

FINANCIAL REPORT

COVINGTON COUNTY HOSPITAL

COLLINS, MISSISSIPPI

SEPTEMBER 30, 2021

Presented by: Harper, Rains, Knight & Company, P.A.
1052 Highland Colony Parkway, Suite 100
Ridgeland, Mississippi 39157
601-605-0722
www.hrkcpa.com

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The Board of Trustees
Covington County Hospital
Collins, Mississippi

Independent Auditors' Report

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of Covington County Hospital (the "Hospital"), a component unit of Covington County, Mississippi, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital, as of September 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinions.

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.

Certified Public Accountants • Consultants • hrkcpa.com

1052 Highland Colony Parkway, Suite 100
Ridgeland, MS 39157
p: 601-605-0722 • f: 601-605-0733

700 12th Street NW, Suite 700
Washington, DC 20005
p: 202-558-5162 • f: 601-605-0733

Responsibilities of Management for the Financial Statements (continued)

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 the 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 opinions. 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 GAAS 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 GAAS 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 the 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 the 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's basic financial statements.

The schedule of surety bonds for officials and employees is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of surety bonds for officials and employees is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements; accordingly, we do not express an opinion or provide any assurance on it.

The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* 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 federal expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Board of Trustees
Covington County Hospital (continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022, on our consideration of the 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 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 the Hospital's internal control over financial reporting and compliance.

Harper, Raines, Knight & Company, P.A.
June 29, 2022
Ridgeland, Mississippi

COVINGTON COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the financial performance of Covington County Hospital (hereafter referred to as the "Hospital") for the fiscal year ended September 30, 2021. Since the management's discussion and analysis is designed to focus on the current year's activities, resulting changes and currently known facts, we encourage readers to consider the information presented here in conjunction with the Hospital's basic financial statements.

COVID-19

The period this report covers continued to be highly impacted by the COVID-19 pandemic. The Hospital continues to monitor the current crisis, plan and implement fiscal measures to limit the extent of the impact; however, no assurances can be made with respect to the effectiveness or success of any such measures that may be implemented.

The challenges facing the Hospital this fiscal period are largely similar, although varying in degree of intensity, to those issues facing the health care industry in general and small rural hospitals in particular. Where the immediate environment and circumstances uniquely influence the Hospital, these areas are also highlighted in the discussion below:

- Although net patient revenue losses were covered through Federal funding (provider relief fund payments), there is no guarantee that this funding will continue or that the human and financial impact of COVID-19 will not exceed available resources and support.
- Physician recruitment: Recruiting and retaining physicians poses a significant challenge for all rural hospitals and doing this effectively is a crucial part of a rural hospital's success and viability.
- Labor: Nursing and technical positions continue to be difficult to recruit for and workforce shortages have been further exacerbated by government mandates surrounding COVID-19, such as mandatory vaccinations for all healthcare workers.

Although the full impact of the public health crisis on the Hospital cannot be estimated with any degree of certainty at this time and will depend on the duration of the public health crisis and state and federal responses. The Hospital is providing the following information which includes known impacts and measures the Hospital has taken in response. The Hospital has incorporated lessons learned from the initial waves of COVID-19 in fiscal year 2020 to respond to the ongoing public health crisis.

- Leadership and infrastructure:
 - Incident command center is reconvened as needed to coordinate crisis preparedness and response.
 - Hospital-wide conference calls to share status reports from all areas of operations.
 - Emergency plans are continually reviewed and refined to improve the Hospital's ability to adjust to fluctuations in patient volumes and acuity.

COVINGTON COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

COVID-19 (continued)

- Leadership and infrastructure (continued):
 - Separate emergency triage area maintained to assess patients with COVID-19 symptoms.
 - Access to hospital is controlled through regular updates to visitation policy based on transmission rates and case counts.
 - Added needed equipment with COVID-19 relief funds received.
 - Maintain frequent communications with state leaders.

- Patient Care:
 - Developed an aggressive COVID-19 testing process, including the launch of rapid in-house testing on multiple platforms.
 - Increased clinical staffing.
 - Ensured that sufficient supplies of Personal Protective Equipment (PPE) were on hand.
 - Expanded the use of telemedicine throughout the health system.
 - Increased staffing as necessary to meet operational requirements.
 - Provided on-site vaccine clinics to staff.

- Finance:
 - To date as of September 30, 2021, the Hospital has received approximately \$6,300,000 in grants from the Provider Relief Fund. As of September 30, 2021, approximately \$5,130,000 has been expended in the current and prior fiscal year and is included in non-operating grant receipts on the statements of revenue, expenses and changes in net position with the unearned grant receipts totaling approximately \$1,170,000 included in the statements of net position as a current liability.
 - In fiscal year 2020, applied for and received CMS advance payments during April 2020 totaling \$3,442,407. Beginning in April 2021, CMS began monthly remittance deductions to offset Medicare claims payments; CMS will be reimbursed in full by September 2022. The remaining balance of \$2,516,437 is included on the statements of net position as of September 30, 2021, in advanced payments from third parties.
 - In fiscal year 2020, the Hospital applied for and received a forgivable loan during April 2020 totaling \$2,451,789 under the Small Business Administration Payroll Protection Program. In June 2021, the Hospital received full forgiveness of the Round 1 PPP loan. These funds are included in non-operating revenue on the statements of revenue, expenses and changes in net position.
 - In fiscal year 2021, applied for and received a forgivable loan during May 2021 totaling \$1,999,999 under the Small Business Administration Payroll Protection Program - Round 2. These funds are included in notes payable on the statements of net position. The Hospital subsequently filed and received full forgiveness of the Round 2 PPP loan in April 2022.

COVINGTON COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

COVID-19 (continued)

- Community:
 - Hospital physicians and administrators participating in briefings and updates.
 - Offered vaccine clinics to eligible community members.

In summary, the current healthcare environment continues to challenge all hospitals, and small rural hospitals in particular, with continuing financial and workforce issues and the unknown future impact of COVID-19. At the same time, the Hospital's employees are working together to continue to find ways to make progress on improving how the Hospital organizes and processes work in such a way that it continues to improve clinical care and service to its patients and community while striving to improve its financial position and overall financial performance.

Summary of Financial Highlights

- Cash and cash equivalents at year-end were \$10,329,857, a decrease of \$996,458 to meet operational demands of the Hospital.
- Total assets for the Hospital at year-end were \$31,363,099, an increase of \$4,159,207 or 15.4 percent, from the prior fiscal year.
- Total liabilities for the Hospital at year-end were \$15,294,994, a decrease of \$2,435,930 or approximately 13.7 percent, from the prior fiscal year. Current liabilities were \$7,863,836, a decrease of \$1,149,525 from the prior fiscal year. The long-term liabilities were \$7,431,158, a decrease of \$1,286,405 from the prior fiscal year. The decrease is primarily a result of the current fiscal year recognition of COVID-19 relief funds received and deferred in the prior fiscal year.
- Total net position for the Hospital at year-end was \$16,068,105, an increase of \$6,595,137 from the prior fiscal year. Unrestricted net position was \$11,883,053, an increase of \$5,101,379 from the prior fiscal year. Net investment in capital assets was \$4,185,052, an increase of \$1,493,758 from the prior fiscal year.
- Operating expenses for the fiscal year were \$33,326,189, an increase of \$4,389,596 or approximately 15.2 percent, from the prior fiscal year primarily due to an increase in salaries and benefits, medical supplies and drugs.
- Operating revenues for the fiscal year were \$34,291,090, an increase of \$7,099,014 or approximately 26.1 percent, from the prior fiscal year primarily due to the addition of clinics and transition of primary clinic operations to become COVID-19 testing and treatment facilities.
- Non-operating revenues for the fiscal year were \$5,787,314, an increase of \$3,183,285 from the prior fiscal year. The increase represents COVID-19 grant funds earned and expended by the Hospital in the current fiscal year which were received and deferred in the prior fiscal year.
- Non-operating expense which consists of interest expense for the fiscal year was \$157,078, a decrease of \$712 or approximately 0.45 percent, from the prior fiscal year.

COVINGTON COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Overview of Financial Statements

An annual report consists of four components: (1) the Management's Discussion and Analysis (this section), (2) the Independent Auditors' Report, (3) the Financial Statements and Supplementary Information and (4) the Notes to Financial Statements.

The financial statements of the Hospital report the financial position of the Hospital and the results of its operations and its cash flows. The financial statements are prepared on the accrual basis of accounting. These statements offer short-term and long-term financial information about the Hospital's activities.

The statements of net position include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations of the Hospital's creditors (liabilities) for both the current year and the prior year. They also provide the basis for evaluating the capital structure of the Hospital and accessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenue and expenses are accounted for in the statements of revenue and expenses and changes in net position. These statements measure the performance of the Hospital's operation over the past two years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue resources.

The primary purpose of the statements of cash flows is to provide information about the Hospital's cash from operations, capital and related financing and investment activities. The statements of cash flows outline where the cash comes from, what the cash is used for and the changes in the cash balance during the reporting period.

The annual report also includes notes to financial statements that are essential to gain a full understanding of the data provided in the financial statements. The notes to financial statements can be found immediately following the basic financial statements in this report. Following the notes to financial statements is a section containing supplementary information that provides additional information as required.

Financial Analysis of the Hospital

The statements of net position, the statements of revenue and expenses and changes in net position report information about the Hospital's activities. These statements report the net position of the Hospital and changes in them. Increases or improvements, as well as decreases or declines in the net position, is one indicator of the financial state of the Hospital. Other non-financial factors that should also be considered include changes in economic conditions, population growth (including uninsured and working poor) and new or changed governmental legislation.

COVINGTON COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Summary of Net Position

A summary of the Hospital's statements of net position as of September 30, 2021 and 2020, is presented in the following table:

Condensed Statements of Net Position
(In Thousands)

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Total Percent Change
Current and other assets	\$ 20,201	\$ 18,358	\$ 1,843	10.0%
Capital assets	11,012	8,679	2,333	26.9%
Total assets	<u>31,213</u>	<u>27,037</u>	<u>4,176</u>	<u>15.4%</u>
Deferred outflow of resources	<u>150</u>	<u>167</u>	<u>(17)</u>	<u>-10.2%</u>
Long-term debt outstanding	8,827	8,439	388	4.6%
Other liabilities	6,468	9,292	(2,824)	-30.4%
Total liabilities	<u>15,295</u>	<u>17,731</u>	<u>(2,436)</u>	<u>-13.7%</u>
Investment in capital assets, net of related debt	4,185	2,691	1,494	55.5%
Unrestricted	11,883	6,782	5,101	75.2%
Total net position	<u>\$ 16,068</u>	<u>\$ 9,473</u>	<u>\$ 6,595</u>	<u>69.6%</u>

Total assets increased 15.4 percent primarily due to an increase in patient accounts receivable and estimated third party payor settlements for the current year cost report settlement.

Long-term debt increased by 4.6 percent due to the Hospital purchasing one of its previously leased facilities. Other liabilities decreased 30.4 percent due primarily to a decrease in unearned grant receipts in the current year.

COVINGTON COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Summary of Revenue and Expenses

The following table presents a summary of the Hospital's historical revenues and expenses and changes in net position for each of the fiscal years ended September 30, 2021 and 2020, respectively:

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Total Percent Change
Net patient service revenue	\$ 31,050	\$ 24,365	\$ 6,685	27.4%
Other operating revenue excluding interest income	3,241	2,827	414	14.6%
Total operating revenue	<u>34,291</u>	<u>27,192</u>	<u>7,099</u>	<u>26.1%</u>
Salaries and benefits	19,841	17,173	2,668	15.5%
Professional fees, supplies, maintenance, other	<u>12,648</u>	<u>10,924</u>	<u>1,724</u>	<u>15.8%</u>
Total operating expenses before depreciation/amortization	<u>32,489</u>	<u>28,097</u>	<u>4,392</u>	<u>15.6%</u>
Earnings (loss) before interest, depreciation/amortization ("EBITDA")	1,802	(905)	2,707	-299.1%
Depreciation/amortization expense	<u>837</u>	<u>840</u>	<u>(3)</u>	<u>-0.4%</u>
Income (loss) from operations	<u>965</u>	<u>(1,745)</u>	<u>2,710</u>	<u>-155.3%</u>
Provider Relief Funds	2,959	2,175	784	36.0%
Other non-operating revenue	2,800	345	2,455	711.6%
Investment income	28	84	(56)	-66.7%
Interest expense	<u>(157)</u>	<u>(158)</u>	<u>1</u>	<u>-0.6%</u>
Total non-operating revenue (expense)	<u>5,630</u>	<u>2,446</u>	<u>3,184</u>	<u>130.2%</u>
Increase in net position	<u>\$ 6,595</u>	<u>\$ 701</u>	<u>\$ 5,894</u>	<u>840.8%</u>

COVINGTON COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Summary of Revenue and Expenses (continued)

Operating and Financial Performance

The following summarizes the changes in the Hospital's statement of net position and statement of revenue and expenses and changes in net position for 2021.

The Hospital's assets consist primarily of cash, patient accounts receivable generated from medical services performed, investments and capital assets (property and equipment). The Hospital's liabilities consist of accrued obligations to employees and vendors for goods and services received, advance payments from third party, unearned grant receipts and long-term debt obligations. Unrestricted net position represents the amount of the Hospital's assets (other than capital assets) greater than its liabilities (other than long-term debt related to capital assets). Unrestricted net position is generally used to continue the Hospital's day-to-day operations. Net investment in capital assets represents the amount of the Hospital's net capital assets, less its related long-term debt.

Operating revenues increased for the fiscal year ended September 30, 2021, primarily due to the addition of clinics and the Hospital's transition to become a COVID-19 testing and treatment facility. Operating expenses increased for the fiscal year ended September 30, 2021, primarily as a result of an increase in salaries and benefits, medical supplies and drugs and insurance during the current fiscal year.

Economic Factors and Next Year's Budget

While the annual budget of the Hospital is not presented within these financial statements, the Hospital's Board and management considered many factors when setting the Hospital's operating budget. Although the financial outlook of the Hospital is considered positive, of primary importance in the setting of budgets and performance standards is the status of the economy and the healthcare environment, which takes into account market forces and environment factors, such as:

- Evolving circumstances for appropriate measures to deal with COVID-19 crisis;
- Medicare reimbursement changes;
- Medicaid reimbursement changes, as well as the continuation at the current level of the Disproportionate Share and Mississippi Hospital Access Payment programs;
- Increased number of uninsured and working poor;
- Ongoing competition for services;
- Cost of compensation and supplies (primarily pharmaceuticals);
- Ability to continue recruiting medical staff physicians to maintain the high level of services offered to our service area;
- Continued growth of service levels in the ancillary departments;
- Continuation of the excellent working relationship between the medical staff, the Board and the Hospital administration.

COVINGTON COUNTY HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Contact

The Hospital's financial statements are designed to present users with a general overview of its finances and to demonstrate its accountability. If you have any questions about the report or need additional information, contact the Chief Executive Officer, Covington County Hospital, 701 South Holly Avenue, Collins, Mississippi 39428.

COVINGTON COUNTY HOSPITAL

STATEMENTS OF NET POSITION

September 30, 2021 and 2020

ASSETS		
	2021	2020
Current assets		
Cash and cash equivalents	\$ 10,329,857	\$ 11,326,315
Patient accounts receivable, net	4,713,538	2,993,953
Estimated third-party payor settlements	1,086,850	-
Certificate of deposit	1,028,176	1,000,000
Other receivables	749,781	992,900
Inventories	837,864	757,822
Prepaid and other current assets	300,573	122,885
Total current assets	<u>19,046,639</u>	<u>17,193,875</u>
Non-current investments		
Investments designated for Board for capital projects	<u>1,154,500</u>	<u>1,164,010</u>
Deferred outflows of resources		
Deferred loss on debt refunding	<u>150,380</u>	<u>167,245</u>
Capital assets		
Property and equipment, net	<u>11,011,580</u>	<u>8,678,762</u>
Total assets	<u>\$ 31,363,099</u>	<u>\$ 27,203,892</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	\$ 1,092,744	\$ 630,286
Accrued expenses and other current liabilities	1,689,069	1,301,348
Estimated third-party payor settlements	-	282,417
Unearned grant receipts - Provider Relief Fund	1,170,217	3,635,209
Current portion of advance payment from third party	1,887,328	860,602
Current portion of notes payable	1,548,892	1,775,871
Current portion of bonds payable	395,119	389,151
Current portion of capital lease obligations	80,467	138,477
Total current liabilities	<u>7,863,836</u>	<u>9,013,361</u>
Long-term liabilities		
Notes payable, net of current portion	3,560,494	1,993,617
Bonds payable, net of current portion	2,994,405	3,389,524
Capital lease obligations, net of current portion	247,150	752,617
Advance payment from third party, net of current portion	629,109	2,581,805
Total long-term liabilities	<u>7,431,158</u>	<u>8,717,563</u>
Total liabilities	<u>15,294,994</u>	<u>17,730,924</u>
Net position		
Net investment in capital assets	4,185,052	2,691,294
Unrestricted	<u>11,883,053</u>	<u>6,781,674</u>
Total net position	<u>16,068,105</u>	<u>9,472,968</u>
Total liabilities and net position	<u>\$ 31,363,099</u>	<u>\$ 27,203,892</u>

The Notes to Financial Statements are an integral part of these statements.

COVINGTON COUNTY HOSPITAL
 STATEMENTS OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Net patient services revenue	\$ 31,050,227	\$ 24,365,129
Other revenues	3,240,863	2,826,947
Total operating revenues	<u>34,291,090</u>	<u>27,192,076</u>
Expenses		
Salaries and benefits	19,841,453	17,173,376
Purchased services	3,709,450	4,056,317
Medical supplies and drugs	4,617,817	3,132,955
Repairs and maintenance	1,409,094	1,223,861
Insurance	447,526	313,312
Equipment rental	434,000	327,262
Utilities	830,822	639,688
Depreciation and amortization	837,384	839,888
Taxes and licenses	303,929	319,010
Other	894,714	910,924
Total expenses	<u>33,326,189</u>	<u>28,936,593</u>
Operating income (loss)	<u>964,901</u>	<u>(1,744,517)</u>
Non-operating revenues (expenses)		
Grant receipts - Provider Relief Fund	2,958,982	2,174,677
Forgiveness of debt - SBA PPP Loan	2,451,789	-
Other non-operating revenue	348,068	344,869
Investment income	28,475	84,483
Interest expense	(157,078)	(157,790)
Total non-operating revenues (expenses)	<u>5,630,236</u>	<u>2,446,239</u>
Change in net position	6,595,137	701,722
Net position, beginning of year	<u>9,472,968</u>	<u>8,771,246</u>
Net position, end of year	<u>\$ 16,068,105</u>	<u>\$ 9,472,968</u>

The Notes to Financial Statements are an integral part of these statements.

COVINGTON COUNTY HOSPITAL

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 28,176,318	\$ 24,860,488
Payments to suppliers and contractors	(12,427,286)	(11,410,314)
Payments to and on behalf of employees	(19,439,646)	(16,872,316)
Other receipts	<u>3,240,863</u>	<u>2,826,947</u>
Net change in cash from operating activities	<u>(449,751)</u>	<u>(595,195)</u>
Cash flows from capital and related financing activities:		
Principal payments long-term obligations	(1,150,940)	(672,984)
Borrowings on long-term obligations	1,999,999	2,451,789
Interest paid on long-term obligations	(157,078)	(157,790)
Proceeds (recoupments) from advance payment from third party	(925,970)	3,442,407
Proceeds from COVID relief funds	842,058	6,154,755
Purchase of capital assets	<u>(1,163,337)</u>	<u>(480,237)</u>
Net change in cash from capital and related financing activities	<u>(555,268)</u>	<u>10,737,940</u>
Cash flows from investing activities:		
Purchase of investments	(19,914)	(1,025,657)
Interest and dividend income	<u>28,475</u>	<u>84,483</u>
Net change in cash from investing activities	<u>8,561</u>	<u>(941,174)</u>
Net change in cash and cash equivalents	(996,458)	9,201,571
Cash and cash equivalents at beginning of year	<u>11,326,315</u>	<u>2,124,744</u>
Cash and cash equivalents at end of year	<u>\$ 10,329,857</u>	<u>\$ 11,326,315</u>
Non cash financing activities:		
Acquisition of equipment through leasing and financing arrangements	\$ 1,990,000	\$ 537,950

The Notes to Financial Statements are an integral part of these statements.

COVINGTON COUNTY HOSPITAL

STATEMENTS OF CASH FLOWS (continued)
Years Ended September 30, 2021 and 2020

	2021	2020
Reconciliation of operating income (loss) to net change in cash from operating activities:		
Operating income (loss)	\$ 964,901	\$ (1,744,517)
Adjustments to reconcile operating income (loss) to net change in cash from operating activities:		
Depreciation and amortization	837,384	839,888
Provision for bad debt	5,974,571	7,282,425
Other	29,424	(32,167)
Net effect of changes in assets and liabilities:		
Patient accounts receivable	(7,694,156)	(6,688,312)
Estimated third-party payor settlements	(1,369,267)	276,202
Other receivables	214,943	(374,956)
Inventories	(80,042)	(291,734)
Prepaid and other current assets	(177,688)	39,478
Accounts payable	462,458	(201,065)
Accrued expenses and other current liabilities	387,721	299,563
Net change in cash from operating activities	\$ (449,751)	\$ (595,195)

The Notes to Financial Statements are an integral part of these statements.

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS Years Ended September 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been followed by Covington County Hospital (hereafter referred to as the "Hospital") in preparing the accompanying financial statements are set forth below.

Organization and Operations

The Hospital is a regional healthcare provider established by Covington County ("the County") as a special purpose government entity under the laws of the State of Mississippi. The Hospital is owned by Covington County, and is governed by a Board of Trustees pursuant to Sections 41-13-15 e.t. Seq. of Mississippi Code of 1972, as amended. Because of the relationship between the Hospital and Covington County, the Hospital has been defined as a component unit of the County.

The Hospital, located in Collins, Mississippi, is a critical access hospital ("CAH"). The Hospital provides inpatient, outpatient, geriatric psychiatric, rural health clinic and emergency care services for residents of Covington County, Mississippi, and surrounding areas. The Hospital is currently licensed to provide 25 acute care inpatient beds and 10 geriatric psychiatric beds for patient care. Additionally, the Hospital operates a 60-bed long-term care facility. The Hospital is governed by a Board of Trustees, all of whom are appointed by the Board of Supervisors of the County.

Basis of Presentation

The Hospital prepares its financial statements as a business-type activity in conformity with the applicable pronouncements of the Governmental Accounting Standards Board ("GASB"). The accompanying financial statements of the Hospital have been prepared on the accrual basis of accounting in accordance with standards established by GASB. GASB Accounting Standards Codification is the sole source of authoritative accounting guidance for governmental entities in the United States of America.

Cash and Cash Equivalents

All cash accounts and all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents, including amounts limited as to use by the Board or under trust agreements.

Patient Accounts Receivable and the Provision for Doubtful Accounts

Patient accounts receivable are carried at the unpaid amount of patient service revenue charged to patients, net of allowances for contractual adjustments related to agreements with third-party payors and allowances for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes past results and identifies trends for each major payor source of revenue for the

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Patient Accounts Receivable and the Provision for Doubtful Accounts (continued)

purpose of estimating the appropriate amounts of the allowance for doubtful accounts and the provision for bad debts. Data in each major payor source is regularly reviewed to evaluate the adequacy of the allowance for doubtful accounts. For receivables relating to services provided to patients having third-party coverage and self-pay patients, an allowance for doubtful accounts and a corresponding provision for bad debts are established based on an aging of receivables and historical collection percentages; additionally, for receivables relating to self-pay patients, the Hospital considers experience indicating the inability or unwillingness of patients to pay amounts for which they are financially responsible. Actual write-offs are charged against the allowance for doubtful accounts.

Inventories

Inventories, which consist primarily of medical supplies and drugs, are stated at the lower of cost based on the first-in, first-out method or market value.

Prepaid Expenses and Deferred Charges

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Capital Assets, Net

Property and equipment acquisitions are recorded at cost, or if donated, at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Estimated useful lives for each class of depreciable assets are as follows:

Land improvements	10 to 20 years
Buildings	20 to 30 years
Fixed equipment	15 to 20 years
Major movable equipment (including automobiles)	3 to 15 years
Leasehold improvements	10 years

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Certificates of Deposit

The Hospital has an investment in a certificate of deposit which accrues interest at .20 percent and has a maturity date of December 2022. The certificate of deposit has an original maturity of less than one year and is carried at cost which approximates market.

Non-current Investments

Non-current investments include assets set aside by the Board of Trustees for future capital improvements. The Board retains control of the funds set aside for future capital improvements and may, at its discretion, subsequently use them for other purposes.

The Hospital's investments consist of an external investment pool and is reported at fair value. Interest, dividends and gains and losses on investments, both realized and unrealized, are included in non-operating income in investment income when earned.

Cost of Borrowing

Costs incurred in connection with the obtaining of financing are expensed as incurred. Premium or discount incurred in connection with the issuance of bonds and indentures is amortized over the life of the obligations on the straight-line method, which approximates the interest method and the unamortized amount is included in the balance of the outstanding debt.

Compensated Absences

Employees' vacation benefits are recognized in the period earned. An accrued expense is recorded for vested compensated absences not used.

Net Position

Net position consists of net investment of capital assets, restricted and unrestricted. The net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any related debt that is attributable to the acquisition of the capital assets. Restricted net position are those resources that are externally restricted by creditors, grantors, contributors or laws and regulations or those restricted by constitutional provision and enabling legislation. Unrestricted net position consists of all other resources.

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statements of Revenues, Expenses and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services, other than financing costs, are reported as operating revenues and operating expenses. Peripheral or incidental transactions, county support and financing costs are reported as non-operating revenues and expenses.

Grants and Contributions

From time-to-time, the Hospital receives grants from governmental entities, 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 non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Net Patient Service Revenue

Net patient revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payor agreements and the provision for bad debts. Revenue is recognized as services are rendered to patients based on when services are provided, and costs are incurred that are subject to reimbursement. For performance obligations related to those services, control transfers over time. The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. A summary of the basis of payment arrangements with major third-party payors follows:

Medicare - The Hospital is certified as a CAH. As a CAH, the Hospital is reimbursed for substantially all inpatient and outpatient services to Medicare beneficiaries based on reasonable costs. Additionally, as a CAH, the Hospital's licensed beds are limited to 25, and the Hospital's acute average length of stay may not exceed 96 hours. The Hospital is reimbursed for substantially all services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid - Through June 30, 2021, the Hospital's Medicaid program uses an APR-DRG system for inpatient payments and an Ambulatory Payment Classification ("APC") for outpatient payments. Under APR-DRG for inpatient payment, DRG payment is used for all inpatient acute care stays and includes those beneficiaries enrolled in Managed Care. For outpatient, the APC system groups are made up of CPT/HCPCS codes that share common types of service or common types of delivery of service.

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Patient Service Revenue (continued)

Starting July 1, 2021, the Hospital opted out of the APC methodology and swapped to the cost reimbursement method of Medical whereas inpatient 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. The Hospital is reimbursed for outpatient services under a cost reimbursement methodology that is updated annually. Nursing home services are reimbursed under a cost-based case mix reimbursement system.

The Hospital participates in the Mississippi Intergovernmental Transfer Program as a Medicaid Disproportionate Share Hospital ("DSH") and in the Mississippi Hospital Access Payment ("MHAP") program. Under these programs, the Hospital receives enhanced reimbursement through a matching mechanism. DSH and MHAP amounts are shown as a reduction of contractual adjustments and are recorded net of related taxes paid. The MHAP Program is administered by the Division of Medicaid ("DOM") through the Mississippi Coordinated Access Network ("CAN") Coordinated Care Organizations ("CCO"). The CCO's subcontract with the Hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care.

The Hospital participates in the Mississippi Nursing Home UPL Program. This program is funded by Intergovernmental Transfers ("IGTs") from participating providers to the DOM. Under this program, the Hospital receives enhanced reimbursement for nursing home services offered to the community. Unlike the Hospital UPL program, the Nursing Home UPL Program does not prescribe specific payment timeliness, therefore, creating uncertainties about both the timing and estimation of such UPL payments. Due to these uncertainties, Nursing Home UPL payments are recorded only when notified by the DOM of the imminence of such payments. UPL amounts are shown as a reduction of contractual adjustments and are recorded net of IGTs paid.

Under the Hospital and Nursing Home DSH, MHAP and UPL Programs, the Hospital received enhanced reimbursement for 2021 and 2020, as follows:

	2021	2020
MHAP and UPL revenue, gross	\$ 619,819	\$ 332,762
DSH revenue, gross	245,263	1,080,173
DSH, MHAP and UPL assessments	-	(127,500)
 DSH, MHAP and UPL revenue, net of assessment	 \$ 865,082	 \$ 1,285,435

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Patient Service Revenue (continued)

Other - The Hospital has entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively-determined rates per discharge, discounts from established charges and prospectively daily rates.

Charity Care

The Hospital provides care to patients who meet certain criteria (such as family income, net worth, extent of healthcare financial obligations for healthcare services, etc.) under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The hospital implemented a policy to maintain records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges foregone, based on established rates, totaled approximately \$624,679 and \$122,011 for 2021 and 2020, respectively.

The net cost of charity care provided was approximately \$316,000 and \$62,500 for 2021 and 2020, respectively. The net cost of charity care is determined by multiplying the ratio of cost to gross charges to the gross uncompensated charges associated in providing care to charity patients.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Significant estimates used in preparing these financial statements include those assumed in determining the allowance for doubtful accounts and contractual adjustments, third-party payor settlements related to Medicare and Medicaid programs, which are extremely complex and subject to interpretation, fair value measurement of investments, unearned grant liability and the determination of useful lives when calculating depreciation expense. It is at least reasonably possible that the significant estimates used will change within the next year.

Income taxes

The Hospital is a governmental entity and, as such, is exempt from federal and state income taxes.

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

The Hospital is required by the State of Mississippi to prepare a non-appropriated annual budget. The budget is not subject to the appropriation and is, therefore, not required to be presented as supplementary information.

Concentration 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 agreements. The mix of receivables from patients and third-party payors at September 30, 2021 and 2020, was as follows:

	2021	2020
Medicare	19%	18%
Medicaid	3%	3%
Private pay	41%	50%
Commercial	37%	29%
	<u>100%</u>	<u>100%</u>

New Accounting Pronouncements

In June 2017 the GASB issued GASB No. 87, *Leases* which among other things, requires the recognition of lease assets and lease liabilities for operating leases on the statement of net position of lessees and the disclosure of key information about leasing arrangements. This new accounting standard will be effective for the Hospital's 2022 financial statements. Its impact has not yet been determined.

Reclassification of Certain Financial Statement Items

During the 2021, the Hospital reclassified certain non-operating revenue items on the financial statements for fiscal year 2020 to be consistent with the classification adopted for fiscal year 2021. These reclassifications had no effect on change in net position, end of year.

Subsequent Events

Subsequent events were evaluated by the Hospital through June 29, 2022, which is the date the financial statements were available to be issued.

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 2 • CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents

The collateral for public entities' deposits in financial institutions is 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 this program, the Hospital'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.

Investments

The statutes of the State of Mississippi restrict the unauthorized investments of the Hospital to obligations of the U.S. Treasury, agencies and instrumentalities of the United States and certain other types of investments. The Mississippi Hospital Association ("MHA") investment pool is the result of an amendment to the Mississippi Code of 1972 passed in the 1999 and 2000 sessions of the Mississippi Legislature. This law expanded the investment options and permits the pooling of hospital funds. All Mississippi hospitals are allowed to participate in these funds. Pooled funds are invested in authorized investments and are managed by approved investment advisors. The Hospital's investments consist of the following external investment pool funds at September 30, 2021 and 2020:

	2021	2020
MHA Duration Trust		
Fixed income		
Intermediate duration trust	\$ 1,154,500	\$ 1,164,010

NOTE 3 • NET PATIENT SERVICE REVENUE

A summary of amounts comprising net patient service revenue at September 30, 2021 and 2020, is composed of the following:

	2021	2020
Gross patient revenue	\$ 60,551,597	\$ 52,860,062
Less: Provision for contractual adjustments		
under third-party reimbursement programs and other		
deductions	(23,526,799)	(21,212,508)
Provision for bad debts	(5,974,571)	(7,282,425)
	\$ 31,050,227	\$ 24,365,129

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 3 • NET PATIENT SERVICE REVENUE (continued)

A summary of revenue for gross patient services under contract with significant third-party payors follows:

	September 30, 2021		September 30, 2020	
	Amount	Percent of Total Gross Patient Revenue	Amount	Percent of Total Gross Patient Revenue
Medicare	\$ 21,665,034	36%	\$ 23,312,019	44%
Medicaid	5,799,504	10%	5,444,458	10%
Other	<u>33,087,059</u>	<u>55%</u>	<u>24,103,585</u>	<u>46%</u>
Total	<u>\$ 60,551,597</u>	<u>100%</u>	<u>\$ 52,860,062</u>	<u>100%</u>

NOTE 4 • PATIENT ACCOUNTS RECEIVABLE, NET

Details of patient accounts receivable, net at September 30, 2021 and 2020, are as follows:

	2021	2020
Patient accounts	\$ 11,194,729	\$ 7,867,358
Allowance for contractual adjustments	(2,039,222)	(1,315,686)
Allowance for doubtful accounts	<u>(4,441,969)</u>	<u>(3,557,719)</u>
Patient accounts receivable, net	<u>\$ 4,713,538</u>	<u>\$ 2,993,953</u>

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 5 • CAPITAL ASSETS

Details of property and equipment for the year ended September 30, 2021, are as follows:

	October 1, 2020	Additions and Other	Retirements and Other	September 30, 2021
Property and equipment				
Land (non-depreciable)	\$ 290,366	\$ -	\$ -	\$ 290,366
Construction in progress	110,077	24,277	-	134,354
Land improvements	305,645	-	-	305,645
Leasehold improvements	101,410	90,396	-	191,806
Buildings	12,802,471	2,118,483	-	14,920,954
Fixed equipment	3,136,031	232,828	-	3,368,859
Major moveable equipment	<u>8,746,380</u>	<u>687,353</u>	<u>-</u>	<u>9,433,733</u>
Total property and equipment	<u>25,492,380</u>	<u>3,153,337</u>	<u>-</u>	<u>28,645,717</u>
Less accumulated depreciation and amortization				
Land improvements	(253,984)	(6,791)	-	(260,775)
Leasehold improvements	(101,410)	(10,571)	-	(111,981)
Buildings	(6,033,857)	(371,828)	-	(6,405,685)
Fixed equipment	(2,558,744)	(141,830)	-	(2,700,574)
Major moveable equipment	<u>(7,865,623)</u>	<u>(289,499)</u>	<u>-</u>	<u>(8,155,122)</u>
Total accumulated depreciation and amortization	<u>(16,813,618)</u>	<u>(820,519)</u>	<u>-</u>	<u>(17,634,137)</u>
Property and equipment, net	<u>\$ 8,678,762</u>	<u>\$ 2,332,818</u>	<u>\$ -</u>	<u>\$ 11,011,580</u>

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 5 • CAPITAL ASSETS (continued)

Details of property and equipment for the year ended September 30, 2020, are as follows:

	October 1, 2019	Additions and Other	Retirements and Other	September 30, 2020
<u>Property and equipment</u>				
Land (non-depreciable)	\$ 290,366	\$ -	\$ -	\$ 290,366
Construction in progress	191,876	46,417	(128,216)	110,077
Land improvements	305,645	-	-	305,645
Leasehold improvements	101,410	-	-	101,410
Buildings	12,116,220	558,035	128,216	12,802,471
Fixed equipment	2,925,383	210,648	-	3,136,031
Major moveable equipment	<u>8,543,293</u>	<u>203,087</u>	<u>-</u>	<u>8,746,380</u>
Total property and equipment	<u>24,474,193</u>	<u>1,018,187</u>	<u>-</u>	<u>25,492,380</u>
<u>Less accumulated depreciation and amortization</u>				
Land improvements	(243,031)	(10,953)	-	(253,984)
Leasehold improvements	(101,410)	-	-	(101,410)
Buildings	(5,662,029)	(371,828)	-	(6,033,857)
Fixed equipment	(2,416,914)	(141,830)	-	(2,558,744)
Major moveable equipment	<u>(7,567,211)</u>	<u>(298,412)</u>	<u>-</u>	<u>(7,865,623)</u>
Total accumulated depreciation and amortization	<u>(15,990,595)</u>	<u>(823,023)</u>	<u>-</u>	<u>(16,813,618)</u>
Property and equipment, net	<u>\$ 8,483,598</u>	<u>\$ 195,164</u>	<u>\$ -</u>	<u>\$ 8,678,762</u>

Depreciation expense for the years ended September 30, 2021 and 2020, amounted to \$820,519 and \$823,023, respectively. Capitalized lease equipment and related accumulated depreciation was \$534,160 and \$284,855, respectively, at September 30, 2021, and \$1,034,160 and \$206,069, respectively, at September 30, 2020.

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 6 • LONG-TERM LIABILITIES

Details of long-term liabilities at September 30, 2021 and 2020, are as follows:

	2021	2020
Bonds payable with Covington County at varying rates of interest of 2.0 percent to 3.4 percent; monthly payments of \$40,000 through 2031, with semi-annual interest payments	\$ 3,389,524	\$ 3,778,674
Note payable to Trustmark bank, interest rate of 3.55 percent, monthly payments of \$16,254 maturing October 2028, collateralized by equipment	1,179,820	1,317,700
Note payable to First State Bank, interest rate of 2.578 percent, monthly payments of \$18,822 maturing May 2026, collateralized by A/R of Hospital	1,929,567	-
SBA Payroll Protection Program loan 1.00 percent, payments of \$112,460, due April 2023	1,999,999	2,451,789
Capital lease obligations at varying rates of imputed interest from 2.00 percent to 8.33 percent, monthly payments between \$932 and \$5,675 maturing April 2023 through February 2026, collateralized by equipment and building	327,617	891,094
	8,826,527	8,439,257
Less current maturities	(2,024,478)	(2,303,499)
	\$ 6,802,049	\$ 6,135,758

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 6 • LONG-TERM LIABILITIES (continued)

The maturities on long-term debt and capital lease obligations are as follows:

Year Ending September 30,	Long-Term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2022	\$ 1,944,011	\$ 193,969	\$ 80,467	\$ 34,411
2023	1,467,904	220,236	95,137	19,741
2024	703,782	197,137	52,276	55,251
2025	718,618	182,300	50,124	53,674
2026	1,716,092	111,552	49,613	54,184
2027-2031	1,934,097	792,255	-	-
2032	14,406	-	-	-
	<u>\$ 8,498,910</u>	<u>\$ 1,697,449</u>	<u>\$ 327,617</u>	<u>\$ 217,261</u>

A schedule of changes in the Hospital's non-current liabilities for 2021, follows:

	September 30, 2020	Additions	Retirements	September 30, 2021	Due Within One Year
Notes/bonds payable	\$ 7,548,163	\$ 3,989,999	\$ 3,039,252	\$ 8,498,910	\$ 1,944,011
Capital lease obligations	891,094	-	563,477	327,617	80,467
	<u>\$ 8,439,257</u>	<u>\$ 3,989,999</u>	<u>\$ 3,602,729</u>	<u>\$ 8,826,527</u>	<u>\$ 2,024,478</u>

A schedule of changes in the Hospital's non-current liabilities for 2020, follows:

	September 30, 2019	Additions	Retirements	September 30, 2020	Due Within One Year
Notes/bonds payable	\$ 5,689,216	\$ 2,451,789	\$ 592,842	\$ 7,548,163	\$ 2,165,022
Capital lease obligations	433,286	537,950	80,142	891,094	138,477
	<u>\$ 6,122,502</u>	<u>\$ 2,989,739</u>	<u>\$ 672,984</u>	<u>\$ 8,439,257</u>	<u>\$ 2,303,499</u>

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 7 • FAIR VALUE MEASUREMENTS

The Hospital's investments are recorded at fair value as of September 30, 2021 and 2020, GASB No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the Hospital's assumption about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 - Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset or liability, either directly or indirectly.
- Level 3 - Investments classified as Level 3 have unobservable inputs for an asset or liability and may require a degree of professional judgment.

The following table represents the Hospital's investments within the fair value hierarchy at September 30, 2021 and 2020, respectively.

Assets at Fair Value as of September 30, 2021

	Level 1	Level 2	Level 3	Total
MHA Duration Trust				
Intermediate duration trust	<u>\$ -</u>	<u>\$ 1,154,500</u>	<u>\$ -</u>	<u>\$ 1,154,500</u>

Assets at Fair Value as of September 30, 2020

	Level 1	Level 2	Level 3	Total
MHA Duration Trust				
Intermediate duration trust	<u>\$ -</u>	<u>\$ 1,164,010</u>	<u>\$ -</u>	<u>\$ 1,164,010</u>

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 7 • FAIR VALUE MEASUREMENTS (continued)

The fair value of the MHA investment pools are based on the closing price reported on the active market on which the individual funds are traded, and the fair value is allocated to the Hospital based on unit ownership. Therefore, investments are considered a Level 2 category.

NOTE 8 • RETIREMENT PLAN

The Hospital has established the Covington County Hospital Retirement Plan (the "Plan"), a defined contribution plan, for the benefit of its employees. Under provisions of the Plan, all employees with ninety (90) days of service are eligible to participate and become eligible for employer matching after one year of service (1/2 percent for each 1 percent of voluntary contributions up to a maximum of 2 percent). Additionally, after ten (10) years of service, the employee becomes eligible for a discretionary match if they contribute 5 percent or greater. Previously, all employees with one year of service were eligible to participate with the Hospital contributing up to 2 percent plus 1/10 percent for each year of service of each participating employee's eligible compensation as determined by the Board of Trustees on an annual basis. The Hospital's contributions for the years ended September 30, 2021 and 2020, totaled \$156,547 and \$147,499, respectively.

NOTE 9 • COMMITMENTS AND CONTINGENCIES

The Hospital has various contractual arrangements for employment contracts, leased office space related to medical practices and equipment leases. Some of the contracts and operating leases have initial or remaining noncancelable lease terms in excess of one year. Total operating lease expense for the years ended September 30, 2021 and 2020, totaled \$434,000 and \$334,132, respectively.

Minimum payments required under the contracts agreements and operating leases as of September 30, 2021, are approximately as follows:

<u>Year Ending September 30,</u>	
2022	\$ 161,100
2023	136,246
2024	52,066
2025	<u>29,400</u>
	<u>\$ 378,812</u>

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 10 • NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets was as follows at September 30, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
Capital assets	\$ 28,645,717	\$ 25,492,380
Less accumulated depreciation	(17,634,137)	(16,813,618)
Less debt outstanding related to capital assets	<u>(6,826,528)</u>	<u>(5,987,468)</u>
Net investment in capital assets	<u>\$ 4,185,052</u>	<u>\$ 2,691,294</u>

NOTE 11 • 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 Healthcare Providers Insurance Company. The Hospital purchased 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 risk of loss related to workers' compensation claims from Healthcare Providers Insurance Company.

The Hospital is subject to malpractice claims, litigation and regulatory investigations arising in the normal course of business from time to time. Based on consultations with legal counsel, management is of the opinion that these matters will normally be resolved without material adverse effect on the Hospital's future financial position or on the result of its future operations. The facility has not been exposed to any risk of loss above the acceptable insurance coverage amounts as of September 30, 2021 and 2020; therefore, no liability or related receivable has been recorded at this time.

NOTE 12 • COMPLIANCE MATTER

In February 2021, the Hospital entered into a settlement agreement with Centers for Medicare & Medicaid Services (CMS) for a noncompliance violation of the Stark Law related to Federal Physicians' Self-Referral Statute (Section 1877 of the Social Security Act) which was voluntarily self-reported in April 2013 pursuant to the Affordable Care Act and under the Medicare Voluntary Self-Referral Disclosure Protocol issued by CMS. Under the terms and conditions of the agreement, the Hospital agreed to a settlement amount of \$6,391 which was paid to CMS during fiscal year 2021. The matter has settled and is considered closed effective February 11, 2021.

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS Years Ended September 30, 2021 and 2020

NOTE 13 • CORONAVIRUS PANDEMIC

In March 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law providing, among other provisions, financial relief to hospitals and healthcare providers during the COVID-19 pandemic. The CARES Act Provider Relief Fund provides funding from the U.S. Department of Health and Human Services (HHS) to support healthcare-related expenses or lost revenue attributable to the COVID-19 pandemic.

As of September 30, 2021, the Hospital has received in total approximately \$6,300,000 in Provider Relief Funding related to the CARES Act. The funds received under the CARES Act Provider Relief Fund represent payments that do not need to be repaid as long as the Hospital complies with certain terms and conditions imposed by HHS, including reporting and compliance requirement. Such payments are accounted for as governmental grants and are recognized as other nonoperating income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. As of September 30, 2021, the Hospital has recognized a total of \$5,130,000 in non-operating income during the current and prior fiscal year on the statements of revenues, expenses and changes in net position related to these funds. The remaining amount received of approximately \$1,170,000 has been recorded within total current liabilities as unearned grant receipts - Provider Relief Fund in the statements of net position as of September 30, 2021, to be recognized as terms and conditions are met. During 2021, the Hospital expended all Provider Relief Funds for Reporting Period 1 and met all compliance and reporting requirements for Reporting Period 1.

During April 2020, the Hospital applied for and received approximately \$3,442,407 from the Medicare Advance Payment Program provided under the CARES Act. Based on the Continuing Appropriations Act, 2021 and Other Extensions Act released in October 2020, repayment began one year after the receipt of the advance payments. The claims for services provided to Medicare beneficiaries is applied against the advance payment balance. Any unapplied advance payment amounts must be paid in full within twenty-nine months of receipt. As of September 30, 2021, the remaining balance is separately identified as \$1,887,328 of current portion of advance payment from third party within the current liabilities of the statements of net position and \$629,109 identified as advance payment from third party, net of current portion, within long-term liabilities.

During April 2020, the Hospital applied for and received \$2,451,789 under the Paycheck Protection Program ("PPP") provided under the CARES Act. The Hospital acted in compliance with the program and filed for and was granted full forgiveness of the PPP loan in June 2021. As of September 30, 2020, the balance on this PPP loan was classified as current and non-current based on the contractual repayment terms. The proceeds of the loan were recognized into revenue during fiscal year 2021, the period the Hospital was granted forgiveness of the debt and is included in non-operating revenue on the statements of revenues, expenses and changes in net position.

COVINGTON COUNTY HOSPITAL

NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

NOTE 13 • CORONAVIRUS PANDEMIC (continued)

During May 2021, the Hospital applied for and received \$1,999,999 under the second draw funding of the PPP. All the proceeds from the second round PPP loan were used by the Hospital during the subsequent year to pay eligible payroll cost. The Hospital has acted in compliance with the program and has filed for and was subsequently granted full forgiveness of the PPP loan in April 2022. As of September 30, 2021, the PPP loan has been classified as current and non-current based on the contractual repayment terms. The proceeds of the loan will be recognized into revenue during fiscal year 2022, the period the Hospital was granted forgiveness of the debt.

COVINGTON COUNTY HOSPITAL

SCHEDULE OF SURETY BONDS FOR OFFICIALS AND EMPLOYEES
September 30, 2021

Name	Position	Company	Amount of Bond
Robert Johnson	Board Member	FCCI Insurance Corporation	\$ 100,000
James McPhail	Board Member	FCCI Insurance Corporation	100,000
Everlean Booth	Board Member	FCCI Insurance Corporation	100,000
Jeff Hall	Board Member	FCCI Insurance Corporation	100,000
Greg Sullivan	Board Member	FCCI Insurance Corporation	100,000
Public Employees	Employees	FCCI Insurance Corporation	100,000
Public Employees	Retirement Plan	Travelers Insurance Company	350,000
Arrington Living Center	Resident Trust Bond	Western Surety Company	120,000
Arrington Living Center	Resident Trust Bond	Western Surety Company	65,000

See Independent Auditors' Report.

COVINGTON COUNTY HOSPITAL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Major Programs		
U.S. Department of Health and Human Services:		
Direct programs:		
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	\$ 4,679,373
COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461	3,407,849
Non-Major Programs		
U.S. Department of Health and Human Services:		
Direct programs:		
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697	346,230
U.S. Department of Treasury:		
Passed through Mississippi State Department of Health:		
COVID-19 Coronavirus Relief Fund	21.019	<u>17,454</u>
Total expenditures of federal awards		<u>\$ 8,450,906</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes federal award activity for by the Hospital under programs of the federal government. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presented only a selected portion of the operations of the Hospital, it is not intended to and does not present the statement of net position, statement of revenue, expenses and changes in net position or cash flows of the Hospital.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Hospital did not elect to use the 10% de minimis indirect cost rate.

Pass-through Entity Identifying Numbers are presented when available.

See Independent Auditors' Report.



The Board of Trustees
Covington County Hospital
Collins, Mississippi

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*

We have audited, 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, the financial statements of the business-type activities of Covington County Hospital (the "Hospital") a component unit of Covington County, Mississippi, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated June 29, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting ("internal control") as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Hospital'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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Board of Trustees
Covington County Hospital (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 Hospital'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 Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harper, Raino, Knight & Company, P.A.
June 29, 2022
Ridgeland, Mississippi



The Board of Trustees
Covington County Hospital
Collins, Mississippi

Independent Auditors' Report on Compliance for Each Major
Federal Program and Report on Internal Control over Compliance and
In Accordance with Uniform Guidance

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Covington County Hospital's (the "Hospital"), a component unit of Covington County, Mississippi, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended September 30, 2021. The Hospital's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with 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 opinion on

The Board of Trustees
Covington County Hospital (continued)

Basis for Opinion on Each Major Federal Program (continued)

compliance for each major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. 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 GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

The Board of Trustees
Covington County Hospital (continued)

Auditors' Responsibilities for the Audit of Compliance (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harper, Raines, Knight & Company, P.A.
June 29, 2022
Ridgeland, Mississippi

COVINGTON COUNTY HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2021

A. Summary of Auditors' Results

1. The auditors' report expressed an unmodified opinion on whether the financial statements of Covington County Hospital (the "Hospital") were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No material weaknesses or significant deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Hospital were disclosed during the audit.
4. No material weaknesses or significant deficiencies were identified during the audit of the major federal awards programs.
5. The auditors' report on compliance for the major federal awards programs for the Hospital expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance are reported in this Schedule.
7. The programs tested as a major program includes the COVID 19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (CFDA #93.498) and COVID-19 HRSA COVID-19 Testing for the Uninsured Program and the COVID-19 Coverage Assistance Fund (CFDA #93.461).
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Hospital was determined not to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Awards Programs Audit

None

COVINGTON COUNTY HOSPITAL
SUMMARY OF PRIOR YEAR FINDINGS
Year Ended September 30, 2021

The Hospital's expenditures of federal funds did not exceed the audit threshold for the year ended September 30, 2020.



Harper, Rains, Knight & Company

The Board of Trustees
Covington County Hospital
Collins, Mississippi

Independent Auditors' Report on Compliance with State Laws and Regulations

We have audited the financial statements of Covington County Hospital (the "Hospital"), a component unit of Covington County, Mississippi, as of and for the year ended September 30, 2021, and have issued our report thereon dated June 29, 2022.

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 misstatements.

Compliance with state laws and regulations applicable to the 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, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate, with respect to the items tested, the 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 the facility had not complied with state laws and regulations.

This report is intended solely for the information and use of management, the Board of Trustees, others within the Hospital and the Board of Supervisors of Covington County 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.

Harper, Rains, Knight & Company, P.A.
June 29, 2022
Ridgeland, Mississippi

Certified Public Accountants • Consultants • hrkcpa.com

1052 Highland Colony Parkway, Suite 100
Ridgeland, MS 39157
p: 601-605-0722 • f: 601-605-0733

700 12th Street NW, Suite 700
Washington, DC 20005
p: 202-558-5162 • f: 601-605-0733