

**TYLER HOLMES MEMORIAL HOSPITAL  
WINONA, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
SEPTEMBER 30, 2023**

# 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, 2023, and 2022, 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, 2023, and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the financial information of Tyler Holmes Memorial Hospital and do not purport to, and do not, present the financial position of Montgomery County, Mississippi as of September 30, 2023, and 2022, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 19, the September 30, 2022 financial statements have been restated for the correction of a material misstatement in the respective period.

***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.

### ***Auditors' 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 auditors' 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 24) 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 March 19, 2024 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  
March 19, 2024

Watkins Ward and Stafford, PLLC

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Statements of Net Position**  
**September 30, 2023, and 2022**

	<u>2023</u>	<u>2022</u> (As Restated)
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 2,650,572	\$ 3,319,362
Investments	1,197,863	1,170,406
Health Insurance Trust	274	1,638
Patient accounts receivable (net of estimated uncollectibles and allowances of \$3,213,508 in 2023 and \$3,396,411 in 2022)	3,377,745	3,491,018
Other receivables	663,891	1,001,416
Due from third party payor settlements	137,357	68,688
Inventories	162,439	169,812
Prepaid expenses	182,628	148,806
Total Current Assets	<u>8,372,769</u>	<u>9,371,146</u>
<b>Capital Assets:</b>		
Land	13,627	13,627
Depreciable capital assets (net of accumulated depreciation of \$8,376,394 in 2023 and \$8,149,749 in 2022)	2,265,048	2,454,237
Construction in Progress	203,895	41,248
Total Capital Assets, Net of Accumulated Depreciation	<u>2,482,570</u>	<u>2,509,112</u>
<b>Lease Assets:</b>		
Lease assets (net of accumulated amortization of \$155,740 in 2023 and \$92,828 in 2022)	192,972	99,605
<b>Subscription-Based IT Assets:</b>		
Subscription-based IT assets (net of accumulated amortization of \$779,014 in 2023 and \$386,250 in 2022)	2,173,400	2,424,201
<b>Other Assets:</b>		
Investment in HPIC	75,917	75,917
<b>Total Assets</b>	<u>\$ 13,297,628</u>	<u>\$ 14,479,981</u>

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

**TYLER HOLMES MEMORIAL HOSPITAL**  
**Statements of Net Position**  
**September 30, 2023, and 2022**

	2023	2022 (As Restated)
<b>Liabilities and Net Position</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 605,867	\$ 634,442
Due to patients/credit balances	37,824	67,437
Accrued expenses and payroll withholdings	770,347	599,355
Due to third party payor settlements	23,116	46,479
Current portion of lease liability obligations	59,640	45,517
Current portion of notes payable	139,324	138,239
Current portion of subscription-based IT liabilities	417,128	379,289
Total Current Liabilities	2,053,246	1,910,758
<b>Long-term Liabilities:</b>		
Lease liability obligations	135,974	56,224
Notes payable	447,103	586,427
Subscription-based IT liabilities	1,778,656	2,058,045
Total Long-Term Liabilities	2,361,733	2,700,696
<b>Total Liabilities</b>	4,414,979	4,611,454
<b>Net Position:</b>		
Invested in capital assets, net of related debt	1,893,501	1,782,310
Unrestricted	6,989,148	8,086,217
Total Net Position	8,882,649	9,868,527
<b>Total Liabilities and Net Position</b>	\$ 13,297,628	\$ 14,479,981

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, 2023, and 2022**

	2023	2022 (As Restated)
<b>Operating Revenues:</b>		
Net patient service revenue (net of provision for bad debts of \$2,488,948 in 2023 and \$2,187,473 in 2022)	\$ 16,320,670	\$ 15,236,073
Other operating revenues	2,234,030	2,797,368
Total Operating Revenues	18,554,700	18,033,441
<b>Operating Expenses:</b>		
Salaries and benefits	12,244,356	10,513,249
Medical supplies and drugs	2,014,930	2,059,078
Insurance	196,515	119,466
Loss on disposal of capital assets	-	17,344
Other operating expenses	4,309,540	4,672,000
Depreciation and amortization	907,157	824,441
Total Operating Expenses	19,672,498	18,205,578
<b>Operating Loss</b>	( 1,117,798)	( 172,137)
<b>Nonoperating Revenues (Expenses):</b>		
Investment income (loss)	12,823	( 94,019)
Interest income	131,386	57,166
Interest expense	( 52,375)	( 42,619)
Noncapital grants and contributions	30,086	19,000
Total Nonoperating Revenues (Expenses)	121,920	( 60,472)
<b>Excess of Revenues Under Expenses</b>	( 995,878)	( 232,609)
<b>Net Position Beginning of Year</b>	9,868,527	10,101,136
<b>Contributed Capital</b>	10,000	-
<b>Net Position End of Year</b>	\$ 8,882,649	\$ 9,868,527

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, 2023, and 2022**

	2023	2022 (As Restated)
<b>Cash Flows From Operating Activities:</b>		
Receipts from and on behalf of patients	\$ 16,312,298	\$ 15,376,710
Payments to suppliers and contractors	( 6,576,010)	( 6,977,320)
Payments to and on behalf of employees	( 12,073,364)	( 10,427,984)
Other receipts and payments, net	2,571,555	1,897,920
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>234,479</b>	<b>( 130,674)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Noncapital grants and contributions	30,086	19,000
Accelerated payments	-	( 2,326,672)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>30,086</b>	<b>( 2,307,672)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Principal payments on notes payable	( 138,239)	( 60,060)
Principal payments on lease liability obligations	( 73,576)	( 44,230)
Principal payments on subscription-based IT liabilities	( 389,432)	( 373,117)
Interest paid on long-term debt	( 37,168)	( 39,119)
Purchase of capital assets	( 413,056)	( 258,600)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>( 1,051,471)</b>	<b>( 775,126)</b>
<b>Cash Flows From Investing Activities:</b>		
Investments	( 22,689)	( 13,817)
Investment income	8,055	-
Interest income	131,386	57,166
<b>Net Cash Flows Provided by Investing Activities</b>	<b>116,752</b>	<b>43,349</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>( 670,154)</b>	<b>( 3,170,123)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>3,321,000</b>	<b>6,491,123</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,650,846</b>	<b>\$ 3,321,000</b>

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, 2023, and 2022**

	2023	2022 (As Restated)
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Loss	\$ ( 1,117,798)	\$ ( 172,137)
Adjustments to Reconcile Operating Loss to Net Cash Flows Provided (Used) by Operating Activities:		
Depreciation and amortization	907,157	824,441
Provision for bad debts	2,488,948	2,187,473
Changes in:		
Patient accounts receivable	( 2,405,288)	( 2,481,381)
Inventories and other assets	311,076	( 965,701)
Accounts payable, accrued expenses, and other current liabilities	142,416	24,742
Estimated third-party payor settlements	<u>( 92,032)</u>	<u>434,545</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 234,479</u></b>	<b><u>\$ ( 148,018)</u></b>

**Capital and Financing Activities:**

The facility entered into no notes payable during the year ended September 30, 2023, and \$768,295 during the year ended September 30, 2022.

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, third-party settlements, and depreciation expense.

**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 hospital 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 hospital first applies 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 and checking accounts. 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:

		2023		2022
Cash	\$	2,650,572	\$	3,319,362
Health Insurance Trust		274		1,638
	\$	2,650,846	\$	3,321,000

Cash and cash equivalents include 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 obligation, 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. Lease Liability Obligations** - The hospital is a lessee for noncancellable leases. The hospital recognizes a lease liability obligation and an intangible right-of-use lease asset (lease asset) in the financial statements. At the commencement of a lease, the hospital initially measures the lease liability obligation 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. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The hospital 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.

**i. Subscription-based IT Assets** - Subscription-based IT assets are initially recorded at the initial measurement period of the subscription-based IT liability, plus subscription payments made at or before the commencement of the subscription term, less any subscription incentive received from the subscriber at or before commencement of the subscription, plus initial direct costs that are ancillary to place the asset into service. Subscriptions that were in effect prior to the implementation date are recognized in the year of transition based on the present value of the remaining payments at the implementation date. Subscription-based IT assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset.

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

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

**j. Subscription-based IT Liabilities** - The hospital is a subscriber for noncancellable subscriptions. The hospital recognizes a subscription-based IT liability and an intangible right-of-use subscription-based IT asset in the financial statements. At the commencement of a subscription, the hospital initially measures the subscription-based IT liability at the present value of payments expected to be made during the subscription term. Subscriptions that were in effect prior to the implementation date are recognized in the year of transition based on the present value of the remaining payments at the implementation date. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. Subsequently, the subscription-based IT asset is amortized on a straight-line basis over its useful life.

The hospital monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription-based IT asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

**k. 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*.

**l. 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.

**m. 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.

**n. 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.

**o. 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.

**p. 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 2023, and 2022, approximated \$26,000 and \$46,000, respectively.

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

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

**q. 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, 2023; therefore, no liability has been accrued at this time.

**r. 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.

**s. 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.

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

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

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

**Note 2: Change in Accounting Principle**

On October 1, 2022 (the effective date), the hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* using a retrospective method of adoption to all contracts meeting the definition of a SBITA, unless specifically excluded at the beginning of the earliest period presented which was October 1, 2021. The statement requires the hospital to recognize a subscription liability, measured at the present value of payments expected to be made during the subscription term, and an intangible asset representing the hospital's right to use the subscription asset at the commencement of the subscription term. The 2022 financial statements and disclosures were restated to reflect the impact of this adoption.

During the fiscal year ended September 30, 2022, the hospital changed its accounting policy in relation to what is considered a cash and cash equivalent. Under the new policy, funds invested in the Assetmark are no longer considered cash and cash equivalents. This change was made retrospective to the beginning of the earliest period presented in the financial statements, October 1, 2021.

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, 2022 are as follows:

	2022 (As Previously Reported)	Effect of Adoption	2022 (As Restated)
<b>Statement of Net Position</b>			
<b>Subscription-Based Assets:</b>			
Subscription-based assets, Net	\$ -	\$ 2,424,201	\$ 2,424,201
Total Assets	<u>12,055,781</u>	<u>2,424,201</u>	<u>14,479,982</u>
<b>Current Liabilities:</b>			
Current portion of Subscription-based IT liabilities	-	379,289	379,289
Total Current Liabilities	<u>1,531,470</u>	<u>379,289</u>	<u>1,910,759</u>
<b>Long-Term Liabilities</b>			
Subscription-based IT liabilities	-	2,058,045	2,058,045
Total Long-Term Liabilities	<u>642,651</u>	<u>2,058,045</u>	<u>2,700,696</u>
<b>Total Liabilities</b>	<u>2,174,121</u>	<u>2,437,334</u>	<u>4,611,455</u>
<b>Net Position:</b>			
Unrestricted	8,099,349	( 13,133)	8,086,216
Total Net Position	<u>9,881,660</u>	<u>( 13,133)</u>	<u>9,868,527</u>
Total Liabilities and Net Position	<u>\$ 12,055,781</u>	<u>\$ 2,424,201</u>	<u>\$ 14,479,982</u>

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

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

	2022 (As Previously Reported)	Effect of Adoption	2022 (As Restated)
<b>Statement of Revenues, Expenses and Changes in Net Position</b>			
<b>Operating Expenses:</b>			
Other Operating Expense	5,073,301	( 401,301)	4,672,000
Depreciation and amortization	438,191	386,250	824,441
Total Operating Expenses	<u>18,203,285</u>	<u>( 15,051)</u>	<u>18,188,234</u>
<b>Operating Loss</b>	<u>( 169,844)</u>	<u>15,051</u>	<u>( 154,793)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest expense	( 14,435)	( 28,184)	( 42,619)
Total Nonoperating Revenues (Expenses)	<u>( 49,632)</u>	<u>( 28,184)</u>	<u>( 77,816)</u>
<b>Excess of Revenues Under Expenses</b>	<u>( 219,476)</u>	<u>( 13,133)</u>	<u>( 232,609)</u>
<b>Net Position End of the Year</b>	<u>\$ 9,881,660</u>	<u>\$ ( 13,133)</u>	<u>\$ 9,868,527</u>
<b>Statement of Cash Flows</b>			
<b>Cash Flows From Operating Activities:</b>			
Payments to suppliers and contractors	( 7,410,531)	433,211	( 6,977,320)
Net Cash Provided (Used) by Operating Activities	<u>\$ ( 563,885)</u>	<u>\$ 433,211</u>	<u>\$ ( 130,674)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Principal payments on notes payable	( 77,826)	( 399,581)	( 477,407)
Interest paid on long-term debt	( 5,489)	( 33,630)	( 39,119)
Net Cash Used by Noncapital Financing Activities	<u>( 341,915)</u>	<u>( 433,211)</u>	<u>( 775,126)</u>
<b>Cash Flows From Investing Activities:</b>			
Investments	-	( 13,817)	( 13,817)
Net Cash Provided by Investing Activities	<u>57,166</u>	<u>( 13,817)</u>	<u>43,349</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<u>( 3,156,306)</u>	<u>( 13,817)</u>	<u>( 3,170,123)</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>7,741,731</u>	<u>( 1,250,608)</u>	<u>6,491,123</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 4,585,425</u>	<u>\$ ( 1,264,425)</u>	<u>\$ 3,321,000</u>
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Loss	( 161,154)	6,361	( 154,793)
Depreciation and amortization	397,591	426,820	824,411
Net Cash Used by Operating Activities	<u>\$ ( 563,885)</u>	<u>\$ 433,211</u>	<u>\$ ( 130,674)</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.



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

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

The collateral for public entities deposits in financial institutions is required to be held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under the program, 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, 2023, and 2022.

**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, 2023 and 2022, 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.

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

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

Fair value of assets measured on a recurring basis at September 30, 2023, and 2022, are as follows:

<u>September 30, 2023</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Government and Agency Securities	\$ 1,197,863	\$ 1,197,863	\$ -	\$ -
<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	\$ -	\$ -

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 Assetmark - SAVOS PMP Advisor Select Fund. 100% of the account is invested in US fixed income securities at September 30, 2023. A summary of the investments at fair market value as of September 30, 2023, and 2022, follows:

	<u>2023</u>	<u>2022</u>
Assetmark - SAVOS PMP Advisor Select Fund (U.S. Government and Agency Securities)	\$ 1,142,987	\$ 1,128,354
Unrealized gain on investment	54,876	42,052
Total Genworth Financial Trust Company Investment	<u>\$ 1,197,863</u>	<u>\$ 1,170,406</u>

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

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

	<u>2023</u>	<u>2022</u>
Provision for uncollectible accounts	\$ 1,564,437	\$ 1,642,548
Allowance for Medicare adjustments	1,065,293	1,028,515
Allowance for Medicaid adjustments	412,018	434,294
Allowance for bad debt - clinics	171,760	291,054
	<u>\$ 3,213,508</u>	<u>\$ 3,396,411</u>

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

**Note 6: Capital Assets**

Capital asset additions, retirements, and balances for the years ended September 30, 2023, and 2022, were as follows:

	Balance 09/30/2021	Additons	Retirements and Other	Balance 09/30/2022	Additons	Retirements and Other	Balance 09/30/2023
Land	\$ 13,627	-	-	\$ 13,627	-	-	\$ 13,627
Land improvements	687,278	-	-	687,278	40,093	-	727,371
Buildings and improvements	3,161,661	116,673	-	3,278,334	84,910	-	3,363,244
Fixed equipment	1,977,852	60,687	-	2,038,539	8,700	-	2,047,239
Major movable equipment:							
Financed purchases	20,920	768,293	-	789,213	-	-	789,213
Other	4,024,650	114,323	( 411,494)	3,727,479	101,217	( 222,953)	3,605,743
Autos	72,395	-	-	72,395	25,489	-	97,884
Equipment - Clinic	10,748	-	-	10,748	-	-	10,748
Construction in progress	74,331	195,881	( 228,964)	41,248	162,647	-	203,895
Total at Historical Cost	<u>10,043,462</u>	<u>1,255,857</u>	<u>( 640,458)</u>	<u>10,658,861</u>	<u>423,056</u>	<u>( 222,953)</u>	<u>10,858,964</u>
Less Accumulated Depreciation for:							
Land improvements	( 406,161)	( 42,620)	-	( 448,781)	( 37,470)	-	( 486,251)
Buildings and improvements	( 2,709,520)	( 52,687)	-	( 2,762,207)	( 56,379)	-	( 2,818,586)
Fixed equipment	( 1,668,178)	( 35,944)	-	( 1,704,122)	( 39,450)	-	( 1,743,572)
Major movable equipment:							
Financed Purchases	( 4,649)	( 55,540)	-	( 60,189)	( 22,903)	-	( 83,092)
Other	( 3,275,853)	( 206,104)	390,650	( 3,091,307)	( 291,697)	222,953	( 3,160,051)
Autos	( 72,395)	-	-	( 72,395)	( 1,699)	-	( 74,094)
Equipment - Clinic	( 10,748)	-	-	( 10,748)	-	-	( 10,748)
Total Accumulated Depreciation	<u>( 8,147,504)</u>	<u>( 392,895)</u>	<u>390,650</u>	<u>( 8,149,749)</u>	<u>( 449,598)</u>	<u>222,953</u>	<u>( 8,376,394)</u>
<b>Capital Assets, Net</b>	<u>\$ 1,895,958</u>	<u>862,962</u>	<u>( 249,808)</u>	<u>\$ 2,509,112</u>	<u>( 26,542)</u>	<u>-</u>	<u>\$ 2,482,570</u>

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

**Note 7: Lease Assets**

Lease asset additions, terminations, and balances for the years ended September 30, 2023, and 2022, were as follows:

	Balance 09/30/2021 (As Restated)	Additons	Terminations	Balance 09/30/2022	Additons	Terminations	Balance 09/30/2023
Lease Assets Being Amortized Equipment	\$ 165,131	30,781	( 3,480)	\$ 192,432	167,449	( 11,169)	\$ 348,712
Less: Accumulated Amortization Equipment	( 51,011)	( 45,296)	3,480	( 92,827)	( 73,625)	10,712	( 155,740)
<b>Lease Assets, Net</b>	<b>\$ 114,120</b>	<b>( 14,515)</b>	<b>-</b>	<b>\$ 99,605</b>	<b>93,824</b>	<b>( 457)</b>	<b>\$ 192,972</b>

**Note 8: Subscription-Based IT Assets**

Subscription-based IT asset additions, terminations, and balances for the years ended September 30, 2023, and 2022, were as follows:

	Balance 09/30/2021	Additons	Terminations	Balance 09/30/2022	Additons	Terminations	Balance 09/30/2023
SBIT Assets Being Amortized Equipment	\$ -	2,810,451	-	\$ 2,810,451	147,882	( 5,919)	\$ 2,952,414
Less: Accumulated Amortization Equipment	-	( 386,250)	-	( 386,250)	( 398,683)	5,919	( 779,014)
<b>Subscription-Based IT Assets, Net</b>	<b>\$ -</b>	<b>2,424,201</b>	<b>-</b>	<b>\$ 2,424,201</b>	<b>( 250,801)</b>	<b>-</b>	<b>\$ 2,173,400</b>

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

**Note 9: Lease Liability Obligations**

The hospital is a lessee for various noncancellable leases of equipment, the terms of which expire in various years through 2029. For subscriptions that have a maximum possible term of 12 months or less at commencement, the hospital recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the hospital recognizes a lease liability and an intangible right-of-use lease asset.

The lease term includes the noncancelable period of the lease plus any additional periods covered by either a hospital 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 hospital and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

The hospital 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 hospitals lease agreements contain any material residual value guarantees or material restrictive covenants.

A schedule of changes in the hospital's lease liabilities for 2023, and 2022, follows:

	Balance September 30, 2022	Additions	Reductions	Balance September 30, 2023	Amounts Due Within One Year
Lease liability obligations	\$ 101,741	167,449	( 73,576)	\$ 195,614	\$ 59,640

  

	Balance September 30, 2021	Additions	Reductions	Balance September 30, 2022	Amounts Due Within One Year
Lease liability obligations	\$ 115,190	30,781	( 44,230)	\$ 101,741	\$ 45,517

The following is a schedule by year of payments for leases as of September 30, 2023:

Years ending September 30,	Total to be Paid	Principal	Interest
2024	64,357	59,640	4,717
2025	50,786	46,993	3,793
2026	37,308	34,878	2,430
2027	27,029	25,753	1,276
2028	24,480	23,957	523
Thereafter	4,410	4,393	17
	<u>208,370</u>	<u>195,614</u>	<u>12,756</u>

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

**Note 10: Subscription Based IT Liabilities**

The hospital is a subscriber for various noncancellable subscriptions of information technology, the terms of which expire in various years through 2029. For subscriptions that have a maximum possible term of 12 months or less at commencement, the hospital recognizes expense based on the provisions of the subscription terms. For all other subscriptions, other than short term, the hospital recognizes a subscription-based liability and an intangible right-of-use subscription-based asset.

The subscription term includes the noncancelable period of the subscription plus any additional periods covered by either a hospital or SBITA vendor 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 hospital and the vendor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the subscription term.

	Balance September 30, 2022 <u>(As Restated)</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2023	Amounts Due Within One Year
Subscription-based IT liabilities	2,437,334	147,882	( 389,432)	\$ 2,195,784	\$ 417,128

  

	Balance September 30, 2021	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2022 <u>(As Restated)</u>	Amounts Due Within One Year
Subscription-based IT liabilities \$	-	2,810,451	( 373,117)	\$ 2,437,334	\$ 379,289

The following is a schedule by year of payments for subscriptions as of September 30, 2023.

<u>Years ending September 30,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2024	440,745	417,128	23,617
2025	433,860	415,625	18,235
2026	407,987	394,997	12,990
2027	383,664	375,089	8,575
2028	381,373	376,955	4,418
Thereafter	216,734	215,990	744
	<u>2,264,363</u>	<u>2,195,784</u>	<u>68,579</u>

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

**Note 11: Long-Term Debt**

A schedule of changes in the hospital's long-term debt for 2023, and 2022, follows:

	Balance 2022 (As Restated)	Additions	Reductions	Balance 2023	Amounts Due Within One Year
Notes payable	\$ 724,666	-	( 138,239)	\$ 586,427	\$ 139,324
<b>Total Long-Term Debt</b>	<b>\$ 724,666</b>	<b>-</b>	<b>( 138,239)</b>	<b>\$ 586,427</b>	<b>\$ 139,324</b>

	Balance 2021	Additions	Reductions	Balance 2022 (As Restated)	Amounts Due Within One Year
Notes payable	\$ 16,432	768,295	( 60,061)	\$ 724,666	\$ 138,239
<b>Total Long-Term Debt</b>	<b>\$ 16,432</b>	<b>768,295</b>	<b>( 60,061)</b>	<b>\$ 724,666</b>	<b>\$ 138,239</b>

<b>Notes Payable</b>	2023	2022 (As Restated)
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 equipment.	\$ 2,418	\$ 9,530
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 equipment.	82,251	132,596
Siemens with an interest rate of 1.100% due in monthly installments of \$7,972 for 60 months with final installment due May 2029. Collateralized by equipment.	501,758	582,540
	<u>586,427</u>	<u>724,666</u>
Less: Current portion of notes payable	( 139,324)	( 138,239)
	<u>\$ 447,103</u>	<u>\$ 586,427</u>

Scheduled payments on the notes payable are as follows:

<u>Year Ended September 30,</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 139,324	\$ 16,617
2025	113,660	10,926
2026	87,661	8,003
2027	90,082	5,582
2028	92,570	3,095
Thereafter	63,130	647
Total	<u>\$ 586,427</u>	<u>\$ 44,870</u>

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

**Note 12: 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 Mississippi Hospital Access Program** - The hospital received gross Medicaid Mississippi hospital access payments of \$677,772 for the year ended September 30, 2023, and \$368,762 for the year ended September 30, 2022. The Medicaid Mississippi hospital access program is a program whereby the hospital qualifies for Mississippi hospital access program funds in addition to regular funds. The Mississippi Division of Medicaid administers the program through Mississippi CAN coordinated care organization, and the continuation of the program rests with the federal government.

The composite of net patient service revenues at September 30, 2023, and 2022, follows:

	2023	2022
Gross inpatient service revenue	\$ 8,433,339	\$ 9,117,081
Gross outpatient service revenue	30,560,781	27,689,884
Gross Patient Service Revenue	38,994,120	36,806,965
Less provision for contractals and other adjustments	( 20,862,274)	( 19,752,181)
Medicaid Mississippi Hospital Access Funds	677,772	368,762
Less provisions for bad debts	( 2,488,948)	( 2,187,473)
Net Patient Service Revenue	\$ 16,320,670	\$ 15,236,073

**Note 13: 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, 2023, and 2022, 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.



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

**Note 14: 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, 2023, and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Medicare	31%	38%
Medicaid	8%	9%
Patients and other third-party payors	61%	53%
	<u>100%</u>	<u>100%</u>

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)

**Note 15: 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 hospital's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the hospital. The hospital 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. As of September 30, 2022 the hospital 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. As of September 30, 2023 the hospital has received the ERC.

**Note 16: 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, 2023, and 2022, approximated \$274,000 and \$242,000, respectively. The total deferred compensation expense incurred by the hospital for the years ended September 30, 2023, and 2022, amounted to \$64,300, and \$59,213, respectively.

**Note 17: 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.

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

**Note 18: Health Insurance Trust**

On the Statements of Net Position on page 4 of this report, there is an account titled Health Insurance Trust located in the current assets section. The balance as of September 30, 2023, and 2022, was \$274, and \$1,638, 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, 2023, and 2022, the hospital paid out \$40,774, and \$50,808, respectively, related to the plan.

**Note 19: Restatement Correction of Error**

During the audit of fiscal year ending September 30, 2023, it was noted that a note payable was improperly reported in the September 30, 2022 financial statements. The addition of this notes payable resulted in an increase of \$568,403 to capital assets, an increase of \$80,781 to current portion of notes payable, and an increase of \$501,758 to long term portion of notes payable. The addition decreased net assets invested in capital assets by \$14,136. The addition also increased depreciation expense by \$40,600, interest expense by \$5,446, and decreased other operating expenses by \$31,910. The 2022 financial statements have been restated to properly record the note payable.

**Note 20: 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 March 19, 2024, (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, 2023**

<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	John N. Russell, CPA
Harry W. Stevens, CPA	Anita L. Goodrum, CPA
S. Keith Winfield, CPA	Ricky D. Allen, CPA
William B. Staggers, CPA	Jason D. Brooks, CPA
Michael W. McCully, CPA	Robert E. Cordle, Jr., CPA
R. Steve Sinclair, CPA	Perry C. Rackley, Jr., CPA
Marsha L. McDonald, CPA	Jerry L. Gammel, CPA
Wanda S. Holley, CPA	Michael C. Knox, CPA
Robin Y. McCormick, CPA/PFS	Clifford P. Stewart, CPA
J. Randy Scrivner, CPA	Edward A. Maxwell, CPA
Kimberly S. Caskey, CPA	Bradley L. Harrison, CPA
Susan M. Lummus, CPA	Justin H. Keller, CPA
Stephen D. Flake, 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, 2023, 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 March 19, 2024.

**Report on 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.

**Report on 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  
March 19, 2024

*Watkins Ward and Stafford, PLLC*



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**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, 2023, and 2022, and have issued our report thereon dated March 19, 2024.

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  
March 19, 2024

*Watkins Ward and Stafford, PLLC*