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

AUDITED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2015

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME
Audited Financial Statements and Additional Information
September 30, 2015

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Neshoba County General Hospital and Neshoba County Nursing Home, a component unit of Neshoba County, Mississippi, as of and for the years ended September 30, 2015, and 2014, and the accompanying statements of net position of Neshoba County Ambulance Enterprise, a discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, as of and for the year ended September 30, 2015 and the related notes to financial statements, which collectively comprise Neshoba County General Hospital and Neshoba County Nursing Home's and Neshoba County Ambulance Enterprise's basic financial statements as listed in the contents. We have also audited the accompanying statement of net position of Neshoba County Ambulance Enterprise as of September 30, 2014, and we were engaged to audit the related statement of revenues, expenses, and changes in net position, and statement of cash flows for the year then ended, and the related notes to financial statements. We have also compiled the accompanying financial statements of NCGH Leverage, LLC, a discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home as of and for the years ended September 30, 2015, and 2014 as discussed in this report under the heading "Report on the Compiled Financial Statements."

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the 2014 changes in financial position and cash flows of Neshoba County Ambulance Enterprise.

We conducted our audits of the financial statements of Neshoba County General Hospital and Neshoba County Nursing Home for the years ended September 30, 2015, and 2014, and the financial s tatements of Neshoba County Ambulance Enterprise for the year ended September 30, 2015, and the statement of net position of Neshoba County Ambulance Enterprise for the year ended September 30, 2014, in accordance with auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements of Neshoba County General Hospital and Neshoba County Nursing Home for the years ended September 30, 2015, and 2014, and the financial s tatements of Neshoba County Ambulance Enterprise for the year ended September 30, 2015, and the statement of net position of Neshoba County Ambulance Enterprise for the year ended September 30, 2014.

Basis for Disclaimer of Opinion on 2014 Changes in Financial Position and Cash Flows of Neshoba County Ambulance Enterprise

The detailed accounting activities of Neshoba County Ambulance Enterprise for the year ended September 30, 2014, were recorded in the same accounting software database as Neshoba County General Hospital and Neshoba County Nursing Home. As a result, it was neither practical nor possible to identify all of the financial activity of Neshoba County Ambulance Enterprise. This lack of accounting activity segregation resulted in Neshoba County Ambulance Enterprise not having an accounting system that properly presented the financial activity of the entity.

Disclaimer of Opinion on 2014 Changes in Financial Position and Cash Flows of Neshoba County Ambulance Enterprise

Because of the significance of the matter described in the Basis of Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of revenues, expenses, and changes of net position and statement of cash flows of Neshoba County Ambulance Enterprise for the year ended September 30, 2014. Accordingly, we do not express on opinion on the changes in financial positon and cash flows of Neshoba County Ambulance Enterprise for the year ended September 30, 2014.

Opinion on 2015, and 2014, Financial Statements of Neshoba County General Hospital and Neshoba County Nursing Home, 2015 Financial Statements and 2014 Statement of Net Position of Neshoba County Ambulance Enterprise

In our opinion, the financial statements of Neshoba County General Hospital and Neshoba County Nursing Home, a component unit of Neshoba County, Mississippi, as of September 30, 2015, and 2014, and the changes in its financial position and its cash flows for the years then ended, the statements of financial position of Neshoba County Ambulance Enterprise, a discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, as of September 30, 2015, and 2014, and the statement of revenues, expenses and changes in net position and statement of cash flows for the year ended September 30, 2015, present fairly, in all material respects, the financial positon of Neshoba County General Hospital and Neshoba County Nursing Home and Neshoba County Ambulance Enterprise as of September 30, 2015, and 2014, and the changes in its financial position and its cash flows for the year ended September 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Neshoba County General Hospital and Neshoba County Nursing Home and the discretely presented component units thereof and do not purport to, and do not, present fairly the financial position of Neshoba County, Mississippi as of September 30, 2015, and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis (pages 5 to 9) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Neshoba County General Hospital and Neshoba County Nursing Home management has elected to omit the management discussion and analysis for NCGH Leverage, LLC and Neshoba County Ambulance Enterprise. Our opinion on the basic financial statements is not affected by the omitted information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The detailed schedules of operating revenue and detailed schedules of operating expenses for the years ended September 30, 2015, and 2014, and schedule of surety bonds for officials and employees (pages 32-36) are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The detailed schedules of operating revenues and detailed schedules of operating expenses for the years ended September 30, 2015, and 2014, and schedule of surety bonds for officials and employees are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the detailed schedules of operating revenue and detailed schedules of operating expenses for the years ended September 30, 2015, and 2014, and schedule of surety bonds for officials and employees are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016 on our consideration of Neshoba County General Hospital and Neshoba 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 reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neshoba County General Hospital and Neshoba County Nursing Home's internal control over financial reporting and compliance.

Report on the Compiled Financial Statements

Management is responsible for the accompanying financial statements of NCGH Leverage, LLC, a discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, which comprise the statements of net position as of September 30, 2015, and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements of NCGH Leverage, LLC, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures of NCGH Leverage, LLC, required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about NCGH Leverage, LLC's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Eupora, Mississippi
March 14, 2016

Watkins Ward and Stafford, PLLC

Neshoba County General Hospital and Neshoba County Nursing Home
Management's Discussion and Analysis
Years Ended September 30, 2015, and 2014

Our discussion and analysis of Neshoba County General Hospital and Neshoba County Nursing Home's financial performance provides an overview of the facility's financial activities for the fiscal years ended September 30, 2015, and 2014. Please read it in conjunction with the facility's financial statements, which begin on page 9. This discussion and analysis presents only the activity of Neshoba County General Hospital and Neshoba County Nursing Home and does not present the activity of any discretely presented component units.

FINANCIAL HIGHLIGHTS

- The facility's net position increased by $4,860,926 in 2015 and increased by $1,679,178 in 2014.
- The facility reported an operating income of $3,163,642 in 2015 and an operating income of $1,546,280 in 2014.
- Nonoperating revenues increased by $1,536,860 from 2014 to 2015.

USING THIS ANNUAL REPORT

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

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

Our analysis of the facility's finances begins on page 6. One of the most important questions asked about the facility's finances is, "Is the facility as a whole better or worse off as a result of the year's activities?" The Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position report information about the facility's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

USING THIS ANNUAL REPORT (Continued)

The Statement of Cash Flows

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

THE FACILITY'S NET POSITION

The facility's net position is the difference between its assets and liabilities reported in the Statements of Net Position on pages 9 and 10. The facility's net position increased in 2015 by $4,860,926.

	2015	2014
Assets:		
Current assets	$ 32,544,320	$ 22,607,989
Capital assets, net	12,187,592	12,301,230
Other noncurrent assets	16,446,937	20,907,253
Total Assets	61,178,849	55,816,472
Liabilities:		
Current liabilities	5,668,612	4,850,874
Noncurrent liabilities	3,575,119	3,891,406
Total Liabilities	9,243,731	8,742,280
Net Position:		
Invested in capital assets, net of related debt	8,094,783	7,955,729
Unrestricted	43,840,335	39,118,463
Total Net Position	51,935,118	47,074,192
Total Liabilities and Net Position	$ 61,178,849	$ 55,816,472

The change in the facility's net position is due to several factors. The facilities cash and cash equivalents balance increased by $11,519,275 for 2015 compared to an increase of $1,968,393 for 2014. Other receivables decreased by $2,721,745 for 2015 compared to an increase of $2,803,844 for 2014. The facility's investment in MHA Investment Pool increased by $36,341 in 2015 compared to an increase of $16,365 for 2014. The facility acquired capital assets in the amounts of $2,081,833 and $4,016,843 for the years 2015 and 2014, respectively. Depreciation and amortization expenses amounted to $1,583,950 in 2015 and $1,533,833 in 2014.

OPERATING RESULTS AND CHANGES IN THE FACILITY'S NET POSITION

Table 2: Operating Results

	2015	2014
Operating Revenues:		
Net patient service revenues	$ 43,594,327	$ 40,880,341
Other revenues	2,259,673	857,875
Electronic health records incentive	60,809	585,074
Total Operating Revenues	45,914,809	42,323,290
Operating Expenses:		
Salaries and benefits	25,027,248	24,178,053
Supplies and drugs	4,855,926	4,587,459
Other operating expenses	10,855,321	10,071,106
Insurance	428,722	406,559
Depreciation and amortization	1,583,950	1,533,833
Total Operating Expenses	42,751,167	40,777,010
Operating Income	3,163,642	1,546,280
Nonoperating Revenues (Expenses):		
Interest income	45,472	39,239
Investment income	243,610	223,635
Donations	11,104	1,349
Grants and contributions	1,498,197	-
Loss on sale of equipment	(10,183)	-
Interest expense	(100,916)	(131,325)
Total Nonoperating Revenues (Expenses)	1,687,284	132,898
Excess of Revenues Over Expenses	4,850,926	1,679,178
Net Position Beginning of Year as Previously Reported	47,074,192	45,345,014
Prior Period Adjustment	-	50,000
Net Position Beginning of Year as Restated	47,074,192	45,395,014
Contributed Capital	10,000	-
Net Position End of Year as Restated	$ 51,935,118	$ 47,074,192

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

Operating Income

The first component of the overall change in the facility's net position is its operating income – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The facility reported an operating income of $3,163,642 in 2015 and $1,546,280 in 2014. Operating income increased by $1,617,362 from 2014 to 2015.

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

- An increase in net patient service revenues of $2,713,986, or 6.64%.
- An increase in other operating expenses of $784,215, or 7.79%.
- An increase in salaries and benefits of $849,195 or 3.51%.
- An increase in supplies and drugs of $268,467 or 5.85%.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of interest income, investment income, donations and grants. The facility had interest income, primarily from checking accounts and certificates of deposit of $45,472 for the year ended September 30, 2015, and $39,239 for the year ended September 30, 2014. The facility had investment income from the Mississippi Hospital Association Investment Pool and the investment in NCGH Leverage, LLC of $243,610 in 2015 and $223,635 in 2014. The facility received $11,104 in donations during the year ended September 30, 2015, and $1,349 for the year ended September 30, 2014. The facility received $1,498,197 in grants from NCGH Improvement Corporation during the year ended September 30, 2015.

Nonoperating expenses consist primarily of interest expense and loss of sale of equipment. The facility had interest expense in the amount of $100,916 for the year ended September 30, 2015, and $131,325 for the year ended September 30, 2014. The facility had a loss on sale of equipment during the year ended September 30, 2015 of $10,183.

THE HOSPITAL'S CASH FLOWS

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the facility's investment in capital assets net of accumulated depreciation was $12,187,592. In 2015, the facility's net capital assets decreased by $113,638. In 2014, the facility's net capital assets increased by $2,483,010.

Long-Term Debt, Including Current Portion

At the end of 2015, the facility had $3,930,585 in long-term debt (including current portion) outstanding. The facility issued new debt totaling $48,421 in 2015 and made $326,089 in principal payments. At the end of 2014, the facility had $4,208,253 in long-term debt (including current portion) outstanding. The facility issued new debt totaling $164,282 in 2014 and made $295,791 in principal payments.

CONTACTING THE FACILITY'S FINANCIAL MANAGEMENT

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

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME
Statements of Net Position
September 30,

	2015			2014		
	Primary Government	Component Units		Primary Government	Component Units	
	Business-Type Activities - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited	Business-Type Activities - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Assets						
Current Assets:						
Cash and Cash Equivalents	$ 20,666,537	$ 605,112	$ 2,677,008	$ 9,147,262	$ 397,842	$ 1,844,341
MHA pool investment	2,414,948	-	-	2,378,607	-	-
Patient accounts receivable	16,748,939	-	929,269	14,908,071	-	1,034,143
Less estimated uncollectables and allowances	(9,679,022)	-	(632,487)	(8,791,570)	-	(495,021)
Other receivables	115,313	-	-	2,837,058	-	-
Due from Neshoba County Ambulance Enterprise	1,163,496	-	-	676,444	-	-
Nursing home resident's funds	42,975	-	-	38,262	-	-
Estimated third party payor settlements	121,641	-	-	485,000	-	-
Inventories	486,717	-	-	470,468	-	-
Prepaid expenses	282,909	-	1,516	245,487	-	-
Deferred expense	179,867	-	-	212,900	-	-
Total Current Assets	32,544,320	605,112	2,975,306	22,607,989	397,842	2,383,463
Capital Assets:						
Property and equipment	31,944,044	-	-	30,575,693	-	-
Less accumulated depreciation	(19,756,452)	-	-	(18,274,463)	-	-
Total Capital Assets, Net of Accumulated Depreciation	12,187,592	-	-	12,301,230	-	-
Other Assets:						
Due from NCGH Improvement Corp.	-	-	-	4,751,803	-	-
Investment in NCGH Leverage, LLC	15,908,947	-	-	15,701,677	-	-
Deferred expense	421,978	-	-	453,773	-	-
Physician loan receivable	116,012	-	-	-	-	-
Leverage loan receivable	-	15,303,835	-	-	15,303,835	-
Total Other Assets	16,446,937	15,303,835	-	20,907,253	15,303,835	-
Total Assets	$ 61,178,849	$ 15,908,947	$ 2,975,306	$ 55,816,472	$ 15,701,677	$ 2,383,463

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

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME
Statements of Net Position
September 30,

	2015			2014		
	Primary Government	Component Units		Primary Government	Component Units	
	Business-Type Activities - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited	Business-Type Activities - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Liabilities and Net Position						
Current Liabilities:						
Accounts payable	$ 1,477,590	$ -	$ -	$ 1,217,895	$ -	$ -
Construction payable	162,224	-	-	137,248	-	-
Estimated third party payor settlements	-	-	-	102,600	-	-
Accrued expenses and payroll withholdings	1,556,646	-	-	1,417,482	-	-
Patient accounts receivable credit balances	1,405,856	-	-	864,916	-	-
Nursing home resident's funds	42,975	-	-	38,262	-	-
Due to Neshoba County General Hospital	-	-	1,163,496	-	-	676,444
Short-term note payable	667,855	-	-	755,624	-	-
Current portion of capitalized leases payable	181,591	-	-	146,412	-	-
Current portion of notes payable	173,875	-	-	170,435	-	-
Total Current Liabilities	5,668,612	-	1,163,496	4,850,874	-	676,444
Long-Term Debt:						
Capitalized leases payable	181,117	-	-	323,242	-	-
Notes payable	3,394,002	-	-	3,568,164	-	-
Total Long-Term Liabilities	3,575,119	-	-	3,891,406	-	-
Net Position:						
Invested in capital assets, net of related debt	8,094,783	-	-	7,955,729	-	-
Unrestricted	43,840,335	15,908,947	1,811,810	39,118,463	15,701,677	1,707,019
Total Net Position	51,935,118	15,908,947	1,811,810	47,074,192	15,701,677	1,707,019
Total Liabilities and Net Position	$ 61,178,849	$ 15,908,947	$ 2,975,306	$ 55,816,472	$ 15,701,677	$ 2,383,463

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

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

	2015			2014		
	Primary Government	Component Units		Primary Government	Component Units	
	Business-Type Activities - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited	Business-Type Activities - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Operating Revenues:						
Patient services revenue, Net	$ 49,001,414	$ -	$ 2,252,836	$ 47,273,466	$ -	$ 2,182,788
Less provision for uncollectable accounts	(5,407,087)	-	(672,165)	(6,393,125)	-	(684,769)
Other revenue	2,259,673	-	-	857,875	-	-
Electronic health records incentive	60,809	-	-	585,074	-	-
Total Operating Revenues	45,914,809	-	1,580,671	42,323,290	-	1,498,019
Operating Expenses:						
Salaries and benefits	25,027,248	-	-	24,178,053	-	-
Supplies and drugs	4,855,926	-	50,051	4,587,459	-	42,358
Other operating expenses	10,855,321	-	1,456,558	10,071,106	-	1,224,131
Insurance	428,722	-	-	406,559	-	-
Depreciation and amortization	1,583,950	-	-	1,533,833	-	-
Total Operating Expenses	42,751,167	-	1,506,609	40,777,010	-	1,266,489
Operating Income	3,163,642	-	74,062	1,546,280	-	231,530
Nonoperating Revenues (Expenses):						
Interest income	45,472	207,270	-	39,239	207,270	-
Investment income	243,610	-	-	223,635	-	-
Donations	11,104	-	-	1,349	-	-
Grants and contributions	1,498,197	-	30,729	-	-	14,719
Loss on sale of equipment	(10,183)	-	-	-	-	-
Interest expense	(100,916)	-	-	(131,325)	-	-
Total Nonoperating Revenues (Expenses)	1,687,284	207,270	30,729	132,898	207,270	14,719
Excess of Revenues Over Expenses	4,850,926	207,270	104,791	1,679,178	207,270	246,249
Net Position Beginning of Year as Previously Reported	47,074,192	15,701,677	1,707,019	45,345,014	15,494,407	1,460,770
Prior Period Adjustment	-	-	-	50,000	-	-
Net Position Beginning of Year as Restated	47,074,192	15,701,677	1,707,019	45,395,014	15,494,407	1,460,770
Contributed Capital	10,000	-	-	-	-	-
Net Position End of Year as Restated	$ 51,935,118	$ 15,908,947	$ 1,811,810	$ 47,074,192	$ 15,701,677	$ 1,707,019

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

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME
Statements of Cash Flows
Years Ended September 30,

	2015			2014		
	Primary Government	Component Units		Primary Government	Component Units	
	Business-Type Activities - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited	Business-Type Activities - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Cash Flows From Operating Activities:						
Receipts from and on behalf of patients	$ 43,501,287	$ -	$ 1,823,011	$ 39,026,876	$ -	$ 1,745,016
Payments to suppliers and contractors	(12,902,486)	-	(1,021,073)	(17,395,447)	-	(711,096)
Payments to and on behalf of employees	(25,145,435)	-	-	(24,188,716)	-	-
Other receipts and payments, net	1,772,621	-	-	302,482	-	-
Receipts from Electronic Health Records	60,809	-	-	585,074	-	-
Net Cash Provided (Used) by Operating Activities	7,286,796	-	801,938	(1,669,731)	-	1,033,920
Cash Flows From Noncapital Financing Activities						
Grants and contributions	-	-	30,729	-	-	14,719
Net Cash Provided by Noncapital Financing Activities	-	-	30,729	-	-	14,719
Cash Flows From Capital and Related Financing Activities:						
Purchase of property and equipment	(1,561,920)	-	-	(4,239,210)	-	-
Proceeds from sale of equipment	2,598	-	-	-	-	-
Payments from NCGH Improvement Corp.	4,751,803	-	-	8,350,868	-	-
Principal payment of note payable	(258,491)	-	-	(238,668)	-	-
Principal payment of capital lease obligations	(155,367)	-	-	(144,129)	-	-
Interest paid on long term debt	(100,916)	-	-	(131,325)	-	-
Grants	1,498,197					
Donations	11,104	-	-	1,349	-	-
Net Cash Provided by Capital and Related Financing Activities	4,187,008	-	-	3,598,885	-	-
Cash Flows From Investing Activities:						
Investment in NCGH Leverage, LLC	(207,270)	-	-	(207,270)	-	-
Interest income	252,741	207,270	-	246,509	207,270	-
Net Cash Provided by Investing Activities	45,471	207,270	-	39,239	207,270	-
Net Increase in Cash and Cash Equivalents	11,519,275	207,270	832,667	1,968,393	207,270	1,048,639
Cash and Cash Equivalents at Beginning of Year	9,147,262	397,842	1,844,341	7,178,869	190,572	795,702
Cash and Cash Equivalents at End of Year	$ 20,666,537	$ 605,112	$ 2,677,008	$ 9,147,262	$ 397,842	$ 1,844,341

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

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME
Statements of Cash Flows
Years Ended September 30,

	2015			2014		
	Primary Government	Component Units		Primary Government	Component Units	
	Business-Type Activities - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited	Business-Type Activities - Audited	NCGH Leverage LLC - Compiled	Ambulance Enterprise - Audited
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating Income	$ 3,163,642	$ -	$ 74,062	$ 1,546,280	$ -	$ 231,530
Adjustment to Reconcile Operating Income to Net Cash Flows						
Provided by Operating Activities:						
Depreciation and amortization	1,583,950	-	-	1,533,833	-	-
Provision for uncollectible accounts	5,407,087	-	672,165	6,393,125	-	684,769
Deferred expense	64,828	-	-	54,700	-	-
Changes in:						
Patient accounts receivable	(5,819,563)	-	(429,824)	(7,575,189)	-	(437,772)
Supplies and other current assets	2,181,023	-	(1,517)	(3,514,072)	-	-
Physician loan receivable	(116,012)	-	-	-	-	-
Accounts payable, accrued expenses, and other current liabilities	458,482	-	487,052	(433,171)	-	555,393
Estimated third-party payor payments	363,359	-	-	324,763	-	-
Net Cash Provided (Used) by Operating Activities	$ 7,286,796	$ -	$ 801,938	$ (1,669,731)	$ -	$ 1,033,920

Capital and Financing Activities:

The facility entered into capital lease obligations of $48,421 and $164,282 during the years ended September 30, 2015, and 2014, respectively.

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

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

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

Neshoba County Ambulance Enterprise, a component unit, operates a public ambulance service for the benefit of the citizens of Neshoba County, Mississippi and the surrounding area, as authorized by law. The Ambulance Enterprise has been established as a separate county enterprise maintaining its own books and records of its expenses and revenues and billing directly for ambulance services according to the Ambulance Enterprise joint venture agreement stipulations. The Ambulance Enterprise staffing needs for the operation of the ambulance services is provided by Neshoba County General Hospital and Neshoba County Nursing Home in accordance with the Management Services Agreement entered into between Neshoba County Ambulance Enterprise and Neshoba County General Hospital and Neshoba County Nursing Home. The Ambulance Enterprise uses vehicles and certain equipment owned by Neshoba County (the County), and uses the management and personnel services of Neshoba County General Hospital and Neshoba County Nursing Home's (the Primary Government's) employees. The Ambulance Enterprise is governed by an Enterprise Management Committee consisting of five voting members: Primary Government CEO, Primary Government CFO, Primary Government Director of Ambulance Services, County Emergency Management Director and County Administrator.

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

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

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

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

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

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

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

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.

Proprietary Fund Accounting - The facilities utilize the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. Based on *Governmental Accounting Standards Board (GASB) Statement No. 20: Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the facilities have elected to apply the provisions and all pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict or contradict GASB pronouncements.

Cash and Cash Equivalents - Cash and cash equivalents include all cash, savings, and certificates of deposits of the facilities.

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

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

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

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

Grants and Contributions - From time to time, Neshoba County General Hospital and Neshoba County Nursing Home receives grants from Neshoba County, the State of Mississippi and NCGH Improvement Corporation, as well as contributions from individuals and private organizations. From time to time, Neshoba County Ambulance Enterprise receives grants from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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

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

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

Net Patient Service Revenue – Neshoba County General Hospital and Neshoba County Nursing Home and Neshoba County Ambulance Enterprise have agreements with third-party payors that provide for payments to the Neshoba County General Hospital and Neshoba County Nursing Home and Neshoba County Ambulance Enterprise at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

Risk Management - The facilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Neshoba County General Hospital and Neshoba County Nursing Home purchases coverage of risks of loss related to torts and malpractice up to $500,000 per case from Healthcare Providers Insurance Company which covers the Primary Government and the Ambulance Enterprise. Neshoba County General Hospital and Neshoba County Nursing Home purchase coverage of risks of loss related to theft of, damage to, and destruction of assets from various commercial insurance carriers. Neshoba County General Hospital and Neshoba County Nursing Home purchases coverage of risk of loss related to workers' compensation claims from Healthcare Employers Resources.

Under *Governmental Accounting Standards Board Statement Number 10: Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, a liability for a claim must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The facilities have not been exposed to any risk of loss above the applicable insurance coverage amounts at September 30, 2015; therefore, no liability has been accrued at this time.

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

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

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

Excess of Revenues Over Expenses - The statements of revenues, expenses and changes in net position includes excess of revenues over expenses. Changes in net position which are excluded from excess of revenues over 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).

Electronic Health Record Incentive Program - The Centers for Medicare and Medicaid Services (CMS) have implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, eligible hospitals, and critical access hospitals, as defined, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30. The Primary Government received EHR incentive revenue of $60,809 and $585,074 in the years 2015, and 2014, respectively. EHR incentive revenues are included in operating revenues in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Note 2: Cash and Other Deposits

Neshoba County General Hospital and Neshoba County Nursing Home and Neshoba County Ambulance Enterprise deposit funds in financial institutions selected by their Boards of Trustees and invest excess funds in investment instruments that are allowed by statutes. Various restrictions on deposits and investments are imposed by statutes.

The collateral for public entities deposits in financial institutions is required to be held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-1 Miss. Code Ann. (1972). Under the program, the facilities' funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. All funds eligible to be included in the state's collateral pool program were properly included and were fully collateralized as of September 30, 2015.

NCGH Leverage, LLC (not eligible for collateralization under State Treasurer program) maintains one cash account at one financial institution. This balance is insured by the Federal Deposit Insurance Corporation up to $250,000; therefore, at September 30, 2015, and 2014, NCGH Leverage, LLC had $355,111, and $147,842, respectively, in cash balances which were uninsured. Management does not consider this to be a significant risk.

Note 3: Charity Care

The Primary Government provides care to patients who meet certain criteria under its charity care policy. Because the Primary Government does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The cost of charity care provided in 2015 and 2014 approximated $750,000 and $547,000, respectively.

Note 4: Fair Value Measurements

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

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

Fair values of assets measured on a recurring basis at September 30, 2015 and 2014 are as follows:

September 30, 2015	Fair Value	Level 1	Level 2	Level 3
MHA Investment Pool	$ 2,414,948	$ -	$ 2,414,948	$ -

September 30, 2014	Fair Value	Level 1	Level 2	Level 3
MHA Investment Pool	$ 2,378,607	$ -	$ 2,378,607	$ -

Mississippi Hospital Association Investment Pool

The Primary Government participates in the Mississippi Hospital Association pool investment program. The funds are invested for the benefit of the Primary Government by a third-party investment company which is responsible for the management of the pool. A summary of the investments at September 30, 2015, and 2014, follows:

	2015	2014
MHA Investment Pool A	$ 2,404,604	$ 2,563,561
Unrealized gain (loss) on investments	10,344	(184,954)
Net value	$ 2,414,948	$ 2,378,607

Note 4: Fair Value Measurements (Continued)

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

Note 5: Accounts Receivable – Estimated Uncollectibles and Allowances

Primary Government
The balance in the Primary Government's estimated uncollectibles and allowances accounts at September 30, 2015, and 2014, is composed of the following:

	2015	2014
Provision for uncollectible accounts	$ 7,229,972	$ 5,267,009
Allowance for Medicare adjustment	1,312,000	1,645,000
Allowance for Medicaid adjustment	233,000	423,000
Allowance for commercial insurance adjustment	904,050	1,456,561
	$ 9,679,022	$ 8,791,570

Ambulance Enterprise
The balance in the Ambulance Enterprise's estimated uncollectibles and allowances accounts at September 30, 2015, and 2014, is composed of the following:

	2015	2014
Provision for uncollectible accounts	$ 451,045	$ 353,014
Allowance for Medicare adjustment	69,573	54,452
Allowance for Medicaid adjustment	12,649	9,900
Allowance for commercial insurance adjustment	99,220	77,655
	$ 632,487	$ 495,021

Note 6: NCGH Leverage, LLC – Leverage Loan Receivable

October 2012, Neshoba County General Hospital and Neshoba County Nursing Home made an initial capital contribution in the amount of $15,303,835 to NCGH Leverage, LLC in exchange for its respective membership interest. The capital contribution to NCGH Leverage, LLC was used by management to make the leverage loan that was necessary to comply with the New Markets Tax Credit program. NCGH Leverage, LLC's leverage loan receivable balance was $15,303,835 as of September 30, 2015, and $15,303,835 as of S eptember 30, 2014.

Note 7: Capital Assets

The Primary Government's Capital asset additions, retirements and balances for the years ended September 30, 2015, and 2014, were as follows:

	Balance September 30, 2014	Additions	Retirements and Other	Balance September 30, 2015
Land	$ 1,073,293	-	-	$ 1,073,293
Land improvements	317,056	7,180	-	324,236
Buildings and improvements	9,402,503	146,425	(40,520)	9,508,408
Fixed equipment	5,038,415	33,566	(2,511)	5,069,470
Major movable equipment				
Under capital lease	749,521	48,421	-	797,942
Other	13,344,242	1,209,257	(69,311)	14,484,188
Automobiles	146,836	44,839	(2,400)	189,275
Construction in progress	503,827	592,145	(598,740)	497,232
Total Historical Cost	30,575,693	2,081,833	(713,482)	31,944,044
Less: Accumulated Depreciation and Amortization for:				
Land improvements	(220,880)	(14,208)	-	(235,088)
Buildings and improvements	(4,827,839)	(340,034)	40,216	(5,127,657)
Fixed equipment	(3,010,643)	(193,401)	502	(3,203,542)
Major movable equipment	(10,108,448)	(1,021,456)	58,843	(11,071,061)
Automobiles	(106,653)	(14,851)	2,400	(119,104)
Total Accumulated Depreciation and Amortization	(18,274,463)	(1,583,950)	101,961	(19,756,452)
Capital Assets, Net	$ 12,301,230	497,883	(611,521)	$ 12,187,592

Note 7: Capital Assets (Continued)

	Balance September 30, 2013	Additions	Retirements and Other	Balance September 30, 2014
Land	$ 827,492	245,801	-	$ 1,073,293
Land improvements	252,932	64,124	-	317,056
Buildings and improvements	7,000,942	2,401,561	-	9,402,503
Fixed equipment	4,862,315	176,100	-	5,038,415
Major movable equipment				
Under capital lease	585,239	164,282	-	749,521
Other	12,883,797	432,195	28,250	13,344,242
Automobiles	117,883	28,953	-	146,836
Construction in progress	28,250	503,827	(28,250)	503,827
Total Historical Cost	26,558,850	4,016,843	-	30,575,693
Less: Accumulated Depreciation and Amortization for:				
Land improvements	(208,847)	(12,033)	-	(220,880)
Buildings and improvements	(4,513,242)	(314,597)	-	(4,827,839)
Fixed equipment	(2,821,814)	(188,829)	-	(3,010,643)
Major movable equipment	(9,100,006)	(1,008,442)	-	(10,108,448)
Automobiles	(96,721)	(9,932)	-	(106,653)
Total Accumulated Depreciation and Amortization	(16,740,630)	(1,533,833)	-	(18,274,463)
Capital Assets, Net	$ 9,818,220	2,483,010	-	$ 12,301,230

Note 8: Long-Term Debt

A schedule of changes in the P rimary Government's long-term debt for 2015 and 2014 follows:

	Balance 9/30/2014	Additions	Reductions	Balance 9/30/2015	Amounts Due Within One Year
Note Payable	$ 3,738,599	-	(170,722)	$ 3,567,877	$ 173,875
Capital Lease Obligations	469,654	48,421	(155,367)	362,708	181,591
Total Long-Term Debt	$ 4,208,253	48,421	(326,089)	$ 3,930,585	$ 355,466

	Balance 9/30/2013	Additions	Reductions	Balance 9/30/2014	Amounts Due Within One Year
Note Payable	$ 3,890,261	-	(151,662)	$ 3,738,599	$ 170,435
Capital Lease Obligations	449,501	164,282	(144,129)	469,654	146,412
Total Long-Term Debt	$ 4,339,762	164,282	(295,791)	$ 4,208,253	$ 316,847

Note 8: Long-Term Debt (Continued)

A summary of the Primary Government's long-term debt, including capital lease obligations, at September 30, 2015, and 2014 follows:

	2015	2014
CAP loan payable to Neshoba County due in 240 monthly installments of $20,304.21, secured by building.	$ 3,567,877	$ 3,738,599
Less: Current portion of note payable	(173,875)	(170,435)
	$ 3,394,002	$ 3,568,164

Capital Lease Obligations

	2015	2014
Capital lease obligations at varying rates of imputed interest from 2.99% to 3.75%, collateralized by leased equipment with a cost of $797,942 at September 30, 2015 and $749,521 at September 30, 2014.	$ 362,708	$ 469,654
Less: Current portion of capital leases obligations	(181,591)	(146,412)
	$ 181,117	$ 323,242

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

	Note Payable		Capital Lease Obligations	
Year Ended Sept. 30:	Principal	Interest	Principal	Interest
2016	173,875	69,775	181,591	10,701
2017	177,385	66,266	132,511	5,187
2018	180,965	62,685	39,079	1,834
2019	184,618	59,033	6,627	467
2020	188,344	55,306	2,900	114
Thereafter	2,662,690	344,407	-	-
Total	$ 3,567,877	$ 657,472	$ 362,708	$ 18,303

Note 9: Short-Term Notes Payable

	Balance 9/30/2014	Additions	Reductions	Balance 9/30/2015
Notes Payable - bank	$ 755,624	739,739	(827,508)	$ 667,855

	Balance 9/30/2013	Additions	Reductions	Balance 9/30/2014
Notes Payable - bank	$ 842,630	826,388	(913,394)	$ 755,624

	2015	2014
Citizens Bank loan in the amount of $826,388 with monthly installments of $9,034.47 and an interest rate of 1.75%, due December 22, 2014.	$ -	$ 755,624
Citizens Bank loan in the amount of $739,739 with monthly installments of $9,034.47 and an interest rate of 1.75%, due December 22, 2015.	667,855	-
	$ 667,855	$ 755,624

Note 10: Commitment Under Loan Agreement

The Primary Government has entered into a loan agreement with Central Electric Power Association, for business purposes consistent with the Rural Economic Development Loan and Grant Program, in the amount of $2,000,000, dated June 25, 2015. As of September 30, 2015, the Primary Government had not requisitioned any of these loan funds. This loan agreement will be voided by contract if the Primary Government fails to requisition any loan funds within a twelve month period from the date of the loan agreement. Payments of $18,518.52, at 0% interest, are due in 108 monthly installments beginning July 1, 2016, with a maturity date of July 1, 2025. The Primary Government has pledged a certificate of deposit in the amount of $2,000,000 as collateral for the loan. Loan proceeds shall be used solely for the construction, equipment, and furnishing purchases associated with the building of a 22,000 square foot medical office building in Philadelphia, MS to be operated by the Primary Government. As of March 14, 2016 (the date the financial statements were available to be issued), the Primary Government had requisitioned $419,756 in loan funds, and paid $1,759,016 in construction costs.

Note 11: Net Patient Service Revenue

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

Medicare – Inpatient acute care services, outpatient services, nonacute inpatient services and geriatric psychiatric services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Primary Government is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Primary Government and audits thereof by the Medicare fiscal intermediary. The Primary Government's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2011.

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

Medicaid Upper Payment Limit Payments - The Primary Government received Medicaid upper payment limit payments of $1,729,476 for the year ended September 30, 2015 and $2,188,062 for the year ended September 30, 2014.

The Medicaid upper payment limit program is a program whereby the Primary Government qualifies for upper payment limit funds in addition to regular funds. The Mississippi Division of Medicaid is currently administering the upper payment limit program and the continuation of the program rests with the federal government.

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

Medicare – Under the ambulance fee schedule, the Medicare program pays for transportation services for Medicare beneficiaries when other means of transportation are contraindicated. Ambulance services are classified into different levels of ground services based on the medically necessary treatment provided during transport. These services include the following levels of service:

- Basic Life Support (BLS)
- Advanced Life Support, Level 1 (ALS1)
- Advanced Life Support, Level 2 (ALS2)
- Specialty Care Transport (SCT)
- Paramedics ALS Intercept (PI)

Note 11: Net Patient Service Revenue (Continued)

Medicaid – Ambulance services are reimbursed from a statewide uniform fixed fee schedule based on seventy percent (70%) of the rate established under Medicare (Title XVIII of the Social Security Act), as amended.

Note 12: Medical Benefit Plan

The Primary Government provides health insurance coverage to its employees through a self-funded medical benefit plan that covers substantially all of its employees and certain dependents of the employees. The total medical benefit expense for the self-funded medical benefit plan for the years ended September 30, 2015, and 2014, amounted to $2,252,218 and $2,803,092, respectively. The Primary Government's policy is to fund the estimated medical benefit claims that will be filed against the plan less the contributions made by employees covered by the plan. In addition, an allowance representing the write-off of charges applicable to in-house claims of the employees and their dependents for the years ended September 30, 2015, and 2014, was provided in the amounts of $794,809 and $424,346, respectively.

Note 13: Pension Plan

The Primary Government has established a defined contribution pension plan covering substantially all of its employees. The Primary Government makes annual contributions to the plan subject to the Board of Trustees' approval. In order for an employee to participate in the plan, the employee must be 21 years of age, have completed one year of service, and work at least 1,000 hours. The Board of Trustees approved contributions for the years ended September 30, 2015, and 2014, in the amounts of $321,500 and $292,041, respectively. Employee contributions to the plan amounted to $228,272 during the year ended September 30, 2015 and $218,090 during the year ended September 30, 2014.

Note 14: Commitments Under Noncancelable Operating Leases

Primary Government

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

Year Ended September 30,	
2016	1,234,440
2017	1,208,372
2018	1,200,000
2019	1,200,000
2020	600,000

The Primary Government's rental expense under all operating leases for the years ended September 30, 2015, and 2014, was $1,576,753 and $1,558,222 respectively.

Note 14: Commitments Under Noncancelable Operating Leases (Continued)

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

Year Ended September 30,	
2016	88,889
2017	48,880

The Ambulance Enterprise's rental expense under all operating leases for the years ended September 30, 2015, and 2014, was $106,671 and $57,791, r espectively.

Note 15: Concentrations of Credit Risk

The facilities grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2015, and 2014, was as foll ows:

	2015	2014
Primary Government		
Medicare	13%	20%
Medicaid	8%	11%
Patients and other third-party payors	79%	69%
	100%	100%
Ambulance Enterprise		
Medicare	11%	11%
Medicaid	2%	2%
Patients and other third-party payors	87%	87%
	100%	100%

Note 16: Litigation

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

Note 17: Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the classifications used in 2015.

Note 18: Financial Statement Presentation of Audited Component Unit

At the time the Neshoba County General Hospital and Neshoba County Nursing Home audited financial statements for the year ended September 30, 2014 were issued, audited financials for the Neshoba County Ambulance Enterprise, a component unit, were not available; therefore, compiled financials were included in those financial statements as a discretely presented component unit. Upon issuance of the audited financial statements for Neshoba County General Hospital and Neshoba County Nursing Home for the year ended September 30, 2015, the audited financials for Neshoba County Ambulance Enterprise, for the years ended September 30, 2015, and 2014, were available and have been presented in these financial statements as a discretely presented component unit. The audited financial statements for Neshoba County Ambulance Enterprise reported net position and results of operations that were significantly different from the compiled financials originally presented for the year ended September 30, 2014.

Note 19: Prior Period Adjustment

Prior period adjustments were made for the fiscal year ending September 30, 2014 to properly record Neshoba County General Hospital and Neshoba County Nursing Home's reservation fee related to the New Markets Tax Credits financing; and to remove the malpractice insurance payable. The effect of these adjustments to the statements of net position was a decrease in other receivables of $50,000, a decrease in accounts payable of $100,000 and an increase in net position of $50,000 for the year ended September 30, 2014. The effect of this adjustment to the statements of revenues, expenses and changes in net position was an increase in net position of $50,000 for the year ended September 30, 2014.

Prior Period Adjustments:	
Other receivables	$ (50,000)
Accounts payable decrease	100,000
Net increase in Net Position	$ 50,000

Note 20: Restatement of Prior Period

The September 30, 2014 financial statements for Neshoba County General Hospital and Neshoba County Nursing Home have been restated to correctly reflect amounts due from Neshoba County Ambulance Enterprise. The effect of this restatement was a decrease in Due from Neshoba County Ambulance Enterprise of $28,875, and a decrease in other revenue of $28,875, as of September 30, 2014.

Note 21: Ambulance Enterprise Management Agreement

On April 1, 2012, Neshoba County Ambulance Enterprise entered into a management services agreement with Neshoba County General Hospital and Neshoba County Nursing Home to provide various management and administrative services and incur certain operational expenses necessary for the establishment and continued operation of a public ambulance service. The Ambulance Enterprise shall operate and continue according to the Joint Venture Agreement until terminated pursuant to the Joint Venture Agreement between, Neshoba County, Mississippi and Neshoba County General Hospital and Neshoba County Nursing Home. Under the terms of this agreement, the Ambulance Enterprise agrees to reimburse the Primary Government for its actual compensation costs incurred for the employees for their time spent in performance of these management services. The Ambulance Enterprise shall also reimburse the Primary Government for any direct out of pocket expenses incurred by the Primary Government on it's behalf in performance of the management services. The Ambulance Enterprise incurred $1,399,938 and $1,208,698, in expenses that were paid by the Primary Government during the years ended September 30, 2015 and 2014, respectively. The Ambulance Enterprise has a payable due to the Primary Government of $1,163,496 and $676,444, as of September 30, 2015 and 2014, respectively.

Note 22: Subsequent Events

Events that occur after the Statement of Net Position date but before the consolidated financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the facilities through March 14, 2016, (the date the financial statements were available to be issued), and determined that there were no subsequent events requiring disclosures in the notes to the financial statements.

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

	2015	2014
Inpatient:		
Nursing Services:		
Routine care	$ 2,068,335	$ 1,862,974
Geriatric-psych program	1,464,440	1,281,540
Skilled nursing facility	11,227,246	10,820,183
Hospitalist	1,167,130	961,349
Other Nursing Services:		
Operating and recovery rooms	42,456	59,674
Observation room	56,561	31,989
Critical care	-	107,625
Central service and supply	226,358	209,473
Emergency service	1,306,767	1,150,851
Total Nursing Services Revenue	17,559,293	16,485,658
Other Professional Services:		
Laboratory	1,793,509	1,845,017
Blood bank	49,751	100,932
Electrocardiology	141,724	126,318
Radiology	2,185,759	1,944,907
Pharmacy	3,128,408	2,998,040
Pharmacy - SNF	1,105,209	1,059,255
Anesthesiology	37,486	50,608
Inhalation therapy	4,124,721	1,857,577
Rehabilitation services	661,695	624,411
Total Other Professional Services Revenue	13,228,262	10,607,065
Total Inpatient Revenue	30,787,555	27,092,723
Outpatient:		
Nursing Services:		
Geriatric-psych program	2,480	-
Observation room	464,352	365,377
IOP	738,855	566,235
Other Nursing Services:		
Operating and recovery rooms	2,841,505	2,080,601
Central service and supply	647,263	537,138
Emergency service	12,514,902	10,856,543
Total Nursing Services Revenue	$ 17,209,357	$ 14,405,894

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

	2015	2014
Outpatient: (Continued)		
Other Professional Services:		
Laboratory	$ 6,940,872	$ 5,976,511
Blood	116,893	424,720
Electrocardiology	539,347	431,820
Radiology	13,139,344	12,124,093
Pharmacy	2,873,789	2,357,033
Anesthesiology	1,242,917	1,229,800
Infusion therapy	2,293,325	270,589
Inhalation therapy	576,326	248,964
Rehabilitation services	2,821,931	2,639,741
IV Solutions	-	1,285,237
Sleep center	330,434	55,730
Wound care	724,988	-
Clinic	8,862,826	8,328,208
Total Other Professional Services Revenue	40,462,992	35,372,446
Total Outpatient Revenue	57,672,349	49,778,340
Total Patient Services Revenue	88,459,904	76,871,063
Deductions from Patient Service Revenue:		
Contractual Adjustments and Allowances:		
Medicare	14,993,553	11,073,203
Medicaid	4,868,686	3,541,005
Medicaid - SNF	23,971	(1)
Blue Cross	3,366,619	2,806,347
Travelers	1,548,208	1,409,511
Champus	239,755	221,641
Self-insurance adjustment	794,809	424,346
Commercial adjustments	3,649,113	2,705,375
Upper payment limit payments	(1,729,476)	(2,188,062)
Administrative adjustments and other	9,007,815	8,198,980
Charity	2,695,437	1,405,252
Total Deductions from Patient Service Revenue	39,458,490	29,597,597
Provision for Uncollectible Accounts	5,407,087	6,393,125
Net Patient Services Revenue	$ 43,594,327	$ 40,880,341

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

	2015	2014
Other Revenue:		
Medical records transcripts	$ 427	$ 1,056
Employee and other meals	419,653	417,710
Beauty shop - SNF	2,370	1,750
Management services to Neshoba County Ambulance Enterprise	1,273,627	-
Miscellaneous revenue	533,229	393,194
Lease income	20,367	8,100
Trauma care grant	10,000	36,065
Total Other Revenue	2,259,673	857,875
Electronic Health Records incentive	60,809	585,074
Total Revenue	$ 45,914,809	$ 42,323,290

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME
Primary Government
Detailed Schedules of Operating Expenses
Years Ended September 30,

	2015			2014		
	Salaries	Supplies and Drugs	Other	Salaries	Supplies and Drugs	Other
Nursing Services:						
Routine services	$ 1,251,825	80,968	146,757	$ 1,365,605	114,330	140,544
Geriatric-psych services	633,489	12,087	89,809	622,951	13,309	74,690
IOP	78,431	1,150	21,634	69,739	4,706	31,619
Hospitalist	360,662	-	251,865	338,724	-	102,104
Operating and recovery room:	244,919	116,040	248,829	231,904	151,248	240,811
Central service and supply	35,103	124,665	-	28,894	100,098	-
Emergency room	3,345,984	35,864	47,729	3,304,948	41,665	57,189
Skilled nursing facility	3,268,055	529,330	479,659	3,146,491	455,398	454,539
Nursing administration	248,861	-	-	255,607	-	-
Other Professional Services:						
Laboratory	656,447	413,586	171,770	646,564	593,874	174,918
Blood bank	-	-	76,730	-	-	125,197
Electrocardiology	23,420	-	35,467	28,672	-	28,084
Radiology	771,310	60,536	1,699,475	808,205	69,262	1,541,657
Pharmacy	184,221	374,897	11,609	174,105	214,226	11,770
Pharmacy-SNF	192,303	836,611	-	195,594	640,948	-
Anesthesiology	181,718	1,718	2,397	70,896	4,450	122,636
Infusion therapy	66,812	620	90,554	58,987	179	69,788
Inhalation therapy	292,755	77,841	7,095	309,742	87,418	8,333
Rehabilitation services	22,039	30,135	999,200	23,047	24,838	902,626
Ambulance	1,045,943	-	24,000	-	-	-
Medical records	349,172	28,287	165,191	344,724	13,938	116,289
Medical records-SNF	21,250	-	-	22,250	59	-
PSRO	97,921	1,240	41,156	74,846	2,238	35,676
Sleep Center	40,908	10,556	27,028	10,047	20,213	13,290
Wound Care	31,478	17,539	44,624	4,309	9,262	15,178
Social services-SNF	236,175	-	-	245,692	-	-
Clinic	4,361,557	547,302	811,942	4,273,386	405,399	630,005
General Services:						
Dietary	374,385	572,528	21,272	349,565	609,258	19,626
Dietary-SNF	321,855	577,415	16,964	315,343	559,729	17,549
Maintenance	83,860	60,086	882,760	86,583	48,233	900,014
Maintenance-SNF	111,449	375	3,068	115,153	5,353	4,637
Housekeeping	-	69,842	433,617	-	77,796	423,487
Housekeeping-SNF	-	45,939	287,000	-	45,556	285,532
Laundry and linen	-	4,931	46,979	-	5,593	45,440
Laundry and linen-SNF	-	8,414	96,104	-	11,206	95,468
Security	127,779	728	-	132,687	5,326	-
Security-SNF	31,725	-	-	31,725	-	-
Beauty shop-SNF	32,104	3,224	-	36,425	2,410	-
Administrative and Fiscal Services:						
Administrative	1,628,005	209,228	2,768,886	1,679,472	247,760	2,575,668
Administrative-SNF	141,365	2,244	804,151	141,037	2,181	806,742
Employee benefits	2,634,586	-	-	2,779,845	-	-
Employee benefits-SNF	1,497,377	-	-	1,854,289	-	-
Total Operating Expenses	$ 25,027,248	4,855,926	10,855,321	$ 24,178,053	4,587,459	10,071,106

NESHOBA COUNTY GENERAL HOSPITAL AND NESHOBA COUNTY NURSING HOME
Primary Government
Schedule of Surety Bonds for Officials and Employees
September 30, 2015

Name	Position	Company	Amount of Bond
Lee McCall	Chief Executive Officer	Fidelity and Deposit Company of Maryland	$ 100,000
Jo Helen Daly	Trustee	Fidelity and Deposit Company of Maryland	$ 100,000
Kenneth Posey	Trustee	Fidelity and Deposit Company of Maryland	$ 100,000
Jean Brazzle	Trustee	Fidelity and Deposit Company of Maryland	$ 100,000
Oliver Jolly	Trustee	Fidelity and Deposit Company of Maryland	$ 100,000
Roger Owen	Trustee	Fidelity and Deposit Company of Maryland	$ 100,000

WWS

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

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Perry C. Rackley, Jr., CPA

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Neshoba County General Hospital and Neshoba County Nursing Home, a component unit of Neshoba County, Mississippi, as of and for the years ended September 30, 2015 and 2014, and the related notes to financial statements, which collectively comprise Neshoba County General Hospital and Neshoba County Nursing Home's basic financial statements, and have issued our report thereon dated March 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Neshoba County General Hospital and Neshoba County Nursing Home's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neshoba County General Hospital and Neshoba County Nursing Home's internal control. Accordingly, we do not express an opinion of the effectiveness of Neshoba County General Hospital and Neshoba 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. 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. We did identify a deficiency in internal control, described in the following paragraphs that we consider to be a significant deficiency.

Finding – Payments and adjustments related to Infusion Therapy patient receivables were not consistently coded to the appropriate patient account.

Recommendation – The facility should implement procedures to insure that payments and adjustments are correctly coded.

Response – The facility has implemented procedures to review patient accounts and correctly post payments and adjustments associated with Infusion Therapy patients.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neshoba County General Hospital and Neshoba 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*.

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
March 14, 2016

Watkins Ward and Stafford, PLLC

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Perry C. Rackley, Jr., CPA

Independent Auditors' Report on Compliance with State Laws and Regulations

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

We have audited the financial statements of the business-type activities of Neshoba County General Hospital and Neshoba County Nursing Home, a component unit of Neshoba County, Mississippi, as of and for the years ended September 30, 2015 and 2014, and have issued our report thereon dated March 14, 2016.

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

Compliance with state laws applicable to Neshoba County General Hospital and Neshoba County Nursing Home is the responsibility of the facility's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Neshoba County General Hospital and Neshoba County Nursing Home's compliance with certain provisions of state laws and regulations. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, Neshoba County General Hospital and Neshoba County Nursing Home complied with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Neshoba County General Hospital and Neshoba County Nursing Home had not complied with state laws and regulations.

This report is intended solely for the information and use of the board of trustees, management, others within the organization, and the Board of Supervisors of Neshoba County, Mississippi and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Eupora, Mississippi
March 14, 2016

Watkins Ward and Stafford, PLLC