21,239,283
Automobiles	185,075	40,000	(9,140)	215,935
Construction in progress	718,176	109,196	(719,083)	108,289
Total Historical Cost	<u>45,759,100</u>	<u>15,408,887</u>	<u>(132,957)</u>	<u>61,035,030</u>
Less: Accumulated Depreciation and Amortization for:				
Land improvements	(347,258)	(34,155)	-	(381,413)
Buildings and improvements	(7,332,435)	(856,102)	-	(8,188,537)
Fixed equipment	(3,925,664)	(273,203)	123,817	(4,075,050)
Major movable equipment				
Under capital lease	(10,286)	(17,411)	12,572	(15,125)
Other	(14,469,405)	(1,185,323)	(12,572)	(15,667,300)
Automobiles	(172,045)	(7,895)	9,140	(170,800)
Total Accumulated Depreciation and Amortization	<u>(26,257,093)</u>	<u>(2,374,089)</u>	<u>132,957</u>	<u>(28,498,225)</u>
Capital Assets, Net	<u>\$ 19,502,007</u>	<u>13,034,798</u>	<u>-</u>	<u>\$ 32,536,805</u>

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

Note 7: Capital Assets (Continued)

	Balance September 30, 2018	Additions and Other	Retirements and Other	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>

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 2020, and 2019, follows:

	Balance 2019	Additions	Reductions	Balance 2020	Amounts Due Within One Year
Notes Payable	\$ 8,899,822	5,189,283	(1,612,429)	\$ 12,476,676	\$ 1,986,673
Capital Lease Obligations	2,900	121,000	(22,432)	101,468	39,880
Total Long-Term Debt	<u>\$ 8,902,722</u>	<u>5,310,283</u>	<u>(1,634,861)</u>	<u>\$ 12,578,144</u>	<u>\$ 2,026,553</u>

	Balance 2018	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 Obligations	6,465	-	(3,565)	2,900	2,900
Total Long-Term Debt	<u>\$ 7,259,060</u>	<u>3,000,000</u>	<u>(1,356,338)</u>	<u>\$ 8,902,722</u>	<u>\$ 1,794,281</u>

A summary of the Primary Government's long-term debt, including capital lease obligations, at September 30, 2020, and 2019, follows:

Notes Payable

	2020	2019
CAP loan payable to Neshoba County due in 240 monthly installments of \$20,304.21 with 2.00% interest, secured by a building.	\$ 2,661,181	\$ 2,849,839
Cerner note due in 6 quarterly installments of \$174,170 and 35 monthly installments of \$41,801 with 0% interest, secured by EHR system.	1,351,565	1,811,375
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.	1,037,037	1,259,259
Citizens Bank Loan due in 48 monthly installments of \$9,052.01 with 2.25% interest, secured by certificate of deposit #10032311.	201,015	302,864

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

Note 8: Long-Term Debt (Continued)

Notes Payable (continued)

	<u>2020</u>	<u>2019</u>
Citizens Bank Loan due in 60 monthly installments of \$55,978.43 with 4.5% interest, secured by certificate of deposit #10035421.	2,117,181	2,676,485
Citizens Bank Loan due in 36 monthly installments of \$10,702.53 with 2.25% interest, secured by certificate of deposit #10036261.	291,587	-
Citizens Bank SBA PPP Loan due in a final installment of \$4,817,110 with 1.00% interest, entered in connection with the Coronavirus Aid, Relief, and Economic Security Act.	4,817,110	-
Less: Current portion of note payable	<u>(1,986,673)</u>	<u>(1,791,381)</u>
	<u>\$ 10,490,003</u>	<u>\$ 7,108,441</u>

Capital Lease Obligations

	<u>2020</u>	<u>2019</u>
Capital lease obligation at 9.368% interest, collateralized by leased equipment with a cost of \$16,000 at September 30, 2019.	\$ -	\$ 2,900
Capital lease obligation at 2.330% interest, collateralized by leased equipment with a cost of \$121,000 at September 30, 2020.	101,468	-
Less: Current portion of capital leases obligations	<u>(39,880)</u>	<u>(2,900)</u>
	<u>\$ 61,588</u>	<u>\$ -</u>

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

Year Ended Sept. 30:	Notes Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2021	\$ 1,986,673	\$ 207,349	\$ 39,880	\$ 1,940
2022	6,572,094	138,920	40,819	1,001
2023	1,147,014	74,901	20,769	141
2024	753,424	48,319	-	-
2025	356,284	35,515	-	-
Thereafter	1,661,187	126,458	-	-
Total	<u>\$ 12,476,676</u>	<u>\$ 631,462</u>	<u>\$ 101,468</u>	<u>\$ 3,082</u>

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

Note 9: Net Patient Service Revenue

Primary Government

The Primary Government's net patient service revenue for the years ended September 30, 2020, and 2019, 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:

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, 2016.

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 \$961,859, and \$617,240 for the years ended September 30, 2020, and 2019. 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 facility received net Medicaid upper payment limit payments of \$1,167,681 and \$465,462, for the years ended September 30, 2020, and 2019, 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.

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

Note 9: Net Patient Service Revenue (Continued)

Ambulance Enterprise

The Ambulance Enterprise's net patient service revenue for the years ended September 30, 2020, and 2019, is as follows:

	2020	2019
Gross Patient Service Revenue	\$ 6,030,580	\$ 5,555,071
Less provisions for contractual and other adjustments	(3,324,927)	(3,136,068)
Less provisions for bad debts	(798,359)	(592,325)
Net Patient Service Revenue	<u>\$ 1,907,294</u>	<u>\$ 1,826,678</u>

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, 2020, and 2019, amounted to \$3,060,445, and \$3,047,711, 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, 2020, and 2019, was provided in the amounts of \$968,839, and \$926,711, respectively.

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

Note 11: Pension Plan

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, 2020, and 2019, amounted to \$406,285, and \$401,743. The facility did not make contributions to the deferred compensation plan during the year ended September 30, 2020, and made employer contributions of \$522,946 during the year ended September 30, 2019.

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. The Primary Government has no future minimum pending noncancellable lease payments as of September 30, 2020.

The Primary Government's rental expense under all operating leases for the years ended September 30, 2020, and 2019, was \$346,352, and \$1,458,828, respectively.

Ambulance Enterprise

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

<u>Years Ended September 30,</u>		
2021	\$	55,602
2022	\$	13,900

The Ambulance Enterprise's rental expense under all operating leases for the years ended September 30, 2020, and 2019, was \$101,300, and \$129,720, respectively.

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

Note 12: Commitments and Contingencies (Continued)

b. Mississippi True Provider-Sponsored Health Plan

Neshoba County General Hospital and Neshoba County Nursing Home has an investment in Mississippi True. The facility is a subscriber in the nonprofit corporation, which seeks to establish a Mississippi provider-sponsored health plan intended to provide provider-sponsored coordinated care and improved access and quality, as compared with for-profit plans. The amount of the facility's investment was \$800,000 as of 2020, and \$800,000 as of 2019. 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.

c. Impact of COVID-19 Pandemic

Since the onset of the COVID-19 pandemic in March 2020, the facility has maintained relative operating normalcy. The extent of the impact of the pandemic on the facility's operational and financial performance depends on the duration and spread of the outbreak and the related impact on its patients, employees, suppliers, and costs related to testing for the virus. At this point, the extent to which the pandemic may impact the facility's financial condition or results of operations remains uncertain.

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, 2020, and 2019, was as follows:

<u>Primary Government</u>	<u>2020</u>	<u>2019</u>
Medicare	27%	29%
Medicaid	16%	13%
Patients and other third-party payors	57%	58%
	<u>100%</u>	<u>100%</u>
 <u>Ambulance Enterprise</u>	 <u>2020</u>	 <u>2019</u>
Medicare	11%	14%
Medicaid	4%	4%
Patients and other third-party payors	85%	82%
	<u>100%</u>	<u>100%</u>

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

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

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, 2020, and 2019, 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, 2020, and 2019, were issued with a report date of April 2, 2021.

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 \$1,817,839 and \$1,885,268, in expenses that were paid by Neshoba County General Hospital and Neshoba County Nursing Home during the years ended September 30, 2020, and 2019, respectively. The Ambulance Enterprise had a payable due to Neshoba County General Hospital and Neshoba County Nursing Home of \$157,083, and \$168,485, as of September 30, 2020, and 2019, 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: New Markets Tax Credit Compliance Period Ended

NCGH Leverage, LLC and NCGH Improvements Corporation were formed in 2012 under the laws of Mississippi to meet the necessary structuring requirements to enter into transactions intended to qualify for the New Markets Tax Credit (NMTC) program, as outlined in Internal Revenue Code (IRC) Section 45D. In October 2019, the NMTC seven year compliance period ended; therefore, NCGH Leverage, LLC was dissolved, and NCGH Improvement Corporation was unwound during the year ended September 30, 2020. The following paragraphs describe the results of the dissolution and unwinding.

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

Note 17: New Markets Tax Credit Compliance Period Ended (Continued)

a. Dissolution of NCGH Leverage, LLC – NCGH Leverage, LLC, a discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, was dissolved on December 2, 2019 and distributed its total capital of \$16,762,780. As NCGH Leverage, LLC's sole member, Neshoba County General Hospital and Neshoba County Nursing Home received NCGH Leverage, LLC's cash of \$1,458,945 upon its dissolution. Neshoba County General Hospital and Neshoba County Nursing Home reduced its investment in NCGH Leverage, LLC to zero and recorded a loss on dissolution of \$15,303,835.

b. Unwinding of NCGH Improvement Corporation – 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 consisted of cash and property and equipment, and its liabilities consisted of DVCI CDE VIII, LLC and SECDE Sub-IV, LLC loans which were forgiven in the transfer. NCGH Improvement Corporation went dormant after the transfer of its assets and liabilities and can be used by Neshoba County General Hospital and Neshoba County Nursing Home for future purposes.

Neshoba County General Hospital and Neshoba County Nursing Home received cash of \$1,069,120, buildings and improvements net of accumulated depreciation of \$11,971,498, and fixed equipment net of accumulated depreciation of \$2,589,984 upon NCGH Improvement Corporation's unwinding. Neshoba County General Hospital and Neshoba County Nursing Home recorded a gain on unwinding of \$15,630,602.

c. Combined Effect – The combined effect of the dissolution of NCGH Leverage, LLC and the unwinding of NCGH Improvement Corporation is as follows:

Loss on dissolution of NCGH Leverage, LLC	\$ (15,303,835)
Gain on unwinding of NCGH Improvement Corporation	<u>15,630,602</u>
Net gain on dissolution of NCGH Leverage, LLC and unwinding of NCGH Improvement Corporation	<u>\$ 326,767</u>

Note 18: Accelerated Payments

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Section 3719 expanded the Accelerated and Advance Payments Program to ease the financial strain experienced by Medicare Part A providers and Part B suppliers during the COVID-19 pandemic. The expansion allowed the Centers for Medicare and Medicaid Services to accept applications of a broader group of eligible providers and suppliers and issue advance payments based on up to six months of historical payments, prior claims data, and other financial information. Neshoba County General Hospital and Neshoba County Nursing Home and Neshoba County Ambulance Enterprise received accelerated payments of \$5,959,326 and \$164,817 respectively for the year ended September 30, 2020.

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

Note 18: Accelerated Payments (Continued)

As enacted through the Continuing Appropriations Act, 2021 and Other Extensions Act, repayment will begin 12 months after the date of issuance and be automatically recouped from Medicare payments otherwise owed to the facility at 25 percent for the first 11 months and 50 percent for the succeeding 6 months. If the accelerated payments are not recouped within the 29 months, a demand letter will be issued requiring repayment of any outstanding balance. If a letter requiring reimbursement is issued, providers and suppliers will have 30 days from the date of the letter to repay the balance in full. If payment is not received within 30 days, interest will accrue at the rate of 4% from the date the letter was issued, and will be assessed for each full 30-day period that the balance remains unpaid. The facilities expect the accelerated payments will be fully recouped by September 30, 2021; therefore, \$5,959,326 and \$164,817 are shown as current liabilities as of September 30, 2020.

Note 19: Provider Relief Funds

Neshoba County General Hospital and Neshoba County Nursing Home and Neshoba County Ambulance Enterprise received Provider Relief Funds of \$13,276,990 and \$60,815 respectively during the year ended September 30, 2020. These funds were disbursed by the Health Resources and Services Administration (HRSA) in accordance with the CARES Act of 2020. The CARES Act appropriated the Provider Relief Funds to reimburse eligible healthcare providers for healthcare related expenses or lost revenues attributable to COVID-19. The facilities' acceptance of these funds requires compliance with reporting requirements as specified by the Secretary of Health and Human Services. The reporting requirements include submitting healthcare related expenses attributable to COVID-19 and lost revenue calculations to HRSA for review and eligibility approval.

Neshoba County General Hospital and Neshoba County Nursing Home calculated lost revenues of \$2,148,541 recognized as nonoperating revenue for the year ended September 30, 2020. The remaining \$11,128,449 is recognized as deferred revenue for the year ended September 30, 2020. Neshoba County Ambulance Enterprise's Provider Relief Funds of \$60,815 are recognized as deferred revenue for the year ended September 30, 2020. Per the current HRSA guidelines, the facilities have until June 30, 2021 to expend the remaining Provider Relief Funds; however, the HRSA continues to revise and clarify current guidelines.

The *Addendum to the 2020 Compliance Supplement* released by the Office of Management and Budget provides guidance on the reporting of Provider Relief Funds subject to the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Provider Relief Funds expended as of September 30, 2020 will not be reported on a Schedule of Expenditures of Federal Awards in the current year, nor will the compliance testing required under the *Addendum to the 2020 Compliance Supplement* be performed. However, the facility will be subject to audit requirements of the Uniform Guidance in the subsequent year. The compliance testing and the reporting of the Provider Relief Funds expended for the years ended September 30, 2021, and 2020, will be reported on a Schedule of Expenditures of Federal Awards for the year ended September 30, 2021.

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

Note 20: 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 May 17, 2021, (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 event in the following paragraph.

Neshoba County General Hospital and Neshoba County Nursing Home requested forgiveness of the Paycheck Protection Program (PPP) loan initially entered into on April 28, 2020 in connection with the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The facility submitted documentation establishing compliance with the forgiveness criteria set forth by the CARES Act and the Small Business Administration (SBA). On February 22, 2021, the SBA approved the forgiveness of the entire principal amount of \$4,817,110 to be recorded as nonoperating revenue for the year ended September 30, 2021.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME

Primary Government

Detailed Schedules of Operating Revenues
Years Ended September 30, 2020, and 2019

	<u>2020</u>	<u>2019</u>
Inpatient:		
Nursing Services:		
Routine care	\$ 1,824,811	\$ 1,837,500
Geriatric-psych program	1,174,446	1,256,746
Skilled nursing facility	12,071,081	11,916,676
Hospitalist	903,851	1,169,050
Other Nursing Services:		
Operating and recovery rooms	41,229	41,022
Central service and supply	47,845	123,099
Emergency service	1,148,767	1,229,751
Total Nursing Services Revenue	<u>17,212,030</u>	<u>17,573,844</u>
Other Professional Services:		
Laboratory	1,567,142	1,562,054
Blood bank	125,771	155,881
Electrocardiology	105,170	112,720
Radiology	1,459,485	1,616,711
Pharmacy	2,067,516	2,354,402
Pharmacy - SNF	837,842	814,530
Anesthesiology	25,005	21,049
Infusion therapy	9,531	2,901
Inhalation therapy	1,587,900	3,025,216
Rehabilitation services	903,417	1,302,340
Wound care	1,160	1,356
Total Other Professional Services Revenue	<u>8,689,939</u>	<u>10,969,160</u>
Total Inpatient Revenue	<u>25,901,969</u>	<u>28,543,004</u>
Outpatient:		
Nursing Services:		
IOP	167,184	287,517
Hospitalist	25,407	144,510
Other Nursing Services:		
Operating and recovery rooms	4,036,655	4,953,247
Observation room	1,088,046	1,155,704
Central service and supply	247,383	479,921
Emergency service	13,839,428	16,114,790
Total Nursing Services Revenue	<u>\$ 19,404,103</u>	<u>\$ 23,135,689</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME

Primary Government

Detailed Schedules of Operating Revenues

Years Ended September 30, 2020, and 2019

	<u>2020</u>	<u>2019</u>
Outpatient: (Continued)		
Other Professional Services:		
Laboratory	\$ 6,571,544	\$ 7,032,671
Blood	226,127	298,354
Electrocardiology	537,009	580,323
Radiology	9,417,130	11,405,748
Pharmacy	9,667,585	6,178,468
Anesthesiology	1,525,578	1,270,516
Infusion therapy	1,072,313	5,018,225
Inhalation therapy	898,312	1,050,017
Rehabilitation services	3,749,348	4,127,096
Sleep center	-	171,515
Wound care	526,788	737,545
Clinic	8,969,484	8,695,046
Total Other Professional Services Revenue	<u>43,161,218</u>	<u>46,565,524</u>
 Total Outpatient Revenue	 <u>62,565,321</u>	 <u>69,701,213</u>
 Total Patient Services Revenue	 <u>88,467,290</u>	 <u>98,244,217</u>
 Deductions from Patient Service Revenue:		
Contractual adjustments and allowances	39,568,296	48,306,109
Mississippi hospital access	(961,859)	(617,240)
Upper payment limit payments	(1,167,681)	(465,462)
Charity	841,581	1,881,464
Total Deductions from Patient Service Revenue	<u>38,280,337</u>	<u>49,104,871</u>
 Provision for Uncollectible Accounts	 <u>6,046,899</u>	 <u>5,530,506</u>
 Net Patient Services Revenue	 <u>\$ 44,140,054</u>	 <u>\$ 43,608,840</u>

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME

Primary Government

Detailed Schedules of Operating Revenues

Years Ended September 30, 2020, and 2019

	<u>2020</u>	<u>2019</u>
Other Revenue:		
Medical records transcripts	\$ 6,307	\$ 5,115
Employee and other meals	384,410	410,157
Beauty shop - SNF	333	853
Services to Neshoba County Ambulance Enterprise *	1,542,336	1,574,912
Miscellaneous revenue	489,823	663,080
Lease income	23,045	32,004
Trauma care grant	<u>10,000</u>	<u>10,000</u>
Total Other Revenue	<u>2,456,254</u>	<u>2,696,121</u>
Electronic Health Records Incentive	<u>-</u>	<u>59,500</u>
Total Revenue	<u>\$ 46,596,308</u>	<u>\$ 46,364,461</u>

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

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME

Primary Government

Detailed Schedules of Operating Expenses

Years Ended September 30, 2020, and 2019

	2020			2019		
	Salaries and Benefits	Supplies and Drugs	Other	Salaries and Salaries	Supplies and Drugs	Other
Nursing Services:						
Routine services	\$ 1,412,812	100,522	91,826	\$ 1,356,560	94,785	135,424
Geriatric-psych services	720,617	20,104	97,721	729,042	24,666	125,345
IOP	37,290	694	9,709	91,626	2,435	34,144
Hospitalist	8,493	27	-	37,992	19	12,303
Operating and recovery rooms	354,088	216,930	226,390	408,772	158,674	239,332
Central service and supply	39,214	14,452	325	37,833	106,469	1,500
Emergency room	4,195,226	122,605	16,112	4,080,391	106,152	89,899
Skilled nursing facility	4,038,969	851,059	672,206	3,984,249	914,679	586,618
Nursing administration	391,953	224,331	109,250	283,139	-	7,609
Other Professional Services:						
Laboratory	866,953	365,303	313,199	854,546	419,447	278,434
Blood bank	-	103,140	6,054	-	69,894	77,103
Electrocardiology	41,089	-	65,911	39,446	-	59,152
Radiology	872,854	178,794	608,269	892,635	181,180	1,014,230
Pharmacy	260,701	44,115	21,366	241,958	369,150	7,120
Pharmacy-SNF	251,999	805,897	10	249,593	184,610	58
Anesthesiology	-	-	100,342	-	-	77,544
Infusion therapy	105,473	1,550,413	4,570	73,981	1,537,911	100,083
Inhalation therapy	301,018	76,935	13,551	330,218	95,661	23,754
Rehabilitation services	795,021	27,717	462,572	23,751	37,774	1,492,636
Ambulance	1,346,169	-	-	1,328,621	-	-
Medical records	455,320	5,505	230,752	446,632	9,575	179,515
Medical records-SNF	26,786	-	-	27,402	-	25
PSRO	159,968	2,288	172,334	156,389	5,953	79,247
Sleep Center	106,948	6,669	30,757	122,765	3,231	32,629
Wound Care	220,401	5,619	17,854	227,190	23,000	27,455
Social services-SNF	250,897	551	168	212,061	1,686	1,637
Clinic	5,073,145	571,324	697,266	5,110,926	477,035	831,598
General Services:						
Dietary	300,655	319,191	8,750	356,149	452,023	17,469
Dietary-SNF	363,969	540,226	13,849	374,764	618,866	15,368
Maintenance	90,910	61,164	924,100	93,157	73,239	976,346
Maintenance-SNF	123,887	905	11,780	121,299	7,085	45,609
Housekeeping	-	130,353	512,883	-	116,387	503,504
Housekeeping-SNF	-	-	354,801	-	35,335	383,204
Laundry and linen	-	4,776	65,233	-	10,533	48,035
Laundry and linen-SNF	-	-	42,065	-	6,482	51,201
Security	165,639	1,172	538	148,520	1,847	60
Security-SNF	31,635	-	-	31,725	-	-
Beauty shop-SNF	27,082	952	40	39,555	-	21
Administrative and Fiscal Services:						
Administrative	2,543,271	177,931	2,652,409	2,349,184	434,723	3,638,919
Administrative-SNF	-	45	770,809	-	186	805,179
Employee benefits	3,026,628	-	-	3,416,091	-	-
Employee benefits-SNF	1,993,830	-	-	2,027,845	-	-
Total Operating Expenses	\$ 31,000,910	6,531,709	9,325,771	\$ 30,306,007	6,580,692	11,999,309

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
Primary Government
Schedule of Surety Bonds for Officials and Employees
September 30, 2020

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	\$ 10,000
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
Dale Joyner	Trustee		\$ - *

*As of September 30, 2020, the trustee was not bonded. See Finding 2020-002 on the Schedule of Findings and Responses beginning on page 43.



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

James L. Stafford, CPA
Harry W. Stevens, CPA
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William B. Staggers, CPA
Michael W. McCully, 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
Edward A. Maxwell, 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, 2020, and 2019, 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, 2020, and 2019, 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 May 17, 2021.

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's 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 on 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
May 17, 2021

Watkins Ward and Stafford, PLLC



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James L. Stafford, CPA	Stephen D. Flake, CPA
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Thomas J. Browder, 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, 2020, and 2019, 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, 2020, and 2019, and have issued our report thereon dated May 17, 2021.

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 facilities' 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
May 17, 2021

Watkins Ward and Stafford, PLLC

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
Schedule of Findings and Responses
September 30, 2020

2020-001 Finding

Condition: Neshoba County General Hospital and Neshoba County Nursing Home has 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 certificates 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.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
Schedule of Findings and Responses
September 30, 2020

2020-002 Finding

Condition: Neshoba County General Hospital and Neshoba County Nursing Home had one trustee that was not bonded as of September 30, 2020.

Criteria: As per Miss. Code Ann. § 41-13-29, the board of trustees, administrator, and certain other officials of Neshoba County General Hospital and Neshoba County Nursing Home shall be under bond in an amount not less than \$10,000 nor more than \$100,000.

Cause: Neshoba County General Hospital and Neshoba County Nursing Home's board of trustees appointed a new member during the year ended September 30, 2020, and failed to get the trustee bonded in a timely manner.

Effect: Neshoba County General Hospital and Neshoba County Nursing Home was not in compliance with Miss. Code Ann. § 41-13-29 as of September 30, 2020.

Recommendation: Neshoba County General Hospital and Neshoba County Nursing Home should ensure the required officials and employees are bonded in an amount not less than \$10,000 nor more than \$100,000 during their entire term.

Response: Neshoba County General Hospital and Neshoba County Nursing Home bonded the new trustee after September 30, 2020 but before the issuance of this report.