

**NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL
AND NOXUBEE COUNTY NURSING HOME
MACON, MISSISSIPPI**

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

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Audited Financial Statements and Additional Information
September 30, 2019

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Independent Auditors' Report

Board of Trustees
Noxubee General Critical Access Hospital
and Noxubee County Nursing Home
Macon, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Noxubee General Critical Access Hospital and Noxubee County Nursing Home, a component unit of Noxubee County, Mississippi, as of and for the years ended September 30, 2019, and 2018, and the related notes to financial statements, which collectively comprise Noxubee General Critical Access Hospital and Noxubee County Nursing Home's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Noxubee General Critical Access Hospital and Noxubee County Nursing Home, a component unit of Noxubee County, Mississippi, as of September 30, 2019, and 2018, and the changes in its financial position and 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 Noxubee General Critical Access Hospital and Noxubee County Nursing Home and do not purport to, and do not, present fairly the financial position of Noxubee County, Mississippi as of September 30, 2019, and 2018, 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 3 to 7) 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.

Report on Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of surety bonds for officials and employees (page 22) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of surety bonds 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 audit procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of surety bonds is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2020, on our consideration of Noxubee General Critical Access Hospital and Noxubee County Nursing Home's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reports and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Noxubee General Critical Access Hospital and Noxubee County Nursing Home's internal control over financial reporting and compliance.

Eupora, Mississippi
May 4, 2020

Watkins Ward and Stafford, PLLC

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Management's Discussion and Analysis
Years Ended September 30, 2019, and 2018

Our discussion and analysis of Noxubee General Critical Access Hospital and Noxubee County Nursing Home's financial performance provides an overview of the facility's financial activities for the fiscal years ended September 30, 2019, and 2018. Please read it in conjunction with the facility's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- ◆ The facility's net position increased from 2018 to 2019 by \$693,357, or 6.10%, and decreased from 2017 to 2018 by \$172,298, or 1.49%.
- ◆ The facility reported operating income of \$466,490 in 2019, and an operating loss of \$287,699 in 2018.
- ◆ The facility received Medicaid upper payment limit payments of \$1,011,939 for the year ended September 30, 2019, and \$752,122 for the year ended September 30, 2018; this is an increase of \$259,817.

USING THIS ANNUAL REPORT

The facility's financial statements consist of three statements – a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement 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 finances begins on page 4. 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 Statement of Net Position and the Statement 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 them. 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.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, 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?"

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Management's Discussion and Analysis
Years Ended September 30, 2019, and 2018

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 8 and 9. The facility's net position increased from 2018 to 2019 by \$693,357, or 6.10%, and decreased from 2017 to 2018 by \$172,298, or 1.49%, as reflected in Table 1.

The change in the facility's net position is due to several factors.

- ◆ During 2019, cash and cash equivalents increased by \$189,363, compared to a decrease of \$1,464,878 in 2018.
- ◆ During 2019, the facility's net accounts receivable increased by \$666,223, compared to a decrease of \$44,821 in 2018.
- ◆ During 2019, the facility's estimated third-party payor settlement decreased by \$206,690, compared to an increase of \$950,993 in 2018.
- ◆ During 2019, other receivables decreased by \$45,978, compared to an increase of \$225,482 in 2018.
- ◆ During 2019, accounts payable decreased by \$129,699, compared to an increase of \$277,720 in 2018.
- ◆ The facility acquired capital assets in the amounts of \$68,985, and \$394,360, for the years 2019, and 2018, respectively. Depreciation and amortization expenses amounted to \$273,019 in 2019, and \$367,394 in 2018.

Table 1: Assets, Liabilities, and Net Position

	2019	2018
Assets:		
Current assets	\$ 10,504,792	\$ 9,902,663
Noncurrent cash and investments	4,000,000	4,000,000
Capital assets, net	1,299,067	1,503,101
Other noncurrent assets	124,947	124,947
Total Assets	<u>15,928,806</u>	<u>15,530,711</u>
Liabilities:		
Current liabilities	2,093,755	2,109,870
Long-term debt outstanding	1,772,374	2,051,521
Total Liabilities	<u>3,866,129</u>	<u>4,161,391</u>
Net Position:		
Invested in capital assets, net of related debt (deficit)	(746,236)	(810,012)
Unrestricted	12,808,913	12,179,332
Total Net Position	<u>12,062,677</u>	<u>11,369,320</u>
Total Liabilities and Net Position	<u>\$ 15,928,806</u>	<u>\$ 15,530,711</u>

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Management's Discussion and Analysis
Years Ended September 30, 2019, and 2018

OPERATING RESULTS AND CHANGES IN THE FACILITY'S NET POSITION

Table 2: Operating Results

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Net patient service revenues	\$ 17,814,508	\$ 17,057,867
Other revenues	<u>2,186,808</u>	<u>1,604,529</u>
Total Operating Revenues	<u>20,001,316</u>	<u>18,662,396</u>
Operating Expenses:		
Salaries and benefits	12,826,710	12,400,833
Supplies and drugs	1,898,179	1,732,712
Other operating expenses	4,287,877	4,198,839
Insurance	249,041	250,317
Depreciation and amortization	<u>273,019</u>	<u>367,394</u>
Total Operating Expenses	<u>19,534,826</u>	<u>18,950,095</u>
Operating Income (Loss)	<u>466,490</u>	<u>(287,699)</u>
Nonoperating Revenues (Expenses):		
Investment income	264,097	164,265
Noncapital grants and contributions	56,119	55,246
Interest expense	<u>(93,349)</u>	<u>(104,110)</u>
Total Nonoperating Revenues	<u>226,867</u>	<u>115,401</u>
Increase (Decrease) in Net Position	693,357	(172,298)
Net Position Beginning of Year	<u>11,369,320</u>	<u>11,541,618</u>
Net Position End of Year	<u>\$ 12,062,677</u>	<u>\$ 11,369,320</u>

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Management's Discussion and Analysis
Years Ended September 30, 2019, and 2018

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

Operating Income (Loss)

The first component of the overall change in the facility's net position is its operating income – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The facility reported operating income of \$466,490 in 2019, as compared to an operating loss of \$287,699 in 2018. The operating loss of \$287,699 in 2018 compared to operating income of \$821,596 in 2017.

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

- ◆ An increase in net patient service revenue of \$756,641 from 2018 to 2019, as compared to an increase of \$195,865 from 2017 to 2018.
- ◆ An increase in Medicaid UPL payments of \$259,817 from 2018 to 2019, as compared to a decrease of \$177,889 from 2017 to 2018. Medicaid UPL payments totaled \$1,011,939 in 2019, \$752,122 in 2018, and \$930,011 in 2017.
- ◆ An increase of \$582,279 in other revenues from 2018 to 2019, as compared to a decrease of \$281,267 from 2017 to 2018.
- ◆ An increase in operating expenses of \$584,731 from 2018 to 2019, as compared to an increase of \$938,893 from 2017 to 2018.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of interest income, net investment earnings, and noncapital grants and contributions. The facility had interest income, primarily from checking accounts and certificates of deposit, of \$264,097 for the year ended September 30, 2019, and \$164,265 for the year ended September 30, 2018. The facility also recorded expenses paid and funds contributed by Noxubee County, Mississippi and other agencies in the amounts of \$56,119, and \$55,246, for the years ended September 30, 2019, and 2018, respectively.

Nonoperating expenses consist of interest expense in the amounts of \$93,349 in 2019, and \$104,110 in 2018.

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Management's Discussion and Analysis
Years Ended September 30, 2019, and 2018

THE FACILITY'S CASH FLOWS

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, and 2018, the facility's investment in capital assets net of accumulated depreciation was \$1,299,067, and \$1,503,101, respectively. In 2019, the facility purchased capital assets costing \$68,985. In 2018, the facility purchased capital assets costing \$394,360. See page 17 for a detailed analysis for capital assets.

Debt

At year-end, the facility had \$1,772,374 in long-term debt outstanding, as compared to \$2,051,521 in 2018. The facility did not issue new debt in 2019, or 2018, and made \$267,810 in principal payments in 2019, and \$378,383 in principal payments in 2018. See pages 18 and 19 for a detailed analysis for 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 Noxubee General Critical Access Hospital and Noxubee County Nursing Home's Administrative Offices at (662) 726-4231.

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Statements of Net Position
September 30, 2019, and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,994,163	\$ 4,804,800
Cash - nursing home residents' funds	36,111	38,433
Health insurance trust fund	29,509	29,472
Patient accounts receivable (net of estimated uncollectibles and allowances of \$4,224,240 in 2019 and \$3,069,722 in 2018)	3,402,627	2,736,404
Other receivables	691,370	737,348
Estimated third-party payor settlement	748,067	954,757
Inventory, at lower of cost (first-in, first-out) or market	400,377	390,847
Accrued interest receivable	10,458	3,263
Prepaid expenses	192,110	207,339
Total Current Assets	<u>10,504,792</u>	<u>9,902,663</u>
Noncurrent Cash and Investments:		
Restricted by board for capital improvements	<u>4,000,000</u>	<u>4,000,000</u>
Capital Assets:		
Land	232,939	232,939
Depreciable capital assets (net of accumulated depreciation and amortization of \$10,121,540 in 2019 and \$9,848,521 in 2018)	<u>1,066,128</u>	<u>1,270,162</u>
Total Capital Assets, Net of Accumulated Depreciation and Amortization	<u>1,299,067</u>	<u>1,503,101</u>
Other Assets:		
Equity in Healthcare Providers Insurance Company	<u>124,947</u>	<u>124,947</u>
Total Assets	<u><u>\$ 15,928,806</u></u>	<u><u>\$ 15,530,711</u></u>

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

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME

**Statements of Net Position
September 30, 2019, and 2018**

	<u>2019</u>	<u>2018</u>
Liabilities and Net Position		
Current Liabilities:		
Accounts payable	\$ 632,219	\$ 761,918
Funds held for nursing home residents	36,111	38,433
Accounts receivable credit balances	122,315	74,426
Accrued expenses and payroll withholdings	1,030,181	973,501
Current portion of bonds payable	<u>272,929</u>	<u>261,592</u>
Total Current Liabilities	<u>2,093,755</u>	<u>2,109,870</u>
 Long-Term Debt (Net of Current Maturities):		
Bonds payable	<u>1,772,374</u>	<u>2,051,521</u>
 Total Liabilities	<u>3,866,129</u>	<u>4,161,391</u>
 Net Position:		
Invested in capital assets, net of related debt (deficit)	(746,236)	(810,012)
Unrestricted	<u>12,808,913</u>	<u>12,179,332</u>
Total Net Position	<u>12,062,677</u>	<u>11,369,320</u>
 Total Liabilities and Net Position	 <u><u>\$ 15,928,806</u></u>	 <u><u>\$ 15,530,711</u></u>

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

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2019, and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Net patient service revenue (net of provision for bad debts of \$2,125,529 in 2019 and \$1,948,423 in 2018)	\$ 17,814,508	\$ 17,057,867
Other revenues	<u>2,186,808</u>	<u>1,604,529</u>
Total Operating Revenues	<u>20,001,316</u>	<u>18,662,396</u>
Operating Expenses:		
Salaries and benefits	12,826,710	12,400,833
Medical supplies and drugs	1,898,179	1,732,712
Other operating expenses	4,287,877	4,198,839
Insurance	249,041	250,317
Depreciation and amortization	<u>273,019</u>	<u>367,394</u>
Total Operating Expenses	<u>19,534,826</u>	<u>18,950,095</u>
Operating Income (Loss)	<u>466,490</u>	<u>(287,699)</u>
Nonoperating Revenues (Expenses):		
Investment income	264,097	164,265
Noncapital grants and contributions	56,119	55,246
Interest expense	<u>(93,349)</u>	<u>(104,110)</u>
Total Nonoperating Revenues	<u>226,867</u>	<u>115,401</u>
Excess of Revenues Over (Under) Expenses	693,357	(172,298)
Net Position Beginning of the Year	<u>11,369,320</u>	<u>11,541,618</u>
Net Position End of the Year	<u>\$ 12,062,677</u>	<u>\$ 11,369,320</u>

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

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME

Statements of Cash Flows

Years Ended September 30, 2019, and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Receipts from and on behalf of patients	\$ 17,772,489	\$ 15,622,376
Payments to suppliers and contractors	(6,559,097)	(6,040,257)
Payments to and on behalf of employees	(12,759,632)	(12,133,382)
Other receipts and payments, net	<u>1,853,374</u>	<u>1,711,853</u>
Net Cash Provided (Used) by Operating Activities	<u>307,134</u>	<u>(839,410)</u>
Cash Flows From Noncapital Financing Activities:		
Noncapital grants and contributions	<u>56,119</u>	<u>55,246</u>
Cash Flows From Capital and Related Financing Activities:		
Principal payments on bonds payable	(267,810)	(285,851)
Principal payments on notes payable	-	(92,532)
Interest paid on long-term debt	(93,997)	(74,679)
Purchase of capital assets	<u>(68,985)</u>	<u>(389,809)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(430,792)</u>	<u>(842,871)</u>
Cash Flows From Investing Activities:		
Investment income	<u>256,902</u>	<u>162,157</u>
Net Increase (Decrease) in Cash and Cash Equivalents	189,363	(1,464,878)
Cash and Cash Equivalents, Beginning of Year	<u>4,804,800</u>	<u>6,269,678</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,994,163</u>	<u>\$ 4,804,800</u>

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

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME

Statements of Cash Flows

Years Ended September 30, 2019, and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 466,490	\$ (287,699)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Flows Provided (Used) by Operating Activities:		
Depreciation and amortization	273,019	367,394
Provision for bad debts	2,125,529	1,948,423
Changes in:		
Patient accounts receivable	(2,791,753)	(1,903,602)
Inventories and other current assets	51,640	(357,637)
Accounts payable, accrued expenses, and other current liabilities	(24,481)	495,280
Estimated third-party payor settlements	<u>206,690</u>	<u>(1,101,569)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 307,134</u></u>	<u><u>\$ (839,410)</u></u>

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

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Notes to Financial Statements

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

a. Reporting Entity - Noxubee General Critical Access Hospital and Noxubee County Nursing Home, (the "facility"), is a 25-bed critical access hospital and a 60-bed long-term care nursing home owned by Noxubee County, Mississippi. The facility provides inpatient, outpatient, emergency, long-term care, and rural clinical services for residents of Noxubee County, Mississippi, and surrounding areas. The hospital is governed by a Board of Trustees appointed by the Board of Supervisors of Noxubee County.

Under *Governmental Accounting Standards Board (GASB) Statement Number 14: The Financial Reporting Entity*, the facility is defined as a component unit of Noxubee County, Mississippi. These financial statements present only the financial position and results of operations and cash flows of Noxubee General Critical Access Hospital and Noxubee County Nursing Home.

b. 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.

c. Enterprise Fund Accounting - The facility uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. 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*, as amended, the facility has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

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

e. Accounts Receivable - Patient receivables are reduced by an allowance for uncollectible accounts. The allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections considering historical and economic conditions, trends in healthcare coverage, major payor sources, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make modifications to the provision for uncollectible accounts to establish an appropriate allowance for uncollectible receivables. After satisfaction of amounts due from insurance, established guidelines are used for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts.

f. Capital Assets - The facility's policy is to capitalize acquisition and construction costs greater than \$5,000 which will provide benefit to future periods. The facility's 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 using the straight-line method of depreciation using these asset lives:

Land improvements	10 to 30 years
Buildings and building improvements	5 to 50 years
Equipment, computers, and furniture	3 to 15 years

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Notes to Financial Statements

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

g. Cost of Borrowing - Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The facility capitalized no interest cost in 2019 or 2018.

h. Grants and Contributions - From time to time, the facility receives grants from Noxubee County and the State of Mississippi, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted 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.

i. Restricted Resources - When the facility has both restricted and unrestricted resources available to finance a particular program, it is the facility's policy to use restricted resources before unrestricted resources.

j. Net Position - Net position of the facility is classified in two components. *Invested in capital assets net of related debt (deficit)* 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 (deficit)*.

k. Net Patient Services Revenue - The facility has agreements with third-party payors that provide for payments to the hospital 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 amount 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. Operating Revenues and Expenses - The facility's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the facility's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

m. Charity Care - The facility provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. The cost of charity care provided in 2019, and 2018, approximated \$145,800, and \$106,400, respectively.

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Notes to Financial Statements

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

n. Risk Management - The facility is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health benefits. The facility purchases coverage of risks of loss related to torts and malpractice up to \$500,000 per case from the Healthcare Providers Insurance Company. The facility purchases coverage of risks of loss related to theft of, damage to, and destruction of assets, business interruption, errors and omissions, natural disasters, and employee health benefits from various commercial insurance carriers. The facility purchases coverage of risk of loss related to workers' compensation claims from Healthcare Employers Resources Exchange. 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 facility has not been exposed to any risk of loss above the applicable insurance coverage amounts at September 30, 2019; therefore, no liability has been accrued at this time.

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

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

q. 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).

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Notes to Financial Statements

Note 2: Designated Net Assets

Of the \$12,808,913, and \$12,179,332, of unrestricted net assets reported in 2019, and 2018, respectively, \$4,000,000 in 2019, and \$4,000,000 in 2018, has been designated by the facility's Board of Trustees for capital acquisitions. Designated funds remain under the control of the Board of Trustees, which may at its discretion later use the funds for other purposes.

Note 3: Cash and Other Deposits

The facility deposits funds in financial institutions selected by the Board of Trustees and invests excess funds in investment instruments that are allowed by statutes. Various restrictions on deposits and investments are imposed by statutes.

The collateral for public entities deposits in financial institutions is required to be held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under the program, an entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. All hospital funds eligible to be included in the state's collateral pool program were properly included and were fully collateralized as of September 30, 2019, and 2018.

a. Custodial Credit Risk – Deposits – Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the facility will not be able to recover deposits or collateral securities that are in the possession of an outside party. The facility does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the facility. As of September 30, 2019, and 2018, none of the facility's bank balances were exposed to custodial credit risk.

b. 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.

c. 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 4: Patient Account Receivables - Estimated Uncollectibles and Allowances

The balance in the estimated uncollectibles and allowances account at September 30, 2019, and 2018, is composed of the following:

	2019	2018
Provision for uncollectible accounts	\$ 3,163,240	\$ 2,198,722
Allowance for Medicare adjustment	740,000	600,000
Allowance for Medicaid adjustment	321,000	271,000
	<u>\$ 4,224,240</u>	<u>\$ 3,069,722</u>

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Notes to Financial Statements

Note 5: Capital Assets

Capital asset additions, retirements, and balances for the years ended September 30, 2019, and 2018, were as follows:

	Balance September 30, 2017	Additions	Other/ Retirements	Balance September 30, 2018	Additions	Other/ Retirements	Balance September 30, 2019
Land	\$ 76,666	156,273	-	\$ 232,939	-	-	\$ 232,939
Land improvements	258,132	-	-	258,132	-	-	258,132
Buildings and improvements	6,759,830	224,887	-	6,984,717	-	-	6,984,717
Fixed equipment	320,023	13,200	-	333,223	9,150	-	342,373
Motor vehicles	118,128	-	-	118,128	-	-	118,128
Major moveable equipment	3,410,716	-	-	3,410,716	59,835	-	3,470,551
Minor equipment	13,767	-	-	13,767	-	-	13,767
Total Historical Cost	10,957,262	394,360	-	11,351,622	68,985	-	11,420,607
Less Accumulated Depreciation for:							
Land improvements	(150,684)	(14,052)	-	(164,736)	(13,048)	-	(177,784)
Buildings and improvements	(5,706,139)	(267,007)	-	(5,973,146)	(193,629)	-	(6,166,775)
Fixed equipment	(303,303)	(4,030)	-	(307,333)	(3,934)	-	(311,267)
Motor vehicles	(116,142)	(1,986)	-	(118,128)	-	-	(118,128)
Major moveable equipment	(3,204,859)	(80,319)	-	(3,285,178)	(62,408)	-	(3,347,586)
Total Accumulated Depreciation	(9,481,127)	(367,394)	-	(9,848,521)	(273,019)	-	(10,121,540)
Construction in progress	4,551	-	(4,551)	-	-	-	-
Capital Assets, Net	\$ 1,480,686	26,966	(4,551)	\$ 1,503,101	(204,034)	-	\$ 1,299,067

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Notes to Financial Statements

Note 6: Long-Term Debt

A schedule of changes in the facility's long-term debt for 2019, and 2018, follows:

	Balance September 30, 2017	Additions	Reductions	Balance September 30, 2018	Additions	Reductions	Balance September 30, 2019	Amounts Due Within One Year
Bonds and Notes Payable:								
General obligation bonds	\$ 2,598,964	-	(285,851)	\$ 2,313,113	-	(267,810)	\$ 2,045,303	\$ 272,929
Note payable	92,532	-	(92,532)	-	-	-	-	-
Total Long-Term Debt	\$ 2,691,496	-	(378,383)	\$ 2,313,113	-	(267,810)	\$ 2,045,303	\$ 272,929

The terms and due dates of the facility's long-term debt at September 30, 2019, and 2018, follow:

- 4.25% general obligation community hospital taxable bonds payable to USDA Rural Development - payments of principal and interest began May 12, 2010 and will continue through 2029. Payments of principal and interest are payable in equal annual installments in the amount of \$361,808.20.

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Notes to Financial Statements

Note 6: Long-Term Debt (Continued)

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending September 30:	Long-Term Debt	
	Principal	Interest
2020	272,929	88,879
2021	284,757	77,051
2022	297,098	64,710
2023	309,973	51,835
2024	323,407	38,401
Thereafter	557,139	24,386
Total	\$ 2,045,303	\$ 345,262

Note 7: Net Patient Service Revenue

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

a. Medicare - Inpatient acute care services, outpatient services, non-acute inpatient services, and rural health clinic services rendered to Medicare program beneficiaries are paid based upon a cost reimbursement methodology. The facility is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the facility and audits thereof by the Medicare fiscal intermediary. The facility's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2017.

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

c. Medicaid Upper Payment Limit Payments - The facility recorded Medicaid upper payment limit payments of \$1,011,939 for the year ended September 30, 2019, and \$752,122 for the year ended September 30, 2018.

The Medicaid Upper Payment Limit Program is a program whereby the facility qualifies for upper payment limit funds in addition to regular funds. The Division of Medicaid administers the upper payment limit program and the continuation of the program rests with the federal government.

d. Medicaid Disproportionate Share Payment - The facility recorded Medicaid disproportionate share payments of \$204,409, and \$334,963, for the years ended September 30, 2019, and 2018, respectively.

The Medicaid Disproportionate Share Program is a program whereby the facility qualifies for disproportionate share funds in addition to regular funds as a result of providing care to a disproportionate share of low-income patients as well as providing certain required services. The Mississippi Division of Medicaid controls the disproportionate share program and the continuation of the program rests with the agency.

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Notes to Financial Statements

Note 7: Net Patient Service Revenue (Continued)

A summary of gross and net patient service revenue for the years ended September 30, 2019, and 2018:

	2019	2018
Gross Patient Service Revenue	\$ 27,912,304	\$ 26,634,166
Less provision for bad debts	(2,125,529)	(1,948,423)
Less provision for contractual adjustments under third-party agreements	(8,309,928)	(7,933,559)
Less provision for employee and policy discounts	(878,687)	(781,402)
Plus Medicaid Upper Payment Limit Funds/DSH Payments	1,216,348	1,087,085
Net Patient Service Revenue	<u>\$ 17,814,508</u>	<u>\$ 17,057,867</u>

Note 8: Medical Benefit Plan

The facility has a self-funded medical benefit plan covering substantially all of its employees and certain dependents of the employees. The total benefit expense for the years ended September 30, 2019, and 2018 amounted to \$958,747, and \$1,127,827, respectively. The facility's policy is to fund the estimated medical benefit claims that will be filed against the plan less the contributions made by employees covered by the plan. In addition, an allowance representing the write-off of charges applicable to in-house claims of the employees and their dependents for the years ended September 30, 2019, and 2018, was provided in the amount of \$656,938, and \$554,286, respectively.

Note 9: Retirement Plan

A defined contribution plan for employees was established by the facility on January 1, 1978, covering all regular permanent employees who have completed one year of service. The plan generally provides for retirement benefits based on earnings and length of service with normal retirement at age 65 and early retirement at age 55 provided that employees have completed fifteen (15) years of service; disability and death benefits are also provided. Contributions to the plan are made by the facility and additional contributions can be made at the discretion of the employee. The facility contributes 5% of an employee's compensation up to \$12,000 and 9.3% of an employee's compensation in excess of \$12,000. The 2019, and 2018, employer contributions were \$494,674, and \$339,593, respectively. The 2019, and 2018, employee contributions were \$257,659, and \$220,572, respectively.

Note 10: Commitments

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. Total rental expense in 2019, and 2018, for all operating leases was approximately \$65,100, and \$54,700, respectively. There were no non-cancellable leases for the years ended September 30, 2019, and 2018.

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Notes to Financial Statements

Note 11: Concentrations of Credit Risk

The facility grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2019, and 2018, is as follows:

	2019	2018
Medicare	28%	29%
Medicaid	13%	15%
Patients and other third-party payors	59%	56%
	<u>100%</u>	<u>100%</u>

Note 12: Other Assets

Included in other assets on the Statement of Net Position is an investment in Healthcare Providers Insurance Company. The facility is a subscriber in the insurance company. The amount of the facility's investment is \$124,947 for 2019, and \$124,947 for 2018. The facility has elected to report this investment at cost since there is not a market for the ownership interest in the company.

Note 13: Litigation

The hospital is a defendant in lawsuits arising from normal business activities. Management and attorneys for the hospital do not expect any significant liability to result from these matters in excess of their insurance coverage.

Note 14: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Noxubee General Critical Access Hospital and Noxubee County Nursing Home evaluated the activity of the facility through May 4, 2020, (the date the financial statement were available to be issued), and determined that there were no subsequent events requiring disclosure in the notes to financial statements, except for the event in the following paragraph.

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

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Schedule of Surety Bonds for Officials and Employees
Year Ended September 30, 2019

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount of Bond</u>
Vance Taylor	Trustee	Travelers	\$100,000
James Gillespie	Trustee	Travelers	\$100,000
Wesley Lee	Trustee	Western Surety	\$100,000
William Skinner	Trustee	Travelers	\$100,000
Willie Mary Reece	Trustee	Western Surety	\$100,000
James Mason, II	Trustee	Western Surety	\$100,000
Betty Robinson	Trustee	Western Surety	\$100,000
Danny McKay	Administrator	Western Surety	\$100,000



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
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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***

Board of Trustees
Noxubee General Critical Access Hospital
and Noxubee County Nursing Home
Macon, 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 Noxubee General Critical Access Hospital and Noxubee County Nursing Home, a component unit of Noxubee County, Mississippi, as of and for the years ended September 30, 2019, and 2018, and the related notes to financial statements, which collectively comprise Noxubee General Critical Access Hospital and Noxubee County Nursing Home's basic financial statements as listed in the contents, and have issued our report thereon dated May 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Noxubee General Critical Access Hospital and Noxubee County Nursing Home's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Noxubee General Critical Access Hospital and Noxubee County Nursing Home's internal control. Accordingly, we do not express an opinion on the effectiveness of Noxubee General Critical Access Hospital and Noxubee County Nursing Home'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Noxubee General Critical Access Hospital and Noxubee County Nursing Home'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*.

Noxubee General Critical Access Hospital and Noxubee County Nursing Home's Response to Findings

Noxubee General Critical Access Hospital and Noxubee County Nursing Home's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Noxubee General Critical Access Hospital and Noxubee County Nursing Home's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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 4, 2020

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD
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Certified Public Accountants

James L. Stafford, CPA	Thomas J. Browder, CPA
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Independent Auditors' Report on Compliance with State Laws and Regulations

Board of Trustees
Noxubee General Critical Access Hospital
and Noxubee County Nursing Home
Macon, Mississippi

We have audited the financial statements of Noxubee General Critical Access Hospital and Noxubee County Nursing Home, a component unit of Noxubee County, Mississippi, as of and for the years ended September 30, 2019, and 2018, and have issued our report thereon dated May 4, 2020.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Compliance with state laws and regulations applicable to Noxubee General Critical Access Hospital and Noxubee County Nursing Home is the responsibility of the facility's management. As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of Noxubee General Critical Access Hospital and Noxubee County Nursing Home'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, with respect to the items tested, Noxubee General Critical Access Hospital and Noxubee County Nursing Home complied with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Noxubee General Critical Access Hospital and Noxubee County Nursing Home had not complied with those provisions.

This report is intended solely for the information and use of the Board of Trustees, management, others within the facility, and the Board of Supervisors of Noxubee 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 4, 2020

Watkins Ward and Stafford, PLLC

NOXUBEE GENERAL CRITICAL ACCESS HOSPITAL AND NOXUBEE COUNTY NURSING HOME
Schedule of Findings and Responses
Year Ended September 30, 2019

2019-001

Significant Deficiency

Condition: The operating bank reconciliation from Citizens National Bank did not agree to the general ledger by approximately \$3,500.

Criteria: An effective system of internal control over the facility's bank accounts should ensure that the monthly reconciliations agree to the general ledger.

Cause: The month-end bank reconciliation did not agree to the general ledger.

Effect: The balance per the general ledger for the operating bank account with Citizens National Bank did not agree to the bank reconciliation.

Recommendation: We strongly recommend that the bank reconciliation agree to the general ledger each and every month. Any variance needs to be corrected in a timely manner.

Response: Management has instilled a process of daily reconciliation of the general account which alleviates the difficulties of researching a large volume of transactions after a significant time lapse.