

**TYLER HOLMES MEMORIAL HOSPITAL  
WINONA, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
SEPTEMBER 30, 2022**

# TYLER HOLMES MEMORIAL HOSPITAL

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## Independent Auditors' Report

The Board of Trustees  
Tyler Holmes Memorial Hospital  
Winona, Mississippi

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of Tyler Holmes Memorial Hospital, a component unit of Montgomery County, Mississippi, as of and for the years ended September 30, 2022, and 2021, and the related notes to financial statements, which collectively comprise Tyler Holmes Memorial Hospital's basic financial statements as listed in the contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tyler Holmes Memorial Hospital, as of September 30, 2022, and 2021, 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.

#### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tyler Holmes Memorial Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tyler Holmes Memorial Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tyler Holmes Memorial Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tyler Holmes Memorial Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Tyler Holmes Memorial Hospital has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

#### **Supplementary 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 21) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2023 on our consideration of Tyler Holmes Memorial Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Tyler Holmes Memorial Hospital's 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 Tyler Holmes Memorial Hospital's internal control over financial reporting and compliance.

Eupora, Mississippi  
April 19, 2023

*Watkins Ward and Stafford, P.C.*

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Statements of Net Position**  
**September 30, 2022, and 2021**

|                                                                                                                             | 2022          | 2021<br>(As Restated) |
|-----------------------------------------------------------------------------------------------------------------------------|---------------|-----------------------|
| <b>Assets</b>                                                                                                               |               |                       |
| <b>Current Assets:</b>                                                                                                      |               |                       |
| Cash                                                                                                                        | \$ 3,319,362  | \$ 6,489,947          |
| Investments                                                                                                                 | 1,170,406     | 1,250,608             |
| Health Insurance Trust                                                                                                      | 1,638         | 1,176                 |
| Patient accounts receivable (net of estimated uncollectibles and allowances of \$3,396,411 in 2022 and \$3,409,108 in 2021) | 3,491,018     | 3,331,839             |
| Other receivables                                                                                                           | 1,001,416     | 101,968               |
| Due from third party payor settlements                                                                                      | 68,688        | 456,754               |
| Inventories                                                                                                                 | 169,812       | 157,998               |
| Prepaid expenses                                                                                                            | 148,806       | 94,367                |
| Total Current Assets                                                                                                        | 9,371,146     | 11,884,657            |
| <b>Capital Assets:</b>                                                                                                      |               |                       |
| Land                                                                                                                        | 13,627        | 13,627                |
| Depreciable capital assets (net of accumulated depreciation of \$8,109,148 in 2022 and \$8,147,504 in 2021)                 | 1,927,083     | 1,882,331             |
| Total Capital Assets, Net of Accumulated Depreciation                                                                       | 1,940,710     | 1,895,958             |
| <b>Lease Assets:</b>                                                                                                        |               |                       |
| Lease assets (net of accumulated amortization of \$92,828 in 2022 and \$51,011 in 2021)                                     | 99,605        | 114,120               |
| <b>Other Assets:</b>                                                                                                        |               |                       |
| Investment in HPIC                                                                                                          | 75,917        | 75,917                |
| <b>Total Assets</b>                                                                                                         | \$ 11,487,378 | \$ 13,970,652         |
| <b>Liabilities and Net Position</b>                                                                                         |               |                       |
| <b>Current Liabilities:</b>                                                                                                 |               |                       |
| Accounts payable                                                                                                            | \$ 634,443    | \$ 694,966            |
| Due to patients/credit balances                                                                                             | 67,437        | 202,166               |
| Accrued expenses and payroll withholdings                                                                                   | 599,355       | 514,090               |
| Due to third party payor settlements                                                                                        | 46,479        | -                     |
| Accelerated payments                                                                                                        | -             | 2,326,672             |
| Current portion of lease liabilities                                                                                        | 45,517        | 44,231                |
| Current portion of notes payable                                                                                            | 57,458        | 6,902                 |
| Total Current Liabilities                                                                                                   | 1,450,689     | 3,789,027             |
| <b>Long-term Liabilities:</b>                                                                                               |               |                       |
| Long-term lease liabilities                                                                                                 | 56,224        | 70,959                |
| Notes payable                                                                                                               | 84,669        | 9,530                 |
| Total Long-Term Liabilities                                                                                                 | 140,893       | 80,489                |
| <b>Total Liabilities</b>                                                                                                    | 1,591,582     | 3,869,516             |
| <b>Net Position:</b>                                                                                                        |               |                       |
| Invested in capital assets, net of related debt                                                                             | 1,798,583     | 1,879,526             |
| Unrestricted                                                                                                                | 8,097,213     | 8,221,610             |
| Total Net Position                                                                                                          | 9,895,796     | 10,101,136            |
| <b>Total Liabilities and Net Position</b>                                                                                   | \$ 11,487,378 | \$ 13,970,652         |

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

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended September 30, 2022, and 2021**

|                                                                                                             | 2022          | 2021<br>(As Restated) |
|-------------------------------------------------------------------------------------------------------------|---------------|-----------------------|
| <b>Operating Revenues:</b>                                                                                  |               |                       |
| Net patient service revenue (net of provision for bad debts of \$2,187,473 in 2022 and \$2,746,212 in 2021) | \$ 15,236,073 | \$ 14,347,318         |
| Other operating revenues                                                                                    | 2,797,368     | 1,024,845             |
| Total Operating Revenues                                                                                    | 18,033,441    | 15,372,163            |
| <b>Operating Expenses:</b>                                                                                  |               |                       |
| Salaries and benefits                                                                                       | 10,513,249    | 9,175,325             |
| Medical supplies and drugs                                                                                  | 2,059,078     | 1,941,754             |
| Insurance                                                                                                   | 119,466       | 156,865               |
| Other operating expenses                                                                                    | 5,105,211     | 4,295,273             |
| Depreciation and amortization                                                                               | 397,591       | 317,632               |
| Total Operating Expenses                                                                                    | 18,194,595    | 15,886,849            |
| <b>Operating Loss</b>                                                                                       | ( 161,154)    | ( 514,686)            |
| <b>Nonoperating Revenues (Expenses):</b>                                                                    |               |                       |
| Investment income (loss)                                                                                    | ( 94,019)     | 7,745                 |
| Interest income                                                                                             | 57,166        | 44,185                |
| Interest expense                                                                                            | ( 8,989)      | ( 15,638)             |
| Loss on disposal of capital assets                                                                          | ( 17,344)     | ( 16,092)             |
| Noncapital grants and contributions                                                                         | 19,000        | 24,778                |
| COVID-19 funds                                                                                              | -             | 5,354,345             |
| Total Nonoperating Revenues (Expenses)                                                                      | ( 44,186)     | 5,399,323             |
| <b>Excess of Revenues Over (Under) Expenses</b>                                                             | ( 205,340)    | 4,884,637             |
| <b>Net Position Beginning of Year</b>                                                                       | 10,101,136    | 5,207,099             |
| <b>Contributed Capital</b>                                                                                  | -             | 9,400                 |
| <b>Net Position End of Year</b>                                                                             | \$ 9,895,796  | \$ 10,101,136         |

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

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Statements of Cash Flows**  
**Years Ended September 30, 2022, and 2021**

|                                                                  | <u>2022</u>         | <u>2021</u><br>(As Restated) |
|------------------------------------------------------------------|---------------------|------------------------------|
| <b>Cash Flows From Operating Activities:</b>                     |                     |                              |
| Receipts from and on behalf of patients                          | \$ 15,376,710       | \$ 14,594,575                |
| Payments to suppliers and contractors                            | ( 7,410,531)        | ( 6,266,002)                 |
| Payments to and on behalf of employees                           | ( 10,427,984)       | ( 9,160,448)                 |
| Other receipts and payments, net                                 | 1,897,920           | 934,380                      |
| <b>Net Cash Provided (Used) by Operating Activities</b>          | <u>( 563,885)</u>   | <u>102,505</u>               |
| <b>Cash Flows From Noncapital Financing Activities:</b>          |                     |                              |
| Noncapital grants and contributions                              | 19,000              | 24,778                       |
| Other COVID Funds                                                | -                   | 17,544                       |
| Accelerated payments                                             | ( 2,326,672)        | ( 952,602)                   |
| <b>Net Cash Used by Noncapital Financing Activities</b>          | <u>( 2,307,672)</u> | <u>( 910,280)</u>            |
| <b>Cash Flows From Capital and Related Financing Activities:</b> |                     |                              |
| Principal payments on notes payable                              | ( 77,826)           | ( 4,488)                     |
| Principal payments on lease obligations                          | -                   | ( 35,919)                    |
| Interest paid on long-term debt                                  | ( 5,489)            | ( 2,358)                     |
| Purchase of capital assets                                       | ( 258,600)          | ( 797,490)                   |
| <b>Net Cash Used by Capital and Related Financing Activities</b> | <u>( 341,915)</u>   | <u>( 840,255)</u>            |
| <b>Cash Flows From Investing Activities:</b>                     |                     |                              |
| Interest income                                                  | 57,166              | 44,185                       |
| <b>Net Cash Flows Provided by Investing Activities</b>           | <u>57,166</u>       | <u>44,185</u>                |
| <b>Net Decrease in Cash and Cash Equivalents</b>                 | ( 3,156,306)        | ( 1,603,845)                 |
| <b>Cash and Cash Equivalents at Beginning of Year</b>            | <u>7,741,731</u>    | <u>9,337,831</u>             |
| <b>Cash and Cash Equivalents End of Year</b>                     | <u>\$ 4,585,425</u> | <u>\$ 7,733,986</u>          |

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

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Statements of Cash Flows**  
**Years Ended September 30, 2022, and 2021**

|                                                                   | 2022                 | 2021<br>(As Restated) |
|-------------------------------------------------------------------|----------------------|-----------------------|
| <b>Reconciliation of Operating Loss to Net Cash Provided</b>      |                      |                       |
| <b>(Used) by Operating Activities:</b>                            |                      |                       |
| Operating Loss                                                    | \$ ( 161,154)        | \$ ( 514,686)         |
| Adjustments to Reconcile Operating Loss to Net Cash Flows         |                      |                       |
| Provided (Used) by Operating Activities:                          |                      |                       |
| Depreciation and amortization                                     | 397,591              | 317,632               |
| Provision for bad debts                                           | 2,187,473            | 2,746,212             |
| Changes in:                                                       |                      |                       |
| Patient accounts receivable                                       | ( 2,481,381)         | ( 2,980,160)          |
| Inventories and other assets                                      | ( 965,701)           | ( 47,217)             |
| Accounts payable, accrued expenses, and other current liabilities | 24,742               | 99,519                |
| Estimated third-party payor settlements                           | 434,545              | 481,205               |
| <b>Net Cash Provided (Used) by Operating Activities</b>           | <b>\$ ( 563,885)</b> | <b>\$ 102,505</b>     |

**Capital and Financing Activities:**

The facility entered into notes payable of \$159,293 during the year ended September 30, 2022, and \$20,920 during the year ended September 30, 2021.

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

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

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

**a. Reporting Entity** - The hospital consists of a 25-bed short-term care hospital owned by Montgomery County, Mississippi. The hospital provides inpatient, outpatient, emergency, and clinical services for residents of Montgomery County, Mississippi, and surrounding areas. The hospital is governed by a Board of Trustees appointed by the Board of Supervisors of Montgomery County.

The Balanced Budget Act of 1997 created the Medicare State Rural Hospital Flexibility Program. The purpose of the program is to assist rural hospitals and to improve access to health services in rural communities. The United States Congress allowed for a new hospital designation: Critical Access Hospital (CAH). CAH conversion can allow for enhanced service diversification and combines potentially improved cost-based reimbursement with savings from related operating requirements to help ensure the financial viability of participating hospitals. Effective October 1, 2003, Tyler Holmes Memorial Hospital became classified as a Critical Access Hospital.

Under *Governmental Accounting Standards Board Statement Number 14: The Financial Reporting Entity*, the hospital is defined as a component unit of Montgomery County, Mississippi. These financial statements present only the financial position and results of operations and cash flows of Tyler Holmes Memorial Hospital.

**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. Basis of Accounting and Presentation** - The hospital prepares their financial statements as business-type activities in conformity with applicable pronouncements of Governmental Accounting Standards Board ("GASB") using the economic resources measurement and focus. The financial statements of the facility has been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenue, expenses, gains, losses, assets, and liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and county contributions, if any) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county contributions), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The facility first apply restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

**d. Cash and Cash Equivalents** - For purposes of the statements of cash flows, cash and cash equivalents include all cash on hand, checking accounts, and funds invested in U.S. Government and Agency Securities. 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:

|                          |    | 2022      |    | 2021      |
|--------------------------|----|-----------|----|-----------|
| Cash                     | \$ | 3,319,362 | \$ | 6,489,947 |
| Investments              |    | 1,170,406 |    | 1,250,608 |
| Less: Change in          |    |           |    |           |
| Unrecognized Loss (Gain) |    | 94,019    | (  | 7,745)    |
| Health Insurance Trust   |    | 1,638     |    | 1,176     |
|                          | \$ | 4,585,425 | \$ | 7,733,986 |

Cash and cash equivalents includes unrestricted cash used for operating purposes only.

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

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

**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 terms of certain restrictions on collection efforts.

**f. Capital Assets** - The hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. The hospital's policy is to capitalize acquisition and construction cost greater than \$5,000 that have an economic life of at least 3 years. All capital assets other than land are depreciated or amortized (in the case of financed purchases) using the straight-line method of depreciation using these asset lives:

|                                     |               |
|-------------------------------------|---------------|
| Land improvements                   | 5 to 20 years |
| Buildings and building improvements | 5 to 40 years |
| Equipment, computers and furniture  | 3 to 20 years |

**g. Lease Assets** - Lease assets are initially recorded at the initial measurement period of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentive received from the lessor at or before commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

**h. Grants and Contributions** - From time to time, the hospital receives grants from Montgomery County, the State of Mississippi, and Federal funds, 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. Lease Liability** - The facility is a lessee for noncancellable leases. The facility recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. At the commencement of a lease, the facility initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The facility monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

**j. Net Position** - Net position of Tyler Holmes Memorial Hospital is classified in two components. *Net position invested in capital assets* consists of capital assets net of accumulated depreciation and is reduced by the balance 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*.

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

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

**k. Net Patient Service Revenue** - The hospital 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 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. Operating Revenues and Expenses** - The hospital'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 hospital'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. Restricted Resources** - When the hospital has both restricted and unrestricted resources available to finance a particular program, it is the hospital's policy to use restricted resources before unrestricted resources.

**n. Charity Care** - The hospital provides care to patients who meet certain criteria under its charity care policy. Because the hospital 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 2022, and 2021, approximated \$46,000 and \$43,000, respectively.

**o. Risk Management** - The hospital is 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. The hospital purchases coverage of risks of loss related to torts and malpractice up to \$500,000 per case from the Healthcare Providers Insurance Company. The hospital purchases coverage of risks of loss related to theft of, damage to, and destruction of assets from various commercial insurance carriers. The hospital purchases coverage of risks of loss related to workers' compensation claims from the 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 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 hospital has not been exposed to any risk of loss above the applicable insurance coverage amounts at September 30, 2022; therefore, no liability has been accrued at this time.

**p. Investments in Equity Securities** - Investments in equity securities are carried at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in equity securities are included in nonoperating revenues.

**q. Income Taxes** - As a political subdivision of the State of Mississippi, the hospital 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.

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

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

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

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

**Note 2: Change in Accounting Principle**

On October 1, 2021 (the effective date), the facility adopted GASB Statement No. 87, *Leases*, using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented which was October 1, 2020. The statement requires lessees to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible asset. The 2021 financial statements and disclosures were restated to reflect the impact of this adoption.

The effect of the changes made to the accompanying statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows as of and for the year ended September 30, 2021 are as follows:

|                                        | 2021<br>(As Previously<br>Reported) | Effect of<br>Adoption | 2021<br>(As Restated)    |
|----------------------------------------|-------------------------------------|-----------------------|--------------------------|
| <b>Statement of Net Position</b>       |                                     |                       |                          |
| <b>Lease Assets:</b>                   |                                     |                       |                          |
| Lease assets, Net                      | \$ -                                | \$ 114,120            | \$ 114,120               |
| Total Assets                           | <u>13,856,532</u>                   | <u>114,120</u>        | <u>13,970,652</u>        |
| <b>Current Liabilities:</b>            |                                     |                       |                          |
| Current portion of lease liabilities   | -                                   | 44,231                | 44,231                   |
| Total Current Liabilities              | <u>3,744,796</u>                    | <u>44,231</u>         | <u>3,789,027</u>         |
| <b>Long-Term Liabilities</b>           |                                     |                       |                          |
| Long-term lease liabilities            | 9,530                               | 70,959                | 80,489                   |
| Total Long-Term Liabilities            | <u>9,530</u>                        | <u>70,959</u>         | <u>80,489</u>            |
| <b>Total Liabilities</b>               | <u>3,754,326</u>                    | <u>115,190</u>        | <u>3,869,516</u>         |
| <b>Net Position:</b>                   |                                     |                       |                          |
| Unrestricted                           | 8,222,680                           | ( 1,070)              | 8,221,610                |
| Total Net Position                     | <u>10,102,206</u>                   | <u>( 1,070)</u>       | <u>10,101,136</u>        |
| <br>Total Liabilities and Net Position | <br><u>\$ 13,856,532</u>            | <br><u>\$ 114,120</u> | <br><u>\$ 13,970,652</u> |

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

**Note 2: Change in Accounting Principle (Continued)**

|                                                                                                  | 2021<br>(As Previously<br>Reported) | Effect of<br>Adoption | 2021<br>(As Restated) |
|--------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------|-----------------------|
| <b>Statement of Revenues, Expenses and Changes in Net Position</b>                               |                                     |                       |                       |
| <b>Operating Expenses:</b>                                                                       |                                     |                       |                       |
| Other operating expenses                                                                         | \$ 4,332,905                        | \$ ( 37,632)          | \$ 4,295,273          |
| Depreciation and amortization                                                                    | 280,910                             | 36,722                | 317,632               |
| Total Operating Expenses                                                                         | <u>15,887,759</u>                   | <u>( 910)</u>         | <u>15,886,849</u>     |
| <b>Operating Loss</b>                                                                            | <u>( 515,596)</u>                   | <u>910</u>            | <u>( 514,686)</u>     |
| <b>Nonoperating Revenues (Expenses)</b>                                                          |                                     |                       |                       |
| Interest expense                                                                                 | ( 13,658)                           | ( 1,980)              | ( 15,638)             |
| Total Nonoperating Revenues (Expenses)                                                           | <u>5,401,303</u>                    | <u>( 1,980)</u>       | <u>5,399,323</u>      |
| <b>Excess of Revenues Over (Under) Expenses</b>                                                  | 4,885,707                           | ( 1,070)              | 4,884,637             |
| <b>Net Position Beginning of the Year</b>                                                        | <u>5,207,099</u>                    | <u>-</u>              | <u>5,207,099</u>      |
| <b>Net Position End of the Year</b>                                                              | <u>\$ 10,102,206</u>                | <u>\$ ( 1,070)</u>    | <u>\$ 10,101,136</u>  |
| <b>Statement of Cash Flows</b>                                                                   |                                     |                       |                       |
| <b>Cash Flows From Operating Activities:</b>                                                     |                                     |                       |                       |
| Payments to suppliers and contractors                                                            | \$ ( 6,303,901)                     | \$ 37,899             | \$ ( 6,266,002)       |
| Net Cash Provided (Used) by Operating Activities                                                 | <u>64,606</u>                       | <u>37,899</u>         | <u>102,505</u>        |
| <b>Cash Flows From Capital and Related Financing Activities:</b>                                 |                                     |                       |                       |
| Principal payments on lease obligations                                                          | -                                   | ( 35,919)             | ( 35,919)             |
| Interest paid on long-term debt                                                                  | ( 378)                              | ( 1,980)              | ( 2,358)              |
| Net Cash Used by Noncapital Financing Activities                                                 | <u>( 802,356)</u>                   | <u>( 37,899)</u>      | <u>( 840,255)</u>     |
| <b>Reconciliation of Operating Loss to Net Cash Provided<br/>(Used) by Operating Activities:</b> |                                     |                       |                       |
| Operating Loss                                                                                   | (515,596)                           | 910                   | (514,686)             |
| Depreciation and amortization                                                                    | 280,910                             | 36,722                | 317,632               |
| Accounts payable, accrued expenses, and other current liabilities                                | 99,252                              | 267                   | 99,519                |
| Net Cash Provided (Used) by Operating Activities                                                 | <u>\$ 64,606</u>                    | <u>\$ 37,899</u>      | <u>\$ 102,505</u>     |

**Note 3: Cash and Other Deposits**

The hospital 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, 2022, and 2021.

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

**Note 3: Cash and Other Deposits (Continued)**

**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 hospital will not be able to recover deposits or collateral securities that are in the possession of an outside party. The hospital 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 hospital. As of September 30, 2022 and 2021, none of the hospital’s bank balance was exposed to custodial credit risk.

**b. Interest Rate Risk** - The hospital 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 hospital does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**Note 4: Fair Value Measurements**

Financial Accounting Standards Board (FASB) Accounting Standards Codifications (ASC) 820, Fair Value Measurements and Disclosures, provide the framework for measuring fair value. That framework provides a fair value hierarchy that provides the inputs to valuation techniques used to measure fair value. Investments with readily available active quoted prices for which fair value can be measured from actively quoted prices generally will have a higher degree of market prices observability and a lesser degree of judgement used in measuring fair value. In the absence of actively quoted prices and observable inputs, the hospital 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 value of assets measured on a recurring basis at September 30, 2022, and 2021, are as follows:

| <u>September 30, 2022</u>             | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---------------------------------------|-------------------|----------------|----------------|----------------|
| U.S. Government and Agency Securities | \$ 1,170,406      | \$ 1,170,406   | \$ -           | \$ -           |
| <br>                                  |                   |                |                |                |
| <u>September 30, 2021</u>             | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| U.S. Government and Agency Securities | \$ 1,250,608      | \$ 1,250,608   | \$ -           | \$ -           |

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

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

Investment Securities

Fair value of investment securities is determined by reference to quoted market prices and other relevant information generated by market transactions.

The hospital has an investment account with Genworth Financial Trust Company's Advisor Select Fund. 100% of the account is invested in US fixed income securities at September 30, 2022. A summary of the investments at fair market value as of September 30, 2022, and 2021, follows:

|                                                   | <u>2022</u>         | <u>2021</u>         |
|---------------------------------------------------|---------------------|---------------------|
| Genworth Financial - Advisory Select Fund         | \$ 1,128,354        | \$ 1,120,053        |
| Unrealized gain on investment                     | 42,052              | 130,555             |
| Total Genworth Financial Trust Company Investment | <u>\$ 1,170,406</u> | <u>\$ 1,250,608</u> |

**Note 5: Patient Receivables – Estimated Uncollectibles and Allowances**

The balance in the estimated uncollectibles and allowances accounts is composed of the following:

|                                      | <u>2022</u>         | <u>2021</u>         |
|--------------------------------------|---------------------|---------------------|
| Provision for uncollectible accounts | \$ 1,642,548        | \$ 2,149,000        |
| Allowance for Medicare adjustments   | 1,028,515           | 683,149             |
| Allowance for Medicaid adjustments   | 434,294             | 218,449             |
| Allowance for bad debt - clinics     | 291,054             | 358,510             |
|                                      | <u>\$ 3,396,411</u> | <u>\$ 3,409,108</u> |

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

**Note 6: Capital and Lease Assets**

Capital asset additions, retirements, and balances for the years ended September 30, 2022, and 2021, were as follows:

|                                    | Balance<br>09/30/2020 | Additons          | Retirements<br>and Other | Balance<br>09/30/2021 | Additons          | Retirements<br>and Other | Balance<br>09/30/2022 |
|------------------------------------|-----------------------|-------------------|--------------------------|-----------------------|-------------------|--------------------------|-----------------------|
| Land                               | \$ 13,627             | -                 | -                        | \$ 13,627             | -                 | -                        | \$ 13,627             |
| Land improvements                  | 687,278               | -                 | -                        | 687,278               | -                 | -                        | 687,278               |
| Buildings and improvements         | 3,083,664             | 11,562            | 66,435                   | 3,161,661             | 116,673           | -                        | 3,278,334             |
| Fixed equipment                    | 1,977,852             | -                 | -                        | 1,977,852             | 60,687            | -                        | 2,038,539             |
| Major movable equipment:           |                       |                   |                          |                       |                   |                          |                       |
| Financed purchases                 | -                     | 20,920            | -                        | 20,920                | 159,290           | -                        | 180,210               |
| Other                              | 4,385,589             | 656,002           | ( 1,016,942)             | 4,024,649             | 114,323           | ( 411,494)               | 3,727,478             |
| Autos                              | 72,395                | -                 | -                        | 72,395                | -                 | -                        | 72,395                |
| Equipment - Clinic                 | 10,748                | -                 | -                        | 10,748                | -                 | -                        | 10,748                |
| Construction in progress           | 3,553                 | 148,325           | ( 77,547)                | 74,331                | 195,881           | ( 228,964)               | 41,248                |
| Total at Historical Cost           | <u>10,234,707</u>     | <u>836,809</u>    | <u>( 1,028,054)</u>      | <u>10,043,462</u>     | <u>646,854</u>    | <u>( 640,458)</u>        | <u>10,049,858</u>     |
| Less Accumulated Depreciation for: |                       |                   |                          |                       |                   |                          |                       |
| Land improvements                  | ( 362,890)            | ( 43,271)         | -                        | ( 406,161)            | ( 42,620)         | -                        | ( 448,781)            |
| Buildings and improvements         | ( 2,665,378)          | ( 44,142)         | -                        | ( 2,709,520)          | ( 52,688)         | -                        | ( 2,762,208)          |
| Fixed equipment                    | ( 1,629,718)          | ( 38,460)         | -                        | ( 1,668,178)          | ( 35,944)         | -                        | ( 1,704,122)          |
| Major movable equipment:           |                       |                   |                          |                       |                   |                          |                       |
| Financed Purchases                 | -                     | ( 4,649)          | -                        | ( 4,649)              | ( 14,938)         | -                        | ( 19,587)             |
| Other                              | ( 4,128,427)          | ( 150,388)        | 1,002,962                | ( 3,275,853)          | ( 206,104)        | 390,650                  | ( 3,091,307)          |
| Autos                              | ( 72,395)             | -                 | -                        | ( 72,395)             | -                 | -                        | ( 72,395)             |
| Equipment - Clinic                 | ( 10,748)             | -                 | -                        | ( 10,748)             | -                 | -                        | ( 10,748)             |
| Total Accumulated Depreciation     | <u>( 8,869,556)</u>   | <u>( 280,910)</u> | <u>1,002,962</u>         | <u>( 8,147,504)</u>   | <u>( 352,294)</u> | <u>390,650</u>           | <u>( 8,109,148)</u>   |
| <b>Capital Assets, Net</b>         | <u>\$ 1,365,151</u>   | <u>555,899</u>    | <u>( 25,092)</u>         | <u>\$ 1,895,958</u>   | <u>294,560</u>    | <u>( 249,808)</u>        | <u>\$ 1,940,710</u>   |

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

**Note 6: Capital and Lease Assets**

Lease asset additions, terminations, and balances for the years ended September 30, 2022, and 2021, were as follows:

|                                | Balance<br>09/30/2020<br>(As Restated) | Additons      | Terminations | Balance<br>09/30/2021<br>(As Restated) | Additons         | Terminations | Balance<br>09/30/2022 |
|--------------------------------|----------------------------------------|---------------|--------------|----------------------------------------|------------------|--------------|-----------------------|
| Lease Assets Being Amortized   |                                        |               |              |                                        |                  |              |                       |
| Equipment                      | \$ 107,618                             | 60,006        | ( 2,493)     | \$ 165,131                             | 30,781           | ( 3,480)     | \$ 192,432            |
| Less: Accumulated Amortization |                                        |               |              |                                        |                  |              |                       |
| Equipment                      | ( 16,782)                              | ( 36,722)     | 2,493        | ( 51,011)                              | ( 45,296)        | 3,480        | ( 92,827)             |
| <b>Lease Assets, Net</b>       | <b>\$ 90,836</b>                       | <b>23,284</b> | <b>-</b>     | <b>\$ 114,120</b>                      | <b>( 14,515)</b> | <b>-</b>     | <b>\$ 99,605</b>      |

**Note 7: Lease Liabilities**

The facility is a lessee for various noncancellable leases of equipment, the terms of which expire in various years through 2027. For leases that have a maximum possible term of 12 months or less at commencement, the facility recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the facility recognizes a lease liability and an intangible right-to-use lease asset.

The lease term includes the noncancelable period of the lease plus any additional periods covered by either a facility or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be extended. Periods in which both the facility and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

The facility uses its incremental borrowing rate as the discount rate to calculate the present value of lease payments when the rate implicit in the lease is not known.

Variable payments based upon the use of the underlying assets are not included in the lease liabilities because they are not fixed in substance. None of the facilities lease agreements contain any material residual value guarantees or material restrictive covenants.

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

**Note 7: Lease Liabilities (Continued)**

A schedule of changes in the facility's lease liabilities for 2022, and 2021, follows:

|                   | Balance<br>September 30,<br>2021<br>(As Restated) |           |            |    | Balance<br>September 30,<br>2022 |    |                                   |
|-------------------|---------------------------------------------------|-----------|------------|----|----------------------------------|----|-----------------------------------|
|                   | (As Restated)                                     | Additions | Reductions | \$ | \$                               | \$ | Amounts<br>Due Within<br>One Year |
| Lease liabilities | \$ 115,190                                        | 30,781    | ( 44,230)  | \$ | 101,741                          | \$ | 45,517                            |

  

|                   | Balance<br>September 30,<br>2020<br>(As Restated) |           |            |    | Balance<br>September 30,<br>2021<br>(As Restated) |    |                                   |
|-------------------|---------------------------------------------------|-----------|------------|----|---------------------------------------------------|----|-----------------------------------|
|                   | (As Restated)                                     | Additions | Reductions | \$ | \$                                                | \$ | Amounts<br>Due Within<br>One Year |
| Lease liabilities | \$ 91,103                                         | 60,006    | ( 35,919)  | \$ | 115,190                                           | \$ | 44,231                            |

The following is a schedule by year of payments for leases as of September 30, 2022:

| Years ending September 30, | Total to be    |                |              |
|----------------------------|----------------|----------------|--------------|
|                            | Paid           | Principal      | Interest     |
| 2023                       | 48,473         | 45,517         | 2,956        |
| 2024                       | 32,639         | 30,768         | 1,871        |
| 2025                       | 16,528         | 15,417         | 1,111        |
| 2026                       | 8,031          | 7,536          | 495          |
| 2027                       | 5,006          | 2,503          | 2,503        |
|                            | <u>135,781</u> | <u>101,741</u> | <u>8,936</u> |

**Note 8: Long-Term Debt**

A schedule of changes in the hospital's long-term debt for 2022, and 2021, follows:

|                             | Balance<br>2021 |                  |           |                | Balance<br>2022 |               |                                   |
|-----------------------------|-----------------|------------------|-----------|----------------|-----------------|---------------|-----------------------------------|
|                             | Additions       | Reductions       | \$        | \$             | \$              | \$            | Amounts<br>Due Within<br>One Year |
| Notes payable               | 159,293         | ( 33,598)        | \$        | 142,127        | \$              | 57,458        |                                   |
| <b>Total Long-Term Debt</b> | <u>159,293</u>  | <u>( 33,598)</u> | <u>\$</u> | <u>142,127</u> | <u>\$</u>       | <u>57,458</u> |                                   |

  

|                             | Balance<br>2020 |                     |           |               | Balance<br>2021 |              |                                   |
|-----------------------------|-----------------|---------------------|-----------|---------------|-----------------|--------------|-----------------------------------|
|                             | Additions       | Reductions          | \$        | \$            | \$              | \$           | Amounts<br>Due Within<br>One Year |
| Notes payable               | 20,920          | ( 1,397,156)        | \$        | 16,432        | \$              | 6,902        |                                   |
| <b>Total Long-Term Debt</b> | <u>20,920</u>   | <u>( 1,397,156)</u> | <u>\$</u> | <u>16,432</u> | <u>\$</u>       | <u>6,902</u> |                                   |

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

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

| <b>Notes Payable</b>                                                                                                                                                                                                              | 2022      | 2021      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Netlink Voice with an interest rate of 3.00% due in monthly installments of \$608 for 36 months with final installment due January 2024. Collateralized by a leased asset with a cost of \$20,920 for 2021 and 2022.              | \$ 9,530  | \$ 16,432 |
| Hill Rom with an interest rate of 6.829% with a single down payment of \$11,569 and 34 monthly payments of \$4,820 with the final installment due March 2025. Collateralized by a leased asset with a cost of \$159,290 for 2022. | 132,597   | -         |
| Less: Current portion of notes payable                                                                                                                                                                                            | ( 57,458) | ( 6,902)  |
|                                                                                                                                                                                                                                   | \$ 84,669 | \$ 9,530  |

Scheduled payments on the notes payable are as follows:

| Year Ended September 30, | Notes Payable |           |
|--------------------------|---------------|-----------|
|                          | Principal     | Interest  |
| 2023                     | \$ 57,459     | \$ 7,687  |
| 2024                     | 56,313        | 3,956     |
| 2025                     | 28,355        | 567       |
| Total                    | \$ 142,127    | \$ 12,210 |

**Paycheck Protection Program (PPP) loan** - The hospital applied for forgiveness of the PPP loan initially entered into on April 30, 2020 in connection with the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The hospital submitted documentation establishing compliance with the forgiveness criteria set forth by the CARES Act and Small Business Administration (SBA). On July 12, 2021, the SBA approved the forgiveness of the entire principal amount of \$1,392,668 which is reported as nonoperating revenue for the year ended September 30, 2021.

**Note 9: Net Patient Service Revenues**

The hospital has agreements with third-party payors that provide for payments to the hospital 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 and nonacute inpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospital and audits thereof by the Medicare fiscal intermediary. The hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2018.

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

**c. Medicaid Upper Payment Limit Payments** - The hospital received gross Medicaid upper payment limit payments of \$368,762 for the year ended September 30, 2022, and \$301,938 for the year ended September 30, 2021. The Medicaid upper payment limit program is a program whereby the hospital qualifies for upper payment limit funds in addition to regular funds. The Mississippi Division of Medicaid administers the upper payment limit program and the continuation of the program rests with the federal government.

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

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

The composite of net patient service revenues at September 30, 2022, and 2021, follows:

|                                                      | 2022          | 2021          |
|------------------------------------------------------|---------------|---------------|
| Gross inpatient service revenue                      | \$ 9,117,081  | \$ 9,241,693  |
| Gross outpatient service revenue                     | 27,689,884    | 22,995,759    |
| Gross Patient Service Revenue                        | 36,806,965    | 32,237,452    |
| Less provision for contractals and other adjustments | ( 19,752,181) | ( 15,445,860) |
| Medicaid Upper Payment Limit Funds                   | 368,762       | 301,938       |
| Less provisions for bad debts                        | ( 2,187,473)  | ( 2,746,212)  |
| Net Patient Service Revenue                          | \$ 15,236,073 | \$ 14,347,318 |

**Note 10: Commitments and Contingencies**

**Impact of COVID-19 Pandemic**

Since the onset of the COVID-19 pandemic in March 2020, the hospital has maintained relative operating normalcy. The extent of the impact of the pandemic on the hospital'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 hospital's financial condition or results of operations remains uncertain.

**Note 11: Other Assets**

Included in Other Assets on the Statements of Net Position is an investment in the Healthcare Providers Insurance Company (HPIC). The hospital is a subscriber in the insurance company. The amount of the hospital's investment as of September 30, 2022, and 2021, was \$75,917 and \$75,917 respectively. The hospital has elected to report this investment at cost since there is not a market for the ownership interest in the company.

**Note 12: Concentrations of Credit Risk**

The hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. The mix of receivables from patients and third-party payors at September 30, 2022, and 2021, were as follows:

|                                       | 2022 | 2021 |
|---------------------------------------|------|------|
| Medicare                              | 38%  | 20%  |
| Medicaid                              | 9%   | 6%   |
| Patients and other third-party payors | 53%  | 74%  |
|                                       | 100% | 100% |

The hospital has funds with Genworth Financial Trust Company, which are not collateralized. However, the funds are invested in accordance with Section 27-105-365 Miss. Code Ann. (1972)

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

**Note 13: Employee Retention Credit**

Laws and regulations concerning government programs, including the Employee Retention Credit (ERC) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the facility's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the facility. The facility determined it qualified for the ERC in the first quarter of 2021 and requested the credit be refunded on its amended 941 quarterly payroll tax form. The credit totaled \$812,392. The facility recorded \$649,913 as an other receivable and \$162,478 as other operating expense. The entire credit amount has been recorded as other operating revenue.

**Note 14: Retirement Plan**

The hospital, through the Mississippi Public Employees' Retirement Systems (PERS), offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all hospital employees, permits them to defer a portion of their salary until future years. Employees are eligible to enroll in the deferred compensation plan semi-annually. The minimum employee contribution is \$25 per month. The hospital offers a voluntary match plan of deferred compensation to employees. The hospital will match the employee contribution up to \$50 per month. The deferred compensation is not available to employees until retirement, termination, death, or unforeseeable emergency.

The total employee contribution to the deferred compensation plan for the years ended September 30, 2022, and 2021, approximated \$242,000 and \$213,000, respectively. The total deferred compensation expense incurred by the hospital for the years ended September 30, 2022, and 2021, amounted to \$59,213, and \$53,313, respectively.

**Note 15: 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 the insurance coverage.

**Note 16: Health Insurance Trust**

On the Statements of Net Position on page 3 of this report, there is an account titled Health Insurance Trust located in the current assets section. The balance as of September 30, 2022, and 2021, was \$1,638, and \$1,176, respectively. The hospital has a self-funded a GAP plan for the purpose of lowering the medical insurance deductible for the employees. The employer is responsible for the payment(s) and funding of this account on an "as needed" basis.

As medical claims are filed with Blue Cross Blue Shield, the claims are crossed over to a company who handles the processing of these claims as they relate to the GAP plan for lowering the medical deductible. The company sends a weekly report on what they are paying, and the hospital funds the account to cover the claims. For the fiscal years ending September 30, 2022, and 2021, the hospital paid out \$50,808, and \$45,451, respectively, related to the plan.

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Notes to Financial Statements**

**Note 17: 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.

As enacted through the Continuing Appropriations Act, 2021 and Other Extensions Act, repayment began 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. The facilities accelerated payments were fully recouped by September 30, 2022; and recognized as a current liability as of September 30, 2021, in the amount of \$2,326,672.

**Note 18: Provider Relief Funds**

Tyler Holmes Memorial Hospital received Provider Relief Funds of \$0 and \$3,483 for the year ended September 30, 2022, and 2021, respectively. 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.

Tyler Holmes Memorial Hospital completed their Provider Relief Funds portal reporting for reporting period one in November 2021. The facility reported total lost revenues of \$728,380 for the report period and total healthcare related expenses attributable to COVID-19 not reimbursed by other sources of \$3,134,168. The facility reported that all Provider Relief Funds received for reporting period one were used and none would be returned. The facility showed no deferred revenue related to Provider Relief Funds as of September 30, 2021.

**Note 19: 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 Tyler Holmes Memorial Hospital evaluated the activity of the hospital through April 19, 2023, (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.

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Schedule of Surety Bonds for Officials and Employees**  
**September 30, 2022**

| <u>Name</u>        | <u>Position</u>   | <u>Company</u> | <u>Amount of Bond</u> |
|--------------------|-------------------|----------------|-----------------------|
| John Wayne VanHorn | Board of Trustees | CNA Surety     | \$100,000             |
| Patsy Barton       | Board of Trustees | CNA Surety     | \$100,000             |
| Eloise Forrest     | Board of Trustees | CNA Surety     | \$100,000             |
| Tim McBride        | Board of Trustees | CNA Surety     | \$100,000             |
| Veronica Caradine  | Board of Trustees | CNA Surety     | \$100,000             |
| Robert Perry       | Board of Trustees | CNA Surety     | \$100,000             |
| Thomas Austin      | Board of Trustees | CNA Surety     | \$100,000             |
| Cori Bailey        | Administrator     | CNA Surety     | \$100,000             |



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

|                             |                            |
|-----------------------------|----------------------------|
| James L. Stafford, CPA      | Stephen D. Flake, CPA      |
| Harry W. Stevens, CPA       | John N. Russell, CPA       |
| S. Keith Winfield, CPA      | Anita L. Goodrum, CPA      |
| William B. Stagers, CPA     | Ricky D. Allen, CPA        |
| Michael W. McCully, CPA     | Jason D. Brooks, CPA       |
| R. Steve Sinclair, CPA      | Robert E. Cordle, Jr., CPA |
| Marsha L. McDonald, CPA     | Perry C. Rackley, Jr., CPA |
| Wanda S. Holley, CPA        | Jerry L. Gammel, CPA       |
| Robin Y. McCormick, CPA/PFS | Michael C. Knox, CPA       |
| J. Randy Scrivner, CPA      | Clifford P. Stewart, CPA   |
| Kimberly S. Caskey, CPA     | Edward A. Maxwell, CPA     |
| Susan M. Lummus, 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  
Tyler Holmes Memorial Hospital  
Winona, 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 Tyler Holmes Memorial Hospital, a component unit of Montgomery County, Mississippi, as of and for the year ended September 30, 2022, and the related notes to financial statements, which collectively comprise Tyler Holmes Memorial Hospital's basic financial statements as listed in the contents, and have issued our report thereon dated April 19, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Tyler Holmes Memorial Hospital'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 Tyler Holmes Memorial Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of Tyler Holmes Memorial Hospital'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 Tyler Holmes Memorial Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eupora, Mississippi  
April 19, 2023

Watkins Ward and Stafford, PLLC



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

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Jerry L. Gammel, CPA  
Michael C. Knox, CPA  
Clifford P. Stewart, CPA  
Edward A. Maxwell, CPA

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

The Board of Trustees  
Tyler Holmes Memorial Hospital  
Winona, Mississippi

We have audited the financial statements of Tyler Holmes Memorial Hospital, a component unit of Montgomery County, Mississippi, as of and for the years ended September 30, 2022, and 2021, and have issued our report thereon dated April 19, 2023.

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 and regulations applicable to Tyler Holmes Memorial Hospital is the responsibility of the hospital's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the hospital's compliance with certain provisions of state laws and regulations. However, our objective 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, Tyler Holmes Memorial Hospital 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 Tyler Holmes Memorial Hospital 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 organization, and the Board of Supervisors of Montgomery County, Mississippi, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Eupora, Mississippi  
April 19, 2023

*Watkins Ward and Stafford, P.C.*