

COPIAH COUNTY MEDICAL CENTER
Hazlehurst, Mississippi

Consolidated Financial Statements
As of and for the Years Ended
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Copiah County Medical Center
Hazlehurst, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Copiah County Medical Center (the "Hospital"), as of and for the years ended December 31, 2022 and 2021, 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 referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital as of December 31, 2022 and 2021 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in Government Auditing Standards ("GAS"), 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 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.

Emphasis of Matter Regarding GASB 87 Adoption

As explained in Note 1 to the financial statements, the Hospital adopted Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*, during the year ended December 31, 2022, which is applied retroactively by restating balances in the financial statements as of January 1, 2021 and for the period ended December 31, 2021. Our opinion is not modified with respect to this matter.

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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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, 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 four through eight 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 GASB 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.

Other Supplementary Information

Management is responsible for the other information included in the annual report. The other information comprises The Schedule of Surety Bonds for Officers and Employees on page 33 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Reporting Required by Governmental Auditing Standards

In accordance with GAS, we have also issued our report dated July 13, 2023, 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 the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the Hospital's internal control over financial reporting and compliance.

HORNE LLP

Ridgeland, Mississippi
July 13, 2023

COPIAH COUNTY MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2022 and 2021

Management's Discussion and Analysis of Copiah County Medical Center (the "Hospital") financial performance provides important background information and management's analysis of the Hospital's financial performance during the years ended December 31, 2022 and 2021. Please read it in conjunction with the Hospital's financial statements, which begin on page nine.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements contained in this report are presented using Governmental Accounting Standards Board ("GASB") accounting principles. These financial 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, deferred outflows of resources, liabilities, and deferred inflows of resources and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenue and expenses are accounted for in the statement of revenues, expenses, and change in net position. This statement measures changes in the Hospital's operations over the past year and can be used to determine whether the Hospital has been able to recover all of its costs through its net patient service revenue and other revenue sources.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash from operating, investing and financing activities and to provide answers to questions such as, where did the cash come from, what was the cash used for and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE HOSPITAL

The statement of net position and the statement of revenues, expenses and changes in net position report information about the Hospital's activities. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other financial factors such as changes in the healthcare industry, changes in Medicare and Medicaid regulations and changes in managed care contracting should also be considered.

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2022, the Hospital's general financial highlights were:

- During the fiscal year 2022 the Hospital experienced several waves of COVID-19 that impacted operations.
- Net patient services revenue increased 25 percent from 2021 to 2022 and increased 18 percent from 2020 to 2021.
- The Hospital's payor mix is continuing to fluctuate slightly. From 2021 to 2022, the commercial mix increased 2 percent, Medicaid increased 1 percent, Medicare -0- percent, and uninsured decreased 3 percent.

COPIAH COUNTY MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2022 and 2021

- The Hospital's total net position increased approximately \$3,493,000 from 2021 to 2022, and approximately \$3,909,000 from 2020 to 2021. As of 2022, the total net position was approximately \$9,487,000 which consists of \$8,877,000 in unrestricted, (\$462,000) in net investments in capital assets, and \$1,073,000 in restricted funds related to debt obligations. As of 2021, the total net position was approximately \$5,995,000 which consists of \$8,080,000 in unrestricted, (\$3,790,000) in net investments in capital assets, and \$1,704,000 in restricted funds related to debt obligations.

CAPITAL ASSETS

Year Ended December 31, 2022

At the end of fiscal year 2022, the Hospital had an investment in capital assets, net of depreciation, of approximately \$12,388,000, a decrease of approximately \$760,000 or 6 percent from 2021. The decrease in capital assets is related primarily to current depreciation expense exceeding current additions for the year.

Year Ended December 31, 2021

At the end of fiscal year 2021, the Hospital had an investment in capital assets, net of depreciation, of approximately \$13,148,000, an increase of approximately \$44,000 or 0 percent from 2020. The increase in capital assets is related primarily to the retrospective adoption of the GASB lease standard.

LONG-TERM DEBT

Year Ended December 31, 2022

At the end of fiscal year 2022, the Hospital had one outstanding bond issue.

The Mississippi Development Bank ("MDB") Bonds, Series 2015, which are reported in the statements of net position, had a carrying value of approximately \$11,359,000, down 4.5 percent or \$538,000 from one year ago due to the scheduled bond payments. The bond bears an interest rate of 4.54 percent.

Year Ended December 31, 2021

At the end of fiscal year 2021, the Hospital had one outstanding bond issue.

The Mississippi Development Bank ("MDB") Bonds, Series 2015, which are reported in the statements of net position, had a carrying value of approximately \$11,897,000, down 4.1 percent or \$514,000 from one year ago due to the scheduled bond payments. The bond bears an interest rate of 4.54 percent.

COPIAH COUNTY MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2022 and 2021

NET POSITION

A summary of the Hospital's statements of net position is presented in the following table:

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020
Current and other assets	\$ 10,766,585	\$ 11,101,682	\$ 10,063,876
Restricted assets	1,072,662	1,704,063	2,639,863
Notes receivable	-	13,330,932	13,330,932
Capital assets, net	12,387,760	13,147,929	13,104,253
Total assets	24,227,007	39,284,606	39,138,924
Deferred outflows on acquisitions	168,303	-	-
Current liabilities	2,928,191	3,889,558	8,056,363
Long-term debt	11,830,355	12,300,415	11,897,110
Other liabilities	149,272	-	-
Notes payable	-	17,100,000	17,100,000
Total liabilities	14,907,818	33,289,973	37,053,473
Net position			
Net invested in capital assets	(462,291)	(3,789,563)	(3,130,600)
Restricted	1,072,662	1,704,063	2,639,863
Unrestricted	8,877,121	8,080,133	2,576,188
Total net position	\$ 9,487,492	\$ 5,994,633	\$ 2,085,451

Year Ended December 31, 2022

- In fiscal year 2022, notes receivable and notes payable were both forgiven as part of the New Market Tax Credit ("NMTC") unwind.
- From fiscal year 2021 to 2022, current liabilities decreased by approximately \$961,000 or 23 percent due to the recognition of approximately \$1,127,000 in Provider Relief Funds and the recoupment of Medicare Accelerated and Advanced Payments of approximately \$647,000. The Hospital also had an increase of approximately \$661,000 in accounts payable and accrued expenses related to the clinic purchase and new vendor contract providing contract services.

Year Ended December 31, 2021

- From fiscal year 2020 to 2021, current assets increased by approximately \$1,003,000 or 9.9 percent due to an increase in cash from receipt additional Provider Relief Funds and increases in estimated third-party payor settlements.
- In fiscal year 2020, The Hospital received approximately \$920,000 from property tax assessment which was held as restricted asset and used to pay down debt in 2021. No property tax assessment occurred in 2021, resulting in decreased balance in restricted assets at fiscal year ended 2021.

**COPIAH COUNTY MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2022 and 2021**

NET POSITION, CONTINUED

Year Ended December 31, 2021

- From fiscal year 2020 to 2021, current liabilities decreased by approximately \$4,457,000 or 55 percent due to the recognition of approximately \$4,600,000 in Provider Relief Funds and the recoupment of Medicare Accelerated and Advanced Payments of approximately \$1,000,000 which were both placed on the books as current liabilities in 2020.

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 December 31, 2022, 2021 and 2020:

	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020
Operating revenues			
Net patient service revenue	\$ 22,994,317	\$ 18,349,427	\$ 15,581,837
Other operating revenue	167,432	123,560	105,119
Total operating revenues	23,161,749	18,472,987	15,686,956
Operating expenses			
Salaries and benefits	10,880,435	8,573,027	7,662,051
Professional fees	6,400,960	4,526,856	4,570,797
Supplies	3,665,956	2,542,710	2,279,190
Provision for depreciation	1,648,682	1,831,352	1,403,493
Other operating expense	1,319,938	1,097,145	1,258,447
Total operating expenses	23,915,971	18,571,090	17,173,978
Income (loss) from operations	(754,222)	(98,103)	(1,487,022)
Nonoperating revenues (expenses)			
Provider Relief Fund revenue	1,126,799	4,590,527	430,789
Gain on forgiveness of debt	3,724,048	-	1,532,280
Interest expense	(807,010)	(782,228)	(770,135)
Other nonoperating revenues (expenses)	203,244	198,986	1,606,157
Total nonoperating revenue, net	4,247,081	4,007,285	2,799,091
Change in net position	3,492,859	3,909,182	1,312,069
Net position, beginning of year	5,994,633	2,085,451	773,382
Net position, end of year	\$ 9,487,492	\$ 5,994,633	\$ 2,085,451

COPIAH COUNTY MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2022 and 2021

SUMMARY OF REVENUE AND EXPENSES, CONTINUED

Year Ended December 31, 2022

- During fiscal year 2022, net patient service revenue increased approximately \$4,645,000 or 25 percent. This increase was due to the purchase of three new clinics which occurred in May 2022.
- In fiscal year 2022, the Hospital reported an increase in operating expenses of approximately \$5,345,000 or 29 percent.
- In fiscal year 2022, salaries and benefits for the Hospital increased approximately \$2,307,000 or 27 percent due to significant pay raises. Employee benefits were 28 percent of salaries for the year ended December 31, 2022.
- In fiscal year 2022, professional fees for the Hospital increased approximately \$1,874,000 or 41 percent due to new fees associated with physicians tied to the new clinics and a new contract services vendor.
- In fiscal year 2022, the Hospital experienced a gain on the forgiveness of debt related to the unwind of the NMTCs.
- Change in net position decreased approximately \$416,000 or 11 percent from fiscal year 2021 to 2022.

Year Ended December 31, 2021

- During fiscal year 2021, net patient service revenue increased approximately \$2,768,000 or 17.8 percent. This increase was due to the increase in patient activity after the COVID-19 Pandemic significantly affected operations in 2020.
- In fiscal year 2021, the Hospital reported an increase in operating expenses of approximately \$1,418,037 or 8.3 percent.
- In fiscal year 2021, salaries and benefits for the Hospital increased approximately \$910,000 or 12 percent due to employees filing big insurance claims. Employee benefits were 29 percent of salaries for the year ended December 31, 2021.
- In fiscal year 2021, other operating expenses for the Hospital increased approximately \$215,000 or 17 percent due to increases associated with equipment and software leases.
- In fiscal year 2021, the Hospital experienced an increase in net nonoperating revenues of approximately \$1,242,000 or 44.4 percent. This increase was due to the fact that the Hospital was able to recognize Provider Relief Funds which had been deferred in fiscal year 2020.
- Change in net position increased approximately \$2,610,000 or 200 percent from fiscal year 2020 to 2021.

**COPIAH COUNTY MEDICAL CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2022 and 2021**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Hospital's appointed officials and management considered many factors when setting the budget for the fiscal year ending December 31, 2023. Included in those factors are the status of the economy and the healthcare environment, which take into account market forces and environmental factors such as:

- Medicare reimbursement, including Disproportionate Share
- Increased number of uninsured and working poor
- Ongoing competition for services
- Workforce issues
- Cost of supplies, including pharmaceuticals
- Ability to recruit medical staff physicians to enhance services offered to the service area
- Combined growth of existing services
- Impact of Healthcare Reform as it relates to reimbursement and employee health insurance coverage
- Ongoing COVID-19 pandemic, related relief funding and associated compliance

CONTACTING THE HOSPITAL FINANCIAL MANAGER

This financial report is designed to provide the Hospital's citizens, taxpayers, customers and investors and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at Copiah County Medical Center, 27190 MS-28, Hazlehurst, MS 39083.

COPIAH COUNTY MEDICAL CENTER

Statements of Net Position

December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,731,068	\$ 8,155,833
Patient receivables, net of allowance for doubtful accounts of \$7,226,503 and \$6,684,327, respectively	4,362,013	2,582,671
Estimated third-party payor settlements	1,104,367	35,102
Inventories	495,794	304,653
Prepays and other current assets	73,343	23,423
Total current assets	10,766,585	11,101,682
Restricted and held by trustee for debt service	1,072,662	1,704,063
Notes receivable	-	13,330,932
Capital assets, net	12,387,760	13,147,929
Total assets	24,227,007	39,284,606
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows on acquisitions	168,303	-
Total assets and deferred outflows of resources	\$ 24,395,310	\$ 39,284,606
LIABILITIES		
Current liabilities		
Current maturities of long-term debt	561,210	537,448
Current maturities of capital lease obligations	458,486	330,561
Accounts payable	1,085,458	711,672
Accrued expenses	823,037	535,841
Medicare Accelerated and Advance Payment Program contractual liability	-	647,237
Provider Relief Fund deferred revenue	-	1,126,799
Total current liabilities	2,928,191	3,889,558
Due to Copiah Medical Associates, LLP	149,272	-
Long-term debt, less current maturities	10,798,455	11,359,662
Notes payable	-	17,100,000
Capital lease obligations, less current maturities	1,031,900	940,753
Total liabilities	14,907,818	33,289,973
NET POSITION		
Net investment in capital assets	(462,291)	(3,789,563)
Restricted for debt service	1,072,662	1,704,063
Unrestricted	8,877,121	8,080,133
Total net position	\$ 9,487,492	\$ 5,994,633

See accompanying notes.

COPIAH COUNTY MEDICAL CENTER
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended December 31, 2022 and 2021

	2022	2021
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$6,772,717 and \$8,666,358, respectively	\$ 22,994,317	\$ 18,349,427
Other operating revenue	167,432	123,560
Total operating revenues	23,161,749	18,472,987
Operating expenses		
Salaries and wages	8,472,378	6,624,904
Employee benefits	2,408,057	1,948,123
Professional fees	6,400,960	4,526,856
Supplies and other	3,665,956	2,542,710
Lease and rental expense	203,279	172,775
Utilities	496,027	332,456
Insurance	155,198	159,515
Other operating expenses	465,434	432,399
Provision for depreciation and amortization	1,648,682	1,831,352
Total operating expenses	23,915,971	18,571,090
Loss from operations	(754,222)	(98,103)
Nonoperating revenues (expenses)		
Property taxes	1,727	5,970
Gain on forgiveness of debt	3,724,048	-
Provider Relief Fund revenue	1,126,799	4,590,527
Grants and donations	25,676	19,777
Loss on disposal of capital assets	-	(19,404)
Interest expense	(807,010)	(782,228)
Interest income	175,841	192,643
Total nonoperating revenues	4,247,081	4,007,285
Increase in net position	3,492,859	3,909,182
Net position, beginning of year (as restated)	5,994,633	2,085,451
Net position, end of year (as restated)	\$ 9,487,492	\$ 5,994,633

See accompanying notes.

COPIAH COUNTY MEDICAL CENTER
 Statements of Cash Flows
 Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Receipts from and on behalf of patients and third-party payors	\$ 20,145,710	\$ 17,910,442
Payments to suppliers and contractors	(10,977,147)	(8,229,393)
Payments to employees	(10,593,239)	(8,591,304)
Other receipts and payments, net	167,432	123,560
Net cash provided by (used in) operating activities	(1,257,244)	1,213,305
Cash flows from noncapital financing activities		
Property taxes	1,727	5,970
Medicare Accelerated and Advance Payment Program recoupments	(647,237)	(968,569)
Proceeds from Provider Relief Fund	-	1,126,800
Noncapital grants and contributions received	25,676	19,777
Net cash provided by (used in) noncapital financing activities	(619,834)	183,978
Cash flows from capital and related financing activities		
Principal paid on long-term debt and capital lease obligations	(943,907)	(824,409)
Purchase of clinics	(415,225)	-
Interest paid on long-term debt and capital lease obligations	(807,010)	(782,228)
Purchases of capital assets	(188,787)	(367,384)
Net cash used in capital and related financing activities	(2,354,929)	(1,974,021)
Cash flows from investing activities		
Interest on investments	175,841	192,643
Net cash provided by investing activities	175,841	192,643
Net decrease in cash and cash equivalents	(4,056,166)	(384,095)
Cash and cash equivalents, beginning of year	9,859,896	10,243,991
Cash and cash equivalents, end of year	\$ 5,803,730	\$ 9,859,896
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	\$ 4,731,068	\$ 8,155,833
Cash and cash equivalents held by trustee	1,072,662	1,704,063
	\$ 5,803,730	\$ 9,859,896
Supplemental disclosure of noncash capital and related financing activity		
Forgiveness of debt associated with new market tax credits	\$ 3,724,048	\$ -

See accompanying notes.

COPIAH COUNTY MEDICAL CENTER
 Statements of Cash Flows
 Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of loss from operations to net cash provided by (used in) operating activities		
Loss from operations	\$ (754,222)	\$ (98,103)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities		
Depreciation and amortization	1,648,682	1,831,352
Provision for bad debts	6,772,717	8,666,358
Changes in assets and liabilities		
Patient receivables	(8,552,059)	(9,247,409)
Inventories	(68,331)	(47,116)
Estimated third-party payor settlements	(1,069,265)	142,066
Deferred inflows	-	-
Accounts payable	328,766	(15,566)
Accrued salaries and compensated absences	287,196	(18,277)
Other accruals	149,272	-
Net cash provided by (used in) operating activities	<u>\$ (1,257,244)</u>	<u>\$ 1,213,305</u>
 Noncash investing, capital and financing activities		
Purchase of capital assets with capital lease obligations	<u>\$ 355,835</u>	<u>\$ 657,694</u>

See accompanying notes.

COPIAH COUNTY MEDICAL CENTER
Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Reporting Entity and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The Copiah County Medical Center, (the "Hospital") or ("CCMC"), is a governmental critical access hospital located in Hazlehurst, Mississippi. The Hospital was created by the Board of Supervisors of Copiah County and is a component unit of Copiah County, Mississippi. The Board of Supervisors appoint the Board of Trustees of the Hospital and approve its operating budget.

In 2022, Copiah County Medical Center Cares (the "Foundation") was formed as a nonstock, nonprofit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is organized and operated exclusively for charitable scientific and educational purposes for the benefit of the Hospital. The primary sources of financial support for the Foundation are gifts, grants, and contributions from the general public, corporations, and charitable organizations.

Copiah County Public Benefit Corporation ("CCPBC") was formed as a 501(c)(3) nonprofit corporation. CCPBC's specific purpose and objective was to facilitate the construction of a replacement critical access hospital facility and lease that facility to the Hospital. Hospital management performs the day-to-day management of CCPBC's operations and CCPBC's debt is expected to be repaid entirely from lease payments made from the Hospital to CCPBC. The Hospital follows the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity*. As a result, CCPBC is included in the accompanying financial statements as a blended component unit of the Hospital. All significant intercompany balances and transactions have been eliminated. At the end of fiscal year 2022, this entity was dissolved in accordance with the options provided under the related New Market Tax Credit ("NMTTC") Agreements (discussed further in Note 9).

Use of 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. Actual results could differ from those estimates. The most sensitive estimates included in these financial statements relate to contractual discounts under third-party contracts and the allowance for uncollectible accounts.

Basis of Presentation

The Hospital reports in accordance with accounting principles generally accepted in the United States of America in accordance with accounting principles promulgated by the GASB. The accompanying financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market funds and highly liquid investments with maturities of three months or less when purchased, excluding amounts whose use is limited by the Board of Trustee's designation or under trust agreements.

COPIAH COUNTY MEDICAL CENTER
Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Patient Receivables

Patient accounts receivable are reported at net realizable value, after deduction of allowances for estimated doubtful accounts. The allowance for doubtful accounts is based on historical losses and an analysis of currently outstanding amounts. This account is generally increased by charges to a provision for uncollectible accounts and decreased by write-offs of accounts determined by management to be uncollectible.

Allowance for Doubtful Accounts

An allowance for doubtful accounts and a corresponding provision for bad debts are established based on an aging of receivables and historical collection percentages. Actual write-offs of amounts determined to be uncollectible are charged against the allowance for doubtful accounts.

The allowance for doubtful accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the accounts in light of historical experience, the nature and volume of the accounts and the agreements with the respective third-party payors.

Leases

The Hospital determines if an arrangement is a lease at inception. Leases are included in capital assets, net of accumulated depreciation and capital lease obligations, net of current maturities in the statements of net position.

Lease assets represent the Hospital's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on initial measurement of the lease liability, adjusted for payments made to the lessor at or before the commencement of the lease term and certain initial direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease obligations represent the Hospital's obligation to make lease payments arising from the lease. Lease obligations are initially recognized at the commencement date based on the present value of expected lease payments over the lease term, adjusted for lease incentives. Subsequently, the lease liability is reduced by the principal portion of the lease payment made. Interest expense is recognized ratably over the contract term.

The Hospital has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Hospital has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

COPIAH COUNTY MEDICAL CENTER
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NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Inventories

Inventories are valued using the lower of cost determined using the first-in, first-out method, or market.

Prepaid Expenses

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

Restricted Assets

Noncurrent restricted assets include cash and investments externally restricted for debt service requirements under the Hospital's bond agreements.

The Hospital's investments consist of debt and equity securities and are carried at fair value. Interest, dividends and gains and losses on investments, both realized and unrealized, are included in nonoperating income when earned.

Capital Assets, Net

Capital asset additions are recorded at cost. Depreciation is computed using the straight-line method with useful lives of the property ranging from three to 40 years. Maintenance, repairs, replacement and improvements of minor importance are expensed. Major replacements and improvements that extend the useful life or capacity of the asset are capitalized. Estimated useful lives for each class of depreciable assets are as follows:

	<u>Years</u>
Land improvements	5 - 25
Building and leasehold improvements	5 - 40
Equipment	3 - 20

Deferred Outflows on Acquisitions

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense or expenditure) until then. The Hospital has reported a deferred outflow of resources of \$180,325 related to the acquisition of three clinics, (discussed further in Note 2). The deferred outflow will be attributed to future periods over a 10-year period. Amortization expense was approximately \$12,000 for the year ended December 31, 2022.

Compensated Absences

The Hospital's employees earn paid time off and extended illness hours at varying rates depending on years of service. Employees may accumulate paid time off and be paid if they leave before they exhaust this accumulation. Employees may accumulate extended illness hours but, upon termination, are not paid for any accumulated extended illness hours. An accrued expense is recorded for vested compensated absences not used.

COPIAH COUNTY MEDICAL CENTER
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NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Risk Management

The Hospital is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, medical malpractice and dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Income Taxes

The Hospital is a governmental entity and as such is exempt from federal income taxation. Accordingly, the accompanying basic financial statements do not include any provision for income taxes.

Net Position

The net position of the Hospital is classified into three components, which are defined as follows:

- *Net Investment in Capital Assets* - This component reports capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used to finance the purchase, improvements or construction of those assets.
- *Restricted for Debt Service* - This component reports those resources that are externally restricted by creditors for debt service.
- *Unrestricted Net Position* - This component reports resources that do not meet the definition of invested in capital assets net of related debt or restricted.

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. Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such reviews may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Management believes it has complied with the requirements of these programs.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Records of charges foregone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided.

COPIAH COUNTY MEDICAL CENTER
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NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Operating Revenue and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, which is the Hospital's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition, and interest income are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Grants and Contributions

From time-to-time, the Hospital receives grants from other 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 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. In accordance with GASB Technical Bulletin No. 2020-1, the Hospital classified Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") funds and American Rescue Plan ("ARP") funds as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position (discussed further in Note 13).

New Accounting Standards Adopted

Governmental Accounting Standards Board Statement No. 87 ("GASB 87")

The Hospital adopted GASB 87, *Leases*. This statement enhances the comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. Under this statement, all leases are required to be recognized as assets and liabilities with associated deferred inflows and outflows of resources on the financial statements. Furthermore, the statement defines a lease and details the considerations for determining the lease term. The audit standard was applied retrospectively back to January 1, 2021 as required resulting in the restatement of prior period balances.

The Hospital noted that the adoption of GASB 87 resulted in the addition of \$1,541,390 in capital assets and related lease liabilities, effective January 1, 2021, on the Hospital's financial statements. The impact of the adoption on 2021 ending net position was a decrease of \$13,282.

Accounting Pronouncements Issued Not Yet Adopted

Governmental Accounting Standards Board Statement No. 96 ("GASB 96")

The Hospital will adopt GASB 96, *Subscription-Based Information Technology Arrangements ("SBITA")*, in fiscal year 2023. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

The Hospital is currently assessing the impact of adopting of this GASB statement and its effect on the Hospital's financial position or results of operations.

COPIAH COUNTY MEDICAL CENTER
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NOTES TO FINANCIAL STATEMENTS

Note 2. Clinic Acquisition

During May 2022, the Hospital acquired the assets and business of three neighboring clinics. The acquisition was completed through a purchase of inventory and property and equipment for cash consideration totaling \$415,225. The excess of the consideration over the fair values of assets acquired resulted in a deferred outflow of resources. The acquisition was accounted for in accordance with GASB 69, *Government Combinations and Disposal of Government Operations*.

A summary of the transaction is as follows:

Fair value of assets of business acquired	
Medical equipment and office furniture	\$ 62,170
Inventory	172,730
Deferred outflows	<u>180,325</u>
	<u>\$ 415,225</u>

Note 3. Cash Deposits and Investments

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits might not be recovered. 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 entities' 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 Depository Insurance Corporation ("FDIC"). All deposits with financial institutions must be collateralized in an amount equal to 105 percent of uninsured deposits and are therefore fully insured. The collateralized and insured bank balances as of December 31, 2022 and 2021 was \$5,457,697 and \$9,565,988, respectively.

The Hospital has cash deposits held by a trustee. The use of these funds is restricted for debt service related to the Hospital's revenue bonds. The carrying value of these deposits was \$1,072,662 and \$1,704,063 at December 31, 2022 and 2021, respectively.

The statutes of the State of Mississippi restrict the authorized investments of the Hospital to obligations of the U.S. Treasury, agencies and instrumentalities of the U.S. and certain other types of investments. The Hospital does not have an investment policy that would additionally restrict investment decisions.

The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

COPIAH COUNTY MEDICAL CENTER
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NOTES TO FINANCIAL STATEMENTS

Note 3. Continued

The Hospital had the following recurring fair value measurements as of December 31, 2022 and 2021:

Investments by Fair Value Level	2022	Level 1	Level 2	Level 3
Money Market	\$ 1,072,662	\$ 1,072,662	\$ -	\$ -
Total	<u>\$ 1,072,662</u>	<u>\$ 1,072,662</u>	<u>\$ -</u>	<u>\$ -</u>

Investments by Fair Value Level	2021	Level 1	Level 2	Level 3
Money Market	\$ 1,704,063	\$ 1,704,063	\$ -	\$ -
Total	<u>\$ 1,704,063</u>	<u>\$ 1,704,063</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4. Restricted Assets

The amounts reported as restricted assets are comprised of cash and cash equivalents held by the trustee bank for debt service on behalf of the Hospital related to their required long-term debt described in Note 8.

Note 5. Patient Accounts Receivable

Patient accounts receivable consist of the following:

	2022	2021
Patient accounts receivable	\$ 17,360,289	\$ 13,746,516
Less: Allowance for doubtful accounts	(7,226,503)	(6,684,327)
Less: Allowance for contractual adjustments and doubtful accounts	<u>(5,771,773)</u>	<u>(4,479,518)</u>
Patient accounts receivable, net	<u>\$ 4,362,013</u>	<u>\$ 2,582,671</u>

Note 6. Notes Receivable

The Hospital entered into an agreement on December 30, 2015, to lend \$9,357,532 to Hardy Wilson QEI, LLC ("HWQ"). Interest of 1.3463 percent accrues on the note receivable balance from the date of issuance through maturity, with quarterly interest only payments of \$31,495 beginning March 10, 2016, and paid quarterly through December 10, 2022. Beginning March 10, 2023, and continuing until the maturity date of December 10, 2045, HWQ will make quarterly payments of principal and accrued interest totaling \$118,441. The notes are secured by equity interests of 99.99 percent in URP Subsidiary CDE XXVI, LLC.

COPIAH COUNTY MEDICAL CENTER
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NOTES TO FINANCIAL STATEMENTS

Note 6. Continued

The Hospital entered into an agreement on December 30, 2015, to lend \$3,973,400 to HW MuniStrategies State Fund, LLC ("HMSF"). Interest of 1.3463 percent accrues on the note receivable balance from the date of issuance through maturity, with quarterly interest only payments of \$13,374 beginning March 10, 2016, and paid quarterly through December 10, 2022. Beginning March 10, 2023, and continuing until the maturity date of December 10, 2045, HMSF will make quarterly payments of principal and accrued interest totaling \$50,292. The notes are secured by equity interests of 99.99 percent in MuniStrategies Sub-CDE#17, LLC.

Interest received on notes receivable amounted to approximately \$179,000 for the years ended December 31, 2022 and 2021. At the end of fiscal year 2022, these receivables were cancelled in connection with the exercise of options provided under the NMTC agreements. See Note 9 for further discussion of the transactions described above.

Note 7. Capital Assets

Capital assets and depreciation activity for the year ended December 31, 2022 are as follows:

	December 31, 2021	Additions	Disposals	December 31, 2022
Capital assets not being depreciated:				
Land	\$ 663,551	\$ -	\$ -	\$ 663,551
Construction in progress	183,257	109,421	(174,664)	118,014
Total capital assets not being depreciated	<u>846,808</u>	<u>109,421</u>	<u>(174,664)</u>	<u>781,565</u>
Capital assets being depreciated:				
Buildings and improvements	8,789,267	-	-	8,789,267
Land improvements	1,498,634	-	-	1,498,634
Fixed equipment	5,019,187	-	-	5,019,187
Moveable equipment	4,256,956	3,113,224	(2,194,893)	5,175,287
Total capital assets being depreciated	<u>19,564,044</u>	<u>3,113,224</u>	<u>(2,194,893)</u>	<u>20,482,375</u>
Less: total accumulated depreciation	<u>(7,262,923)</u>	<u>(1,613,257)</u>	<u>-</u>	<u>(8,876,180)</u>
Capital assets being depreciated, net	<u>12,301,121</u>	<u>1,499,967</u>	<u>(2,194,893)</u>	<u>11,606,195</u>
Capital assets, net	<u>\$ 13,147,929</u>	<u>\$ 1,609,388</u>	<u>\$ (2,369,557)</u>	<u>\$ 12,387,760</u>

COPIAH COUNTY MEDICAL CENTER
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NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

Capital assets and depreciation activity for the year ended December 31, 2021 follows:

	December 31, 2020	Additions	Disposals	December 31, 2021
Capital assets not being depreciated:				
Land	\$ 663,551	\$ -	\$ -	\$ 663,551
Construction in progress	-	193,257	(10,000)	183,257
Total capital assets not being depreciated	663,551	193,257	(10,000)	846,808
Capital assets being depreciated:				
Buildings and improvements	8,833,767	-	(44,500)	8,789,267
Land improvements	1,498,634	-	-	1,498,634
Fixed equipment	5,019,187	-	-	5,019,187
Moveable equipment	4,177,172	273,104	(193,320)	4,256,956
Total capital assets being depreciated	19,528,760	273,104	(237,820)	19,564,044
Less: total accumulated depreciation	(5,546,668)	(1,736,929)	20,674	(7,262,923)
Capital assets being depreciated, net	13,982,092	(1,463,825)	(217,146)	12,301,121
Capital assets, net	\$ 14,645,643	\$ (1,270,568)	\$ (227,146)	\$ 13,147,929

For the years ended December 31, 2022 and 2021, depreciation expense was approximately \$1,613,000 and \$1,736,000, respectively. Capital lease equipment was approximately \$2,176,000 and \$1,541,000 with related accumulated amortization of approximately \$756,000 and \$324,000 at December 31, 2022 and 2021, respectively.

At December 31, 2022, the Hospital had no commitments related to capital equipment purchases.

COPIAH COUNTY MEDICAL CENTER
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NOTES TO FINANCIAL STATEMENTS

Note 8. Long-Term Debt

A summary of long-term debt and capital lease obligations at December 31 follows:

	2022	2021
Capital lease obligations at varying interest rates of 2.420 to 3.750 percent, annual payments ranging from \$7,420 to \$8,304, collateralized by leased equipment maturing in 2023 and 2026.	\$ 25,921	\$ 40,699
Capital lease obligation – clinics at 2.65 percent interest, monthly payments beginning May 1, 2022 ranging from \$952 to \$6,656 with annual incremental increases of 2 percent, maturing in May 2025 and April 2027.	520,372	-
Capital lease obligation – Meridian Leasing at 2.65 percent interest, monthly payments of \$25,562 beginning January 1, 2021 and maturing on December 31, 2025.	883,666	1,162,968
Capital lease obligation – Baxter Healthcare Corporation at 2.65 percent interest, monthly payments of \$1,150 beginning May 15, 2020 and maturing in May 2025.	31,196	43,988
Capital lease obligation – Khalaf Plaza Hazlehurst, LLC at 2.65 percent interest, monthly payments of \$2,000 began on January 1, 2021 and matured in December 2022.	-	23,659
Capital lease obligation – Pentax of American, Inc. at 2.65 percent interest, monthly payments of \$947, beginning September 26, 2022 and maturing in September 2025.	29,231	-
Revenue bond payable at 4.54 percent interest, monthly installments of \$52,967 (interest only) beginning September 1, 2015, monthly installments of \$88,873 (principal and accrued interest) beginning September 1, 2017, maturing 2037, collateralized by revenue of the Hospital.	11,359,665	11,897,110
Bank notes payable at 1.522 percent interest, quarterly installments of \$15,121 (interest only) beginning March 1, 2016, quarterly installments of \$51,271 (principal and accrued interest) beginning March 1, 2023, collateralized by real estate, forgiven as part of the 2022 NMTC unwind.	-	3,973,400
Bank notes payable at 1.522 percent interest, quarterly installments of \$2,004 (interest only) beginning March 1, 2016, quarterly installments of \$6,795 (principal and accrued interest) beginning March 1, 2023, collateralized by real estate, forgiven as part of the NMTC unwind.	-	526,600

COPIAH COUNTY MEDICAL CENTER
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NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

	2022	2021
Bank notes payable at 1.000 percent interest, quarterly installments of \$23,394 (interest only) beginning March 1, 2016, quarterly installments of \$113,984 (principal and accrued interest) beginning March 1, 2023, collateralized by real estate, forgiven as part of the NMTC unwind.	\$ -	\$ 9,357,532
Bank notes payable at 1.000 percent interest, quarterly installments of \$8,106 (interest only) beginning March 1, 2016, quarterly installments of \$39,496 (principal and accrued interest) beginning March 1, 2023, collateralized by real estate, forgiven as part of the NMTC unwind.	-	3,242,468
Total long-term obligations	12,850,051	30,268,424
Less current maturities	(1,019,696)	(868,009)
Long-term obligations, less current maturities	\$ 11,830,355	\$ 29,400,415

A schedule of changes in the Hospital's long-term debt for the years ended December 31, 2022 and 2021 follows:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Due Within One Year
Revenue Bond	\$ 11,897,110	\$ -	\$ (537,445)	\$ 11,359,665	\$ 561,210
Notes Payable	17,100,000	-	(17,100,000)	-	-
Capital lease obligation	1,271,314	635,010	(415,938)	1,490,386	458,486
Total long-term obligations	\$ 30,268,424	\$ 635,010	\$ (18,053,383)	\$ 12,850,051	\$ 1,019,696

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021	Due Within One Year
Revenue Bond	\$ 12,410,744	\$ -	\$ (513,634)	\$ 11,897,110	\$ 537,448
Notes Payable	17,100,000	-	-	17,100,000	-
Capital lease obligation	1,596,431	-	(325,117)	1,271,314	330,561
Total long-term obligations	\$ 31,107,175	\$ -	\$ (838,751)	\$ 30,268,424	\$ 868,009

The bonds are collateralized by a pledge of the Hospital's revenue. Under the terms of the revenue bond, the Hospital is required to maintain certain deposits with a trustee, as mentioned in Note 4. Such deposits are included in restricted assets in the statements of net position. These funds are maintained at the trustee and require monthly funding by the Hospital. The revenue bond also requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding. The Hospital was in compliance with all covenants of its outstanding bond issues at December 31, 2022 and 2021.

COPIAH COUNTY MEDICAL CENTER
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Years Ended December 31, 2022 and 2021

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

Scheduled interest and principal payments on long-term debt at December 31, 2022 are as follows:

Year Ending December 31,	Capital Lease Obligation		Long-Term & Notes Payable	
	Principal	Interest	Principal	Interest
2023	\$ 458,486	\$ 33,447	\$ 561,210	\$ 504,123
2024	493,187	21,114	588,428	478,054
2025	432,282	8,516	615,706	450,776
2026	79,956	1,826	644,248	422,234
2027	26,475	146	674,113	392,369
2028 - 2032	-	-	3,869,309	1,634,522
2023 - 2037	-	-	4,406,651	694,177
	<u>\$ 1,490,386</u>	<u>\$ 65,049</u>	<u>\$ 11,359,665</u>	<u>\$ 4,576,255</u>

Note 9. New Market Tax Credits

On December 30, 2015, the Hospital and CCPBC, entered into transactions which generated NMTC under Section 45D of the Internal Revenue Service Code. The transaction was initiated by the revenue bond to the Hospital from Trustmark National Bank for \$14,000,000. From the revenue bond, the Hospital was able to loan \$13,330,932 to federal and state leverage lenders. The federal and state leverage lenders used these loans to contribute to third-party federal and state Sub-CDEs Quality Equity Investments ("QEI") under Section 45D. The federal and state Sub-CDEs then funded loans totaling \$17,100,000 to CCPBC. The transaction was structured as a 30-year debt financing with a seven-year NMTC compliance period, after which the Hospital had the option to acquire all membership rights of the investment fund and forgive the related debt. CCPBC used the proceeds of these transactions to construct a replacement critical access hospital facility for the Hospital.

The debt is guaranteed and secured by a lease agreement between CCPBC and the Hospital for the use of the facility once constructed. The new Hospital campus qualifies as low-income property under Section 45D. As such, the financing arrangements between CCPBC and the lenders qualify as qualified low-income community investment ("QLICI") and generate New Market Tax Credits.

In December 2022, pursuant to the NMTC agreements, the Hospital exercised its options as contemplated under the NMTC agreements. In connection with this transaction, the Hospital's note receivable of \$13,330,932 and note payable of \$17,100,000 were cancelled resulting in a gain of approximately \$3,724,000, which is included in the gain on forgiveness of debt on the consolidated statement of revenue, expenses and change in net position for the year ended December 31, 2022. CCPBC was then dissolved.

Outstanding borrowings under the NMTC loans on the consolidated statements of net position as of December 31, 2022 and 2021 were \$-0- and \$17,100,00, respectively.

COPIAH COUNTY MEDICAL CENTER
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NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Plan

The Hospital established the Copiah County Medical Center Retirement Plan (the "Plan"), as a defined contribution plan. The Plan covers employees who are aged 21 and over with one year prior service or at least 1,000 hours of service and who choose to participate. The Hospital provides matching contributions of up to 4 percent for employee contributions. Participants are 100 percent vested in their own contributions and 100 percent vested in Hospital contributions after five years of service. Participants become 100 percent vested upon death or disability.

The Hospital's contributions for the years ended December 31, 2022 and 2021 were approximately \$122,000 and \$117,000, respectively.

Note 11. Patient Service Revenue

The Hospital has agreements with third-party payors providing payments to the Hospital at amounts different from the Hospital's established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

Since obtaining critical access designation, inpatient and outpatient services rendered to Medicare programs beneficiaries, are reimbursed under cost reimbursement methodologies. The Hospital is reimbursed by the Medicare fiscal intermediary at a tentative interim rate with final settlement determined with the submission of annual cost reports and audits. The Hospital's Medicare cost reports have been filed with the Medicare fiscal intermediary through December 31, 2022. Desk reviews have been performed on reports issued through December 31, 2020.

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. The Hospital's Medicaid cost reports have been filed with the fiscal intermediary through December 31, 2022.

The Hospital participates in the Mississippi Intergovernmental Transfer program as a Medicaid Disproportionate Share Hospital ("DSH"). Under this program, the Hospital receives enhanced reimbursement through a matching mechanism. For the fiscal years ended December 31, 2022 and 2021, the Hospital reported approximately \$2,298,000 and \$1,082,000, respectively, in enhanced reimbursement through the DSH program. DSH amounts are shown as a reduction of contractual adjustments.

The Hospital participates in the Division of Medicaid ("DOM") Mississippi Hospital Access Payment ("MHAP") program (the "MHAP Program"). The MHAP Program is administered by the DOM through the MississippiCAN coordinated care organizations ("COO"). The COO's subcontract with hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care. The MHAP payments and associated tax were distributed monthly. The Hospital received approximately \$619,000 and \$486,000 from the MHAP program recorded in net patient service revenue with related tax assessments of approximately \$224,000 and \$161,000 recorded in operating expenses for the years ended December 31, 2022 and 2021, respectively.

COPIAH COUNTY MEDICAL CENTER
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NOTES TO FINANCIAL STATEMENTS

Note 11. Continued

Other

The Hospital has also entered into payment agreements 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, prospectively determined daily rates and Medicare fee schedules.

A summary of patient service revenue as of December 31 follows:

	<u>2022</u>	<u>2021</u>
Gross patient service revenue	\$ 69,015,428	\$ 60,282,319
Less provisions for		
Contractual and other adjustments under third-party		
Reimbursement programs and managed care contracts	39,248,394	33,266,534
Uncollectible accounts	6,772,717	8,666,358
Net patient service revenue	<u>\$ 22,994,317</u>	<u>\$ 18,349,427</u>

Note 12. Charity Care

The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated approximately \$1,071,000 and \$564,000 for the years ended December 31, 2022 and 2021, respectively. The estimated cost of charity care, estimated using a ratio of cost-to-gross charges, totaled approximately \$374,000 and \$174,000 for the years ended December 31, 2022 and 2021, respectively.

The Hospital also provides healthcare services to a significant portion of the uninsured and underinsured population in the surrounding community. While a portion of these patients may ultimately qualify for coverage under the Medicaid program of the financial assistance policy, the Hospital often admits a number of patients with the expectation / realization that it will likely be unable to collect a significant portion of these accounts.

Note 13. COVID-19 Pandemic and CARES Act Funding

On March 14, 2020, the Governor of the State of Mississippi declared a state of emergency in the State of Mississippi related to the Coronavirus ("COVID-19") pandemic and subsequently issued numerous executive orders in an effort to reduce community spread of the virus and protect Mississippi's most vulnerable citizens. As a result of the executive orders and generally in response to the concern for community spread, elective procedures and other nonemergency visits to the Hospital's facilities were significantly curtailed beginning March 2020.

The Hospital experienced significantly lower inpatient and outpatient volumes while also dealing with increased costs associated with personal protective equipment and managing the pandemic, causing the significant decline in operating income for the prior year ended December 31, 2020. 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 upon the duration of the public health crisis and the response from both state and federal governments.

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NOTES TO FINANCIAL STATEMENTS

Note 13. Continued

Provider Relief Fund

In response to the COVID-19 pandemic, Congress passed multiple bills that included funding and operational relief for affected hospitals. The U.S. Department of Health and Human Services ("HHS"), the Centers for Medicare and Medicaid Services and the Health Resources and Services Administration all issued various waivers of regulations governing coverage of specific services and conditions of program participation. The Public Health and Social Services Emergency Fund (the "Provider Relief Fund") was among the provisions of the CARES Act, which was signed into law on March 27, 2020. On April 22, 2020, HHS announced a distribution methodology for the \$100 billion Provider Relief Fund appropriated as part of the CARES Act. Additionally, HHS provided \$75 billion in addition to the \$100 billion provided under the CARES Act. As a condition to receiving distributions, providers agreed to certain terms and conditions, including, among other things, that the funds would be used for lost operating revenues and COVID-19 related costs. During fiscal years 2021 and 2020, the Hospital received approximately \$1,127,000 and \$5,021,000, respectively, from the Provider Relief Fund and recognized approximately \$1,127,000 and \$4,591,000 as of December 31, 2022 and 2021, respectively, in nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The Hospital recognizes the Provider Relief Fund payments as income when there is reasonable assurance of compliance with the terms and conditions associated with the grant. The unrecognized amount from the funds received are recorded as deferred revenue in the accompanying statements of net position.

Medicare Accelerated and Advance Payment Program

The Hospital also applied for and was paid approximately \$1,616,000 during the year ended December 31, 2020, as an advance on six months of its Medicare payments through the Medicare Accelerated and Advanced Payment Program which was expanded to increase cash flow to providers of services impacted by the COVID-19 pandemic.

Recoupment of the advance payments began one year after the advance payments were received. After the first year, Medicare began automatically recouping 25 percent of the Medicare payments otherwise owed to the provider for 11 months. At the end of the 11-month period, recoupment will increase to 50 percent for another six months. If there is an outstanding balance after the 29-month period, Medicare will issue letters requiring repayment, subject to an interest rate of 4 percent. The Hospital has accounted for these funds as a contractual liability in the accompanying statements of net position as approximately \$-0- and \$647,000 at December 31, 2022 and 2021, respectively.

Note 14. Insurance Programs

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 carries commercial insurance for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

COPIAH COUNTY MEDICAL CENTER
Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTES TO FINANCIAL STATEMENTS

Note 14. Continued

Medical Malpractice Insurance

The Hospital purchases professional and general liability insurance to cover medical malpractice claims. At year-end, there were no material claims asserted or anticipated, and the Hospital has not accrued any losses for malpractice claims or expenses. Nevertheless, the future assertion of claims for occurrences prior to year-end is possible and may occur, although it is not anticipated. In any event, management believes that any such claims would be substantially covered under its insurance program.

Note 15. Business and Credit Concentrations

Patient Service Revenue

The Hospital is located in Hazlehurst, Mississippi and grants credit without personal collateral to its patients and their insurance companies, most of whom are residents in the area. The mix of patient service revenues is as follows:

	2022	2021
Medicare	26%	27%
Medicare Advantage	23	22
Medicaid	16	15
Commercial Providers	24	22
Self-pay	11	14
Total	100%	100%

Accounts Receivable

The Hospital is located in Hazlehurst, Mississippi and grants credit without personal collateral to its patients and their insurance companies, most of whom are residents in the area. The mix of accounts receivable at gross is as follows:

	2022	2021
Medicare	12%	12%
Medicare Advantage	11	11
Medicaid	9	11
Commercial Providers	18	19
Self-pay	49	47
Total	100%	100%

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NOTES TO FINANCIAL STATEMENTS

Note 16. Blended Component Units

In accordance with GASB No. 61, see below for a reconciliation of the financial statement line items by component:

	December 31, 2022		
	CCMC	CCPBC	Total
Condensed Statements of Net Position			
ASSETS			
Total current assets	\$ 10,451,020	\$ 315,565	\$ 10,766,585
Restricted assets	1,072,662	-	1,072,662
Capital assets, net	3,224,378	9,163,382	12,387,760
Total assets	14,748,060	9,478,947	24,227,007
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on acquisitions	168,303	-	168,303
LIABILITIES			
Total current liabilities	2,928,191	-	2,928,191
Other liabilities	149,272	-	149,272
Long-term liabilities, less current maturities	11,830,355	-	11,830,355
Total liabilities	14,907,818	-	14,907,818
Net position	\$ 8,545	\$ 9,478,947	\$ 9,487,492
Condensed Statements of Revenues, Expenses, and Changes in Net Position			
Operating revenues	\$ 23,161,749	\$ -	\$ 23,161,749
Depreciation	704,215	944,467	1,648,682
Other operating expenses	22,249,938	17,351	22,267,289
Nonoperating revenues	4,199,371	47,710	4,247,081
Increase (decrease) in net position	\$ 4,406,967	\$ (914,108)	\$ 3,492,859
Condensed Statements of Cash Flows			
Operating activities	\$ (2,223,403)	\$ 966,159	\$ (1,257,244)
Noncapital financing activities	109,169	(729,003)	(619,834)
Capital and related financing activities	(2,148,132)	(206,797)	(2,354,929)
Investing activities	175,841	-	175,841
Change in cash	(4,086,525)	30,359	(4,056,166)
Beginning cash	9,574,690	285,206	9,859,896
Ending cash	\$ 5,488,165	\$ 315,565	\$ 5,803,730

COPIAH COUNTY MEDICAL CENTER
Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTES TO FINANCIAL STATEMENTS

Note 16. Continued

	December 31, 2021		
	CCMC	CCPBC	Total
Condensed Statements of Net Position			
ASSETS			
Total current assets	\$ 11,101,682	\$ -	\$ 11,101,682
Restricted assets	1,418,857	285,206	1,704,063
Notes receivable	13,330,932	-	13,330,932
Capital assets, net	3,040,080	10,107,849	13,147,929
Total assets	<u>28,891,551</u>	<u>10,393,055</u>	<u>39,284,606</u>
LIABILITIES			
Total current liabilities	3,878,210	11,348	3,889,558
Long-term liabilities, less current maturities	12,300,415	17,100,000	29,400,415
Total liabilities	<u>16,178,625</u>	<u>17,111,348</u>	<u>33,289,973</u>
Total net position (deficit)	<u>\$ 12,712,926</u>	<u>\$ (6,718,293)</u>	<u>\$ 5,994,633</u>
Condensed Statements of Revenue, Expenses and Change in Net Position			
Operating revenues	\$ 18,472,987	\$ -	\$ 18,472,987
Depreciation	743,739	1,087,613	1,831,352
Other operating expenses	16,720,475	19,263	16,739,738
Nonoperating revenues	3,863,785	143,500	4,007,285
Increase (decrease) in net position	<u>\$ 4,872,558</u>	<u>\$ (963,376)</u>	<u>\$ 3,909,182</u>
Condensed Statements of Cash Flows			
Operating activities	\$ 256,083	\$ 957,222	\$ 1,213,305
Noncapital financing activities	822,464	(638,486)	183,978
Capital and related financing activities	(1,779,522)	(194,499)	(1,974,021)
Investing activities	192,643	-	192,643
Change in cash	(508,332)	124,237	(384,095)
Beginning cash	<u>10,083,022</u>	<u>160,969</u>	<u>10,243,991</u>
Ending cash	<u>\$ 9,574,690</u>	<u>\$ 285,206</u>	<u>\$ 9,859,896</u>

COPIAH COUNTY MEDICAL CENTER
Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

NOTES TO FINANCIAL STATEMENTS

Note 17. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued July 13, 2023 and determined that no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

COPIAH COUNTY MEDICAL CENTER
Schedule of Surety Bonds for Officers and Employees
December 31, 2022

Name	Position	Surety	Amount
Dan Jones	Trustee	Travelers	\$ 10,000
Demarrio Brown	Trustee	Travelers	10,000
Nancy M. Tanner	Trustee	Travelers	10,000
Francis L. Jackson	Trustee	Travelers	10,000
George R. Marx	Trustee	Travelers	10,000
William Tyre Morgan	Chief Executive Officer	Travelers	10,000
Kortney Gaddy	Chief Financial Officer	Travelers	10,000



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Copiah County Medical Center
Hazlehurst, Mississippi

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 Copiah County Medical Center (the "Hospital"), as of December 31, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated July 13, 2023.

Report on 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 audit 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 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 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 statement. 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.

HORNE LLP

Ridgeland, Mississippi
July 13, 2023