

**NESHOBA COUNTY GENERAL HOSPITAL
AND NESHOBA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
PHILADELPHIA, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2025**

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
September 30, 2025

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, a component unit of Neshoba County, Mississippi, as of and for the years ended September 30, 2025, and 2024, and the related notes to financial statements, which collectively comprise Neshoba County General Hospital and Neshoba County Nursing Home and its component unit's basic financial statements as listed in the contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type activities and the discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, as of September 30, 2025, and 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial information of Neshoba County General Hospital and Neshoba County Nursing Home and its component unit and do not purport to, and do not, present fairly the financial position of Neshoba County, Mississippi as of September 30, 2025, and 2024, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Neshoba County General Hospital and Neshoba County Nursing Home and its discretely presented component unit, 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.

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 Neshoba County General Hospital and Neshoba County Nursing Home and its discretely presented component unit'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' Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Neshoba County General Hospital and Neshoba County Nursing Home and its discretely presented component unit'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 Neshoba County General Hospital and Neshoba County Nursing Home and its discretely presented component unit'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 (pages 5 to 9) 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Surety Bonds for Officials and Employees (page 39) 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 audit procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Surety Bonds for Officials and Employees is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Detailed Schedules of Operating Revenues and Detailed Schedules of Operating Expenses for the years ended September 30, 2025, and 2024 (pages 40 to 43), but does not include the basic financial statements and our auditors' report thereon. Our opinion 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2026, on our consideration of Neshoba County General Hospital and Neshoba County Nursing Home and its discretely presented component unit's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Neshoba County General Hospital and Neshoba County Nursing Home and its discretely presented component unit's internal control over financial reporting and compliance.

Eupora, Mississippi
June 2, 2026

Watkins Ward and Stafford, P.C.

Neshoba County General Hospital and Neshoba County Nursing Home
and its Component Unit
Management's Discussion and Analysis
Years Ended September 30, 2025, and 2024

Our discussion and analysis of Neshoba County General Hospital and Neshoba County Nursing Home's financial performance provides an overview of the facility's financial activities for the fiscal years ended September 30, 2025, and 2024. Please read it in conjunction with the facility's financial statements, which begin on page 10. This discussion and analysis presents only the activity of Neshoba County General Hospital and Neshoba County Nursing Home and does not present the activity of any discretely presented component units.

FINANCIAL HIGHLIGHTS

- ◆ The facility's net position decreased by \$7,779 in 2025 and increased by \$3,960,287 in 2024.
- ◆ The facility reported an operating loss of \$863,429 in 2025 and operating income of \$2,192,366 in 2024.
- ◆ Nonoperating revenues and expenses decreased by \$912,271 from 2024 to 2025.

USING THIS ANNUAL REPORT

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

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

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

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

Neshoba County General Hospital and Neshoba County Nursing Home
and its Component Unit
Management's Discussion and Analysis
Years Ended September 30, 2025, and 2024

USING THIS ANNUAL REPORT (Continued)

The Statements of Cash Flows

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

THE FACILITY'S NET POSITION

The facility's net position is the difference between its assets and liabilities reported in the Statements of Net Position on pages 10 and 11. The facility's net position decreased by \$7,779, or 0.01% in 2025.

Table 1: Assets, Liabilities, and Net Position

	2025	2024
Assets:		
Current assets	\$ 43,814,403	\$ 42,695,515
Capital assets, net	29,372,971	28,831,601
Lease assets, net	327,002	89,132
Subscription-based IT asset, net	1,629,423	2,353,611
Other noncurrent assets	2,085,126	1,385,260
Total Assets	\$ 77,228,925	\$ 75,355,119
Liabilities:		
Current liabilities	\$ 7,821,514	\$ 5,112,406
Long-term debt, net	4,111,685	4,939,208
Total Liabilities	11,933,199	10,051,614
Net Position:		
Invested in capital assets, net of related debt	25,538,041	25,068,504
Unrestricted	39,757,685	40,235,001
Total Net Position	65,295,726	65,303,505
Total Liabilities and Net Position	\$ 77,228,925	\$ 75,355,119

The change in the facility's net position is due to several factors. Cash and cash equivalents increased by \$753,821 for 2025, compared to a decrease of \$59,047 for 2024. Net patient accounts receivable decreased by \$718,997 for 2025, compared to an increase of \$139,354 for 2024. Other receivables increased by \$473,921 for 2025, compared to a decrease of \$1,127,359 for 2024. The facility acquired capital assets in the amounts of \$2,139,799, and \$1,505,057, for the years 2025, and 2024, respectively. Depreciation and amortization expenses amounted to \$2,812,439 in 2025 and \$3,651,560 in 2024. The facility invested an additional \$700,730 in Mississippi True in 2025. Unearned revenue – House Bill 1131 funding increased by \$2,000,000 for 2025, compared to none in 2024. Construction payable increased by \$387,145 for 2025, compared to none in 2024. Subscription-based IT liability decreased by \$591,097 for 2025, compared to a decrease of \$711,976 for 2024. Notes payable decreased by \$443,884 for 2025, compared to a decrease of \$786,872 for 2024.

Neshoba County General Hospital and Neshoba County Nursing Home
and its Component Unit
Management's Discussion and Analysis
Years Ended September 30, 2025, and 2024

OPERATING RESULTS AND CHANGES IN THE FACILITY'S NET POSITION

Table 2: Operating Results

	2025	2024
Operating Revenues:		
Net patient services revenues	\$ 53,173,405	\$ 53,994,456
Other revenues	3,323,222	3,399,848
Loss on sale of equipment	(5,690)	(751)
Total Operating Revenues	<u>56,490,937</u>	<u>57,393,553</u>
Operating Expenses:		
Salaries and benefits	34,747,522	33,147,815
Supplies and drugs	7,491,753	7,124,915
Other operating expenses	11,664,501	10,712,753
Insurance	638,151	564,144
Depreciation and amortization	2,812,439	3,651,560
Total Operating Expenses	<u>57,354,366</u>	<u>55,201,187</u>
Operating Income (Loss)	<u>(863,429)</u>	<u>2,192,366</u>
Nonoperating Revenues (Expenses):		
Interest income	817,862	391,166
Investment income	113,496	209,952
Donations	40	25,949
Grants and contributions	36,198	1,278,385
Interest expense	(111,946)	(137,531)
Total Nonoperating Revenues (Expenses)	<u>855,650</u>	<u>1,767,921</u>
Excess of Revenues Over (Under) Expenses	<u>(7,779)</u>	<u>3,960,287</u>
Net Position Beginning of Year	<u>65,303,505</u>	<u>61,343,218</u>
Net Position End of Year	<u><u>\$ 65,295,726</u></u>	<u><u>\$ 65,303,505</u></u>

Neshoba County General Hospital and Neshoba County Nursing Home
and its Component Unit
Management's Discussion and Analysis
Years Ended September 30, 2025, and 2024

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

Operating Income (Loss)

The first component of the overall change in the facility's net position is its operating income (loss) – generally, the difference between net patient services and other operating revenues and the expenses incurred to perform those services. The facility reported an operating loss of \$863,429 in 2025 and operating income of \$2,192,366 in 2024. The operating income decreased by \$3,055,795, or 139.38%, from 2024 to 2025.

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

- ◆ A decrease of \$821,051, or 1.52% in net patient services revenue.
- ◆ An increase in salaries and benefits of \$1,599,707, or 4.83%.
- ◆ An increase in supplies and drugs of \$366,838, or 5.15%.
- ◆ An increase in other operating expenses of \$951,748, or 8.88%.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of interest income, investment income, donations, and grants and contributions. The facility had interest income, primarily from checking accounts and certificates of deposit, of \$817,862 in 2025 and \$391,166 in 2024. The facility had investment income from the Mississippi Hospital Association Investment Pool of \$113,496 in 2025 and investment income of \$209,952 in 2024. The facility received grants and contributions of \$36,198, and \$1,278,385, in 2025, and 2024, respectively.

Nonoperating expenses consist of interest expense. The facility had interest expense in the amount of \$111,946 in 2025 and \$137,531 in 2024.

THE FACILITY'S CASH FLOWS

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

CAPITAL ASSETS, LEASE ASSETS, AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the facility's investment in capital assets net of accumulated depreciation was \$29,372,971. In 2025, the facility's net capital assets increased by \$541,370. In 2024, the facility's net capital assets increased by \$1,328,356. See Note 6 for a detailed analysis of capital assets.

Neshoba County General Hospital and Neshoba County Nursing Home
and its Component Unit
Management's Discussion and Analysis
Years Ended September 30, 2025, and 2024

CAPITAL ASSETS, LEASE ASSETS, AND DEBT ADMINISTRATION (Continued)

Lease Assets

At the end of 2025, the facility's investment in lease assets net of accumulated amortization was \$327,002. In 2025, the facility's net lease assets increased by \$237,870. In 2024, the facility's net lease assets decreased by \$106,959. See Note 7 for a detailed analysis of lease assets.

Subscription-Based IT Asset

As detailed in Note 8 of the financial statements, the facility had \$1,629,423 invested in a subscription-based IT asset, net of accumulated amortization at September 30, 2025, and \$2,353,611 at September 30, 2024. The facility acquired no new subscription-based IT assets in 2025 and 2024.

Lease Liability Obligations, Including Current Portion

At the end of 2025, the facility had \$328,327 in lease liability obligations (including current portion) outstanding. The facility issued \$346,237 in new lease liability obligations in 2025 and made \$112,886 in principal payments. At the end of 2024, the facility had \$94,976 in lease liability obligations (including current portion) outstanding. The facility did not issue any new lease liability obligations in 2024 and made \$108,039 in principal payments. See Note 10 for a detailed analysis of lease liability obligations.

Subscription-Based IT Liability, Including Current Portion

At September 30, 2025, the facility had \$1,846,276 in a subscription-based IT liability (including current portion) outstanding. The facility incurred no new subscriptions in 2025 and made \$591,097 in principal payments. At September 30, 2024, the facility had \$2,437,373 in a subscription-based IT liability (including current portion) outstanding. The facility incurred no new subscriptions in 2024 and made \$711,976 in principal payments. See Note 11 for a detailed analysis of subscription-based IT liability obligations.

Notes Payable, Including Current Portion

At the end of 2025, the facility had \$3,229,607 in notes payable (including current portion) outstanding. The facility issued no new debt in 2025 and made \$443,884 in principal payments. At the end of 2024, the facility had \$3,673,491 in notes payable (including current portion) outstanding. The facility issued no new debt in 2024 and made \$786,872 in principal payments. See Note 12 for a detailed analysis of notes payable.

CONTACTING THE FACILITY'S FINANCIAL MANAGEMENT

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Statements of Net Position
September 30, 2025, and 2024

	2025		2024	
	Primary Government	Component Unit Ambulance Enterprise	Primary Government	Component Unit Ambulance Enterprise
Assets				
Current Assets:				
Cash and cash equivalents	\$ 20,895,092	\$ 97,307	\$ 22,175,593	\$ 121,228
Restricted cash - House Bill 1131 Funding	2,000,000	-	-	-
Investment in certificates of deposit	5,230,000	-	5,000,000	-
MHA investment pool	2,862,744	-	2,749,247	-
Patient accounts receivable	15,100,962	2,393,658	15,270,101	2,862,502
Less estimated uncollectibles and allowances	(5,134,278)	(1,705,225)	(4,584,420)	(2,146,980)
Other receivables	874,666	-	400,745	-
Nursing home residents' funds	92,075	-	57,753	-
Estimated third-party payor settlements	413,251	-	452,475	-
Inventories of supplies and drugs	526,254	-	483,562	-
Prepaid expenses	885,012	10,970	610,042	7,106
Deferred expense	68,625	-	80,417	-
Total Current Assets	<u>43,814,403</u>	<u>796,710</u>	<u>42,695,515</u>	<u>843,856</u>
Capital Assets:				
Capital assets	60,698,593	58,021	64,705,658	58,021
Less accumulated depreciation	(31,325,622)	(43,537)	(35,874,057)	(33,852)
Total Capital Assets, Net of Accumulated Depreciation	<u>29,372,971</u>	<u>14,484</u>	<u>28,831,601</u>	<u>24,169</u>
Lease Assets:				
Lease assets	346,237	-	320,876	-
Less accumulated amortization	(19,235)	-	(231,744)	-
Total Lease Assets, Net of Accumulated Amortization	<u>327,002</u>	<u>-</u>	<u>89,132</u>	<u>-</u>
Subscription-Based IT Asset:				
Subscription-based IT asset	4,526,175	-	4,526,175	-
Less accumulated amortization	(2,896,752)	-	(2,172,564)	-
Total Subscription-Based IT Asset, Net of Accumulated Amortization	<u>1,629,423</u>	<u>-</u>	<u>2,353,611</u>	<u>-</u>
Other Assets:				
Investment in Mississippi True	1,500,730	-	800,000	-
Deferred expense	580,372	-	579,452	-
Physician loan receivable	4,024	-	5,808	-
Total Other Assets	<u>2,085,126</u>	<u>-</u>	<u>1,385,260</u>	<u>-</u>
Total Assets	<u>\$ 77,228,925</u>	<u>\$ 811,194</u>	<u>\$ 75,355,119</u>	<u>\$ 868,025</u>

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Statements of Net Position
September 30, 2025, and 2024

	2025		2024	
	Primary	Component Unit	Primary	Component Unit
	Government	Ambulance Enterprise	Government	Ambulance Enterprise
Liabilities and Net Position				
Current Liabilities:				
Accounts payable	\$ 1,555,472	\$ -	\$ 1,441,753	\$ -
Construction payable	387,145	-	-	-
Unearned revenue - House Bill 1131 Funding	2,000,000	-	-	-
Accrued expenses and payroll withholdings	2,197,667	-	2,110,268	-
Accounts receivable credit balances	296,380	27,670	235,772	16,936
Nursing home residents' funds	92,325	-	57,981	-
Due to Neshoba County General Hospital	-	559,272	-	243,989
Current portion of lease liability obligations	109,611	-	94,976	-
Current portion of subscription-based IT liability	881,781	-	728,162	-
Current portion of notes payable	301,133	-	443,494	-
Total Current Liabilities	<u>7,821,514</u>	<u>586,942</u>	<u>5,112,406</u>	<u>260,925</u>
Long-Term Liabilities:				
Lease liability obligations	218,716	-	-	-
Subscription-based IT liability	964,495	-	1,709,211	-
Notes payable	2,928,474	-	3,229,997	-
Total Long-Term Liabilities, Net of Current Maturities	<u>4,111,685</u>	<u>-</u>	<u>4,939,208</u>	<u>-</u>
Total Liabilities	<u>11,933,199</u>	<u>586,942</u>	<u>10,051,614</u>	<u>260,925</u>
Net Position:				
Invested in capital assets, net of related debt	25,538,041	14,484	25,068,504	24,169
Unrestricted	39,757,685	209,768	40,235,001	582,931
Total Net Position	<u>65,295,726</u>	<u>224,252</u>	<u>65,303,505</u>	<u>607,100</u>
Total Liabilities and Net Position	<u>\$ 77,228,925</u>	<u>\$ 811,194</u>	<u>\$ 75,355,119</u>	<u>\$ 868,025</u>

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2025, and 2024

	2025		2024	
	Primary Government	Component Unit Ambulance Enterprise	Primary Government	Component Unit Ambulance Enterprise
Operating Revenues:				
Net patient services revenue	\$ 53,173,405	\$ 2,229,115	\$ 53,994,456	\$ 2,267,013
Other revenue	3,323,222	-	3,399,848	-
Loss on sale of equipment	(5,690)	-	(751)	-
Total Operating Revenues	<u>56,490,937</u>	<u>2,229,115</u>	<u>57,393,553</u>	<u>2,267,013</u>
Operating Expenses:				
Salaries and benefits	34,747,522	-	33,147,815	-
Supplies and drugs	7,491,753	71,639	7,124,915	76,070
Other operating expenses	11,664,501	2,224,428	10,712,753	2,145,835
Insurance	638,151	-	564,144	-
Depreciation and amortization	<u>2,812,439</u>	<u>9,685</u>	<u>3,651,560</u>	<u>9,684</u>
Total Operating Expenses	<u>57,354,366</u>	<u>2,305,752</u>	<u>55,201,187</u>	<u>2,231,589</u>
Operating Income (Loss)	<u>(863,429)</u>	<u>(76,637)</u>	<u>2,192,366</u>	<u>35,424</u>
Nonoperating Revenues (Expenses):				
Interest income	817,862	7	391,166	42
Investment income	113,496	-	209,952	-
Donations	40	-	25,949	-
Grants and contributions	36,198	17,782	1,278,385	6,450
Grant to County	-	(324,000)	-	-
Interest expense	(111,946)	-	(137,531)	-
Total Nonoperating Revenues (Expenses)	<u>855,650</u>	<u>(306,211)</u>	<u>1,767,921</u>	<u>6,492</u>
Excess of Revenues Over (Under) Expenses	<u>(7,779)</u>	<u>(382,848)</u>	<u>3,960,287</u>	<u>41,916</u>
Net Position Beginning of Year	<u>65,303,505</u>	<u>607,100</u>	<u>61,343,218</u>	<u>565,184</u>
Net Position End of Year	<u>\$ 65,295,726</u>	<u>\$ 224,252</u>	<u>\$ 65,303,505</u>	<u>\$ 607,100</u>

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Statements of Cash Flows
Years Ended September 30, 2025, and 2024

	2025		2024	
	Primary Government	Component Unit Ambulance Enterprise	Primary Government	Component Unit Ambulance Enterprise
Cash Flows From Operating Activities:				
Receipts from and on behalf of patients	\$ 53,953,010	\$ 2,266,938	\$ 52,781,095	\$ 2,239,106
Payments to suppliers and contractors	(20,150,235)	(1,984,648)	(16,280,522)	(2,280,914)
Payments to and on behalf of employees	(34,930,011)	-	(33,427,782)	-
Other receipts and payments, net	3,357,565	-	3,410,149	-
Net Cash Provided (Used) by Operating Activities	2,230,329	282,290	6,482,940	(41,808)
Cash Flows From Noncapital Financing Activities:				
Grants and contributions	36,238	17,782	1,304,334	6,450
Grant expense	-	(324,000)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	36,238	(306,218)	1,304,334	6,450
Cash Flows From Capital and Related Financing Activities:				
Purchase of property and equipment	(2,139,799)	-	(1,492,808)	-
Local Improvements Projects Funds	2,000,000	-	-	-
Principal payments on lease liability obligations	(112,886)	-	(108,039)	-
Principal payments on subscription-based IT liabilities	(591,097)	-	(711,976)	-
Principal payments of notes payable	(443,884)	-	(786,872)	-
Interest paid on long-term liabilities	(112,212)	-	(137,792)	-
Net Cash Used by Capital and Related Financing Activities	(1,399,878)	-	(3,237,487)	-
Cash Flows From Investing Activities:				
Maturity of certificates of deposit	5,000,000	-	-	-
Investment in certificates of deposit	(5,230,000)	-	(5,000,000)	-
Investment in MS Healthcare Providers	(700,730)	-	-	-
Interest income	817,862	7	391,166	42
Net Cash Provided (Used) by Investing Activities	(112,868)	7	(4,608,834)	42
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	753,821	(23,921)	(59,047)	(35,316)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	22,233,346	121,228	22,292,393	156,544
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 22,987,167	\$ 97,307	\$ 22,233,346	\$ 121,228

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Statements of Cash Flows
Years Ended September 30, 2025, and 2024

	2025		2024	
	Primary	Component Unit	Primary	Component Unit
	Government	Ambulance Enterprise	Government	Ambulance Enterprise
Reconciliation of Operating Income (Loss) to Net				
Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (863,429)	\$ (76,637)	\$ 2,192,366	\$ 35,424
Adjustment to Reconcile Operating Income (Loss) to Net				
Cash Flows Provided (Used) by Operating Activities:				
Depreciation and amortization	2,812,439	9,685	3,651,560	9,684
Provision for uncollectible accounts	6,671,974	575,630	5,875,988	521,304
Loss on sale of equipment	5,690	-	751	-
Changes in:				
Patient accounts receivable	(5,892,370)	(537,807)	(6,174,776)	(549,211)
Supplies and other current assets	(791,583)	(3,864)	1,206,938	843
Physician loan receivable	1,784	-	1,647	-
Deferred expense	10,872	-	(138,749)	-
Accounts payable, accrued expenses, and other				
current liabilities	235,728	-	(145,110)	-
Estimated third-party payor payments	39,224	-	12,325	-
Due to Neshoba County General Hospital and				
Neshoba County Nursing Home	-	315,283	-	(59,852)
Net Cash Provided (Used) by Operating Activities	\$ 2,230,329	\$ 282,290	\$ 6,482,940	\$ (41,808)

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Notes to Financial Statements

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

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

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

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

The summary of significant accounting policies applies to Neshoba County General Hospital and Neshoba County Nursing Home and its discretely presented component unit as applicable.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Notes to Financial Statements

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

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

The component unit column in the financial statements includes information for Neshoba County Ambulance Enterprise, a Mississippi entity. It is reported as a discretely presented component unit to emphasize that it is legally separate from the Primary Government.

b. Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allowance for uncollectibles, third-party payor settlements, lease assets and liability obligations, subscription-based IT asset and liability, and depreciation expense.

c. Change in Accounting Estimate – During the year, management, with the assistance of a contracted consultant, completed a review of the estimated useful lives of capital assets considering the expected pattern of use, technological developments, and the assets' historical performance. Management determined that the useful lives of specific assets should be changed to align with this review. The change in estimate was applied prospectively beginning on October 1, 2024. The revised useful lives resulted in a reduction of depreciation expense of approximately \$922,000 for the year ended September 30, 2025. The impact of this change is expected to continue in future periods. Management believes the updated useful lives better reflect the assets' economic utility and provide more reliable information for financial reporting purposes.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Notes to Financial Statements

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

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

e. Cash, Cash Equivalents, and Restricted Cash – For purposes of the Statements of Cash Flows, cash, cash equivalents, and restricted cash include all cash on hand, checking accounts, certificates of deposit with original maturities of three months or less, and cash restricted for expenditures associated with the projects authorized by House Bill 1131. The following tables provide a reconciliation of cash, cash equivalents, and restricted cash reported within the Statements of Net Position that sum to the total of the same such amounts shown in the Statements of Cash Flows:

	2025		2024	
	Primary	Component Unit	Primary	Component Unit
	Government	Ambulance Enterprise	Government	Ambulance Enterprise
Cash and cash equivalents	\$ 20,895,092	\$ 97,307	\$ 22,175,593	\$ 121,228
Restricted cash - House Bill				
1131 Funding	2,000,000	-	-	-
Nursing home residents' funds	92,075	-	57,753	-
	<u>\$ 22,987,167</u>	<u>\$ 97,307</u>	<u>\$ 22,233,346</u>	<u>\$ 121,228</u>

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

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

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Notes to Financial Statements

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

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

Equipment	7 years
Automobiles	3 years

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

h. Lease Liability Obligations – The Primary Government is a lessee for noncancellable leases. The facility recognizes a lease liability obligation and an intangible right-to-use asset (lease asset) in the financial statements. At the commencement of a lease, the facility initially measures the lease liability obligation at the present value of payments expected to be made during the lease term. Leases that were in effect prior to the implementation date were recognized in the year of transition based on the present value of the remaining payments at the implementation date. Subsequently, the lease liability obligation is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability obligation, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Notes to Financial Statements

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

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

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

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

l. Restricted Resources – When the facilities have both restricted and unrestricted resources available to finance a particular program, the facilities' policies are to use restricted resources before unrestricted resources.

m. Net Position – Net position of Neshoba County General Hospital and Neshoba County Nursing Home and Neshoba County Ambulance Enterprise is classified in two components. *Net position invested in capital assets net of related debt* consists of capital assets net of accumulated depreciation, lease assets net of accumulated amortization, subscription-based IT asset net of accumulated amortization, and is reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted net position* is the remaining net position that does not meet the definition of *invested in capital assets net of related debt*.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Notes to Financial Statements

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

m. Net Position (Continued) – The following schedule details the items included in *Net position invested in capital assets, net of related debt* for the years ended September 30, 2025, and 2024:

	2025		2024	
	Primary	Component Unit	Primary	Component Unit
	Government	Ambulance Enterprise	Government	Ambulance Enterprise
Capital assets, net	\$ 29,372,971	\$ 14,484	\$ 28,831,601	\$ 24,169
Lease assets, net	327,002	-	89,132	-
Subscription-based IT asset, net	1,629,423	-	2,353,611	-
Construction payable	(387,145)	-	-	-
Less: lease liability obligations	(328,327)	-	(94,976)	-
Less: subscription-based IT liability	(1,846,276)	-	(2,437,373)	-
Less: notes payable	(3,229,607)	-	(3,673,491)	-
Invested in capital assets, net of related debt	\$ 25,538,041	\$ 14,484	\$ 25,068,504	\$ 24,169

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

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Notes to Financial Statements

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

p. Compensated Absences – Neshoba County Hospital and Neshoba County Nursing Home's employees earn paid time off (PTO) at varying rates based on years of service. PTO may be taken at any time after the first six months of employment and may, to the extent of the amount earned annually, be carried forward from one year to the next. Employees may be eligible to receive payment for accumulated PTO upon termination, subject to certain conditions.

For the year ended September 30, 2025, the facilities implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Under this standard, a liability is recognized when leave benefits are earned and it is probable the employee will be compensated. Management evaluated the PTO program against the standard and determined that existing policies and accounting practices were already consistent with the requirements of Statement 101; therefore, implementation had no financial statement effect and did not require restatement of prior periods.

As of September 30, 2025, and 2024, the Primary Government had accrued compensated absences of approximately \$1,276,000, and \$1,236,000, respectively, included in accrued expenses and payroll withholdings in the accompanying Statements of Net Position.

q. Risk Management – The facilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Neshoba County General Hospital and Neshoba County Nursing Home purchases coverage of risks of loss related to torts and malpractice up to \$500,000 per case from Healthcare Providers Insurance Company which covers the Primary Government and the Ambulance Enterprise. Neshoba County General Hospital and Neshoba County Nursing Home purchases coverage of risks of loss related to theft of, damage to, and destruction of assets from various commercial insurance carriers. Neshoba County General Hospital and Neshoba County Nursing Home purchases coverage of risk of loss related to workers' compensation claims from Healthcare Providers Insurance Company. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three years.

Under GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, a liability for a claim must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The facilities have not been exposed to any risk of loss above the applicable insurance coverage amounts at September 30, 2025; therefore, no liability has been accrued at this time.

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

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Notes to Financial Statements

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

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

Note 2: Cash and Other Deposits

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

The collateral for public entities deposits in financial institutions is required to be held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under the program, the facilities' funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. All funds eligible to be included in the state's collateral pool program were properly included and were fully collateralized as of September 30, 2025.

b. Custodial Credit Risk – Deposits – Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the facilities will not be able to recover deposits or collateral securities that are in the possession of an outside party. The facilities do not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the facilities. As of September 30, 2025, and 2024, none of the facilities' bank balance was exposed to custodial credit risk.

c. Interest Rate Risk – The facilities do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

d. Credit Risk – State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The facilities do not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Notes to Financial Statements

Note 3: Charity Care

The Primary Government provides care to patients who meet certain criteria under its charity care policy. Because the Primary Government does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient services revenue. The cost of charity care provided in 2025, and 2024, approximated \$246,000, and \$356,000, respectively.

Note 4: Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value. In the absence of actively quoted prices and observable inputs, the Primary Government estimates prices based on available historical data and near-term future pricing information that reflects its market assumptions. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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

Fair values of assets measured on a recurring basis September 30, 2025, and 2024, were as follows:

September 30, 2025	Fair Value	Level 1	Level 2	Level 3
Investment in certificates of deposit	\$ 5,230,000	\$ -	\$ 5,230,000	\$ -
MHA Investment Pool	2,862,744	-	2,862,744	-
Total	<u>\$ 8,092,744</u>	<u>\$ -</u>	<u>\$ 8,092,744</u>	<u>\$ -</u>
September 30, 2024	Fair Value	Level 1	Level 2	Level 3
Investment in certificates of deposit	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -
MHA Investment Pool	2,749,247	-	2,749,247	-
Total	<u>\$ 7,749,247</u>	<u>\$ -</u>	<u>\$ 7,749,247</u>	<u>\$ -</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Notes to Financial Statements

Note 4: Fair Value Measurements (Continued)

Mississippi Hospital Association Investment Pool

The Primary Government participates in the Mississippi Hospital Association Investment Pool program. The funds are invested for the benefit of the Primary Government by a third-party investment company which is responsible for the management of the pool. A summary of the investments at September 30, 2025, and 2024, follows:

	<u>2025</u>	<u>2024</u>
MHA Investment Pool A	\$ 2,914,444	\$ 2,834,598
Unrealized loss on investments	<u>(51,700)</u>	<u>(85,351)</u>
Net value	<u>\$ 2,862,744</u>	<u>\$ 2,749,247</u>

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

Note 5: Accounts Receivable – Estimated Uncollectibles and Allowances

Primary Government

The balance in the Primary Government's estimated uncollectibles and allowances accounts at September 30, 2025, and 2024, were composed of the following:

	<u>2025</u>	<u>2024</u>
Provision for uncollectible accounts	\$ 1,004,726	\$ 688,636
Allowance for Medicare adjustment	1,146,043	1,194,442
Allowance for Medicaid adjustment	704,887	1,000,935
Allowance for commercial insurance adjustment	<u>2,278,622</u>	<u>1,700,407</u>
	<u>\$ 5,134,278</u>	<u>\$ 4,584,420</u>

Ambulance Enterprise

The balance in the Ambulance Enterprise's estimated uncollectibles and allowances accounts at September 30, 2025, and 2024, were composed of the following:

	<u>2025</u>	<u>2024</u>
Provision for uncollectible accounts	\$ 784,798	\$ 797,145
Allowance for Medicare adjustment	154,632	343,902
Allowance for Medicaid adjustment	29,704	51,140
Allowance for commercial insurance adjustment	<u>736,091</u>	<u>954,793</u>
	<u>\$ 1,705,225</u>	<u>\$ 2,146,980</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Notes to Financial Statements

Note 6: Capital Assets

The Primary Government's capital asset additions, retirements, and balances for the years ended September 30, 2025, and 2024, were as follows:

	Balance September 30, 2024	Additions and Other	Retirements and Other	Balance September 30, 2025
Land	\$ 1,568,489	340,339	-	\$ 1,908,828
Land improvements	649,352	-	(113,962)	535,390
Buildings and improvements	34,007,013	268,750	(258,017)	34,017,746
Fixed equipment	7,779,254	156,359	(444,640)	7,490,973
Major movable equipment	20,251,501	198,829	(5,712,346)	14,737,984
Automobiles	215,935	81,966	(5,044)	292,857
Construction in progress	234,114	1,093,556	387,145	1,714,815
Total Historical Cost	<u>64,705,658</u>	<u>2,139,799</u>	<u>(6,146,864)</u>	<u>60,698,593</u>
Less: Accumulated Depreciation and Amortization for:				
Land improvements	(527,444)	(32,848)	113,962	(446,330)
Buildings and improvements	(12,666,991)	(959,639)	258,019	(13,368,611)
Fixed equipment	(5,483,755)	(269,743)	444,639	(5,308,859)
Major movable equipment	(16,979,934)	(710,398)	5,706,655	(11,983,677)
Automobiles	(215,933)	(7,256)	5,044	(218,145)
Total Accumulated Depreciation and Amortization	<u>(35,874,057)</u>	<u>(1,979,884)</u>	<u>6,528,319</u>	<u>(31,325,622)</u>
Capital Assets, Net	<u>\$ 28,831,601</u>	<u>159,915</u>	<u>381,455</u>	<u>\$ 29,372,971</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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Note 6: Capital Assets (Continued)

	Balance September 30, 2023	Additions and Other	Retirements and Other	Balance September 30, 2024
Land	\$ 1,568,489	-	-	\$ 1,568,489
Land improvements	649,352	-	-	649,352
Buildings and improvements	30,683,007	-	3,324,006	34,007,013
Fixed equipment	7,780,954	54,746	(56,446)	7,779,254
Major movable equipment	23,132,129	599,127	(3,479,755)	20,251,501
Automobiles	215,935	-	-	215,935
Construction in progress	2,747,957	851,184	(3,365,027)	234,114
Total Historical Cost	<u>66,777,823</u>	<u>1,505,057</u>	<u>(3,577,222)</u>	<u>64,705,658</u>
Less: Accumulated Depreciation and Amortization for:				
Land improvements	(490,565)	(36,879)	-	(527,444)
Buildings and improvements	(11,483,039)	(1,184,505)	553	(12,666,991)
Fixed equipment	(5,220,598)	(338,870)	75,713	(5,483,755)
Major movable equipment	(19,214,179)	(1,253,711)	3,487,956	(16,979,934)
Automobiles	(209,485)	(6,448)	-	(215,933)
Total Accumulated Depreciation and Amortization	<u>(36,617,866)</u>	<u>(2,820,413)</u>	<u>3,564,222</u>	<u>(35,874,057)</u>
Capital Assets, Net	<u>\$ 30,159,957</u>	<u>(1,315,356)</u>	<u>(13,000)</u>	<u>\$ 28,831,601</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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Note 6: Capital Assets (Continued)

The Ambulance Enterprise's capital asset additions, retirements, and balances for the years ended September 30, 2025, and 2024, were as follows:

	Balance September 30, 2024	Additions and Other	Retirements and Other	Balance September 30, 2025
Major movable equipment	\$ 50,694	-	-	\$ 50,694
Automobiles	7,327	-	-	7,327
Total Historical Cost	<u>58,021</u>	<u>-</u>	<u>-</u>	<u>58,021</u>
Less: Accumulated Depreciation for:				
Major movable equipment	(28,968)	(7,242)	-	(36,210)
Automobiles	<u>(4,884)</u>	<u>(2,443)</u>	<u>-</u>	<u>(7,327)</u>
Total Accumulated Depreciation	<u>(33,852)</u>	<u>(9,685)</u>	<u>-</u>	<u>(43,537)</u>
Capital Assets, Net	<u>\$ 24,169</u>	<u>(9,685)</u>	<u>-</u>	<u>\$ 14,484</u>
	Balance September 30, 2023	Additions and Other	Retirements and Other	Balance September 30, 2024
Major movable equipment	\$ 50,694	-	-	\$ 50,694
Automobiles	7,327	-	-	7,327
Total Historical Cost	<u>58,021</u>	<u>-</u>	<u>-</u>	<u>58,021</u>
Less: Accumulated Depreciation for:				
Major movable equipment	(21,726)	(7,242)	-	(28,968)
Automobiles	<u>(2,442)</u>	<u>(2,442)</u>	<u>-</u>	<u>(4,884)</u>
Total Accumulated Depreciation	<u>(24,168)</u>	<u>(9,684)</u>	<u>-</u>	<u>(33,852)</u>
Capital Assets, Net	<u>\$ 33,853</u>	<u>(9,684)</u>	<u>-</u>	<u>\$ 24,169</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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Notes to Financial Statements

Note 7: Lease Assets

The Primary Government's lease asset additions, terminations, and balances for the years ended September 30, 2025, and 2024, were as follows:

	Balance September 30, 2024	Additions	Terminations	Balance September 30, 2025
Lease Assets Being Amortized:				
Equipment	\$ 320,876	346,237	(320,876)	\$ 346,237
Less: Accumulated Amortization for:				
Equipment	(231,744)	(108,367)	320,876	(19,235)
Lease Assets, Net	<u>\$ 89,132</u>	<u>237,870</u>	<u>-</u>	<u>\$ 327,002</u>
	Balance September 30, 2023	Additions	Terminations	Balance September 30, 2024
Lease Assets Being Amortized:				
Equipment	\$ 320,876	-	-	\$ 320,876
Less: Accumulated Amortization for:				
Equipment	(124,785)	(106,959)	-	(231,744)
Lease Assets, Net	<u>\$ 196,091</u>	<u>(106,959)</u>	<u>-</u>	<u>\$ 89,132</u>

Note 8: Subscription-Based IT Assets

The Primary Government's subscription-based IT asset additions, terminations, and balances for the years ended September 30, 2025, and 2024, were as follows:

	Balance September 30, 2024	Additions	Terminations	Balance September 30, 2025
Subscription-Based IT Asset	\$ 4,526,175	-	-	\$ 4,526,175
Less: Accumulated Amortization	(2,172,564)	(724,188)	-	(2,896,752)
Subscription-Based IT Asset, Net	<u>\$ 2,353,611</u>	<u>(724,188)</u>	<u>-</u>	<u>\$ 1,629,423</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT
Notes to Financial Statements

Note 8: Subscription-Based IT Assets (Continued)

	Balance September 30, 2023	Additions	Terminations	Balance September 30, 2024
Subscription-Based IT Asset	\$ 4,526,175	-	-	\$ 4,526,175
Less: Accumulated Amortization	(1,448,376)	(724,188)	-	(2,172,564)
Subscription-Based IT Asset, Net	<u>\$ 3,077,799</u>	<u>(724,188)</u>	<u>-</u>	<u>\$ 2,353,611</u>

Note 9: Other Assets

Included in Other Assets on the Statements of Net Position is the Primary Government's investment in Mississippi True d/b/a TrueCare, a not-for-profit health maintenance organization which serves as a provider-sponsored health plan in Mississippi. The amount of the investment was \$1,500,730 as of September 30, 2025, and \$800,000 as of September 30, 2024. The Primary Government has elected to report this investment at cost since there is not a market for the ownership interest in the company.

Note 10: Lease Liability Obligations

The Primary Government is a lessee for various noncancellable leases of equipment, the terms of which expire in various years through 2028. For leases that have a maximum possible term of 12 months or less at commencement, the facility recognizes expense based on the provisions of the lease contract. For all other leases, other than short-term, the facility recognizes a lease liability obligation and an intangible lease asset.

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

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

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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Notes to Financial Statements

Note 10: Lease Liability Obligations (Continued)

A schedule of changes in the Primary Government's lease liability obligations for 2025, and 2024, follows:

	Balance September 30, 2024	Additions	Reductions	Balance September 30, 2025	Amounts Due Within One Year
Lease Liability Obligations \$	94,976	346,237	(112,886)	\$ 328,327	\$ 109,611

	Balance September 30, 2023	Additions	Reductions	Balance September 30, 2024	Amounts Due Within One Year
Lease Liability Obligations \$	203,015	-	(108,039)	\$ 94,976	94,976

The following is a schedule by year of payments for leases as of September 30, 2025:

Year Ended September 30:	Total to be Paid	Principal	Interest
2026	\$ 115,879	\$ 109,611	\$ 6,268
2027	120,254	116,523	3,731
2028	103,250	102,193	1,057
2029	-	-	-
2030	-	-	-
Thereafter	-	-	-
Total	\$ 339,383	\$ 328,327	\$ 11,056

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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Note 11: Subscription-Based IT Liability

The Primary Government is a subscriber for a subscription of information technology, the terms of which expire in fiscal year 2028. For subscriptions that have a maximum possible term of 12 months or less at commencement, the facility recognizes expense based on the provisions of the subscription terms. For all other subscriptions, other than short term, the facility recognizes a subscription-based IT liability and an intangible right-of-use subscription-based IT asset.

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

A schedule of changes in the Primary Government's subscription-based IT liability for 2025, and 2024, follows:

	Balance September 30, 2024	Additions	Reductions	Balance September 30, 2025	Amounts Due Within One year
Subscription-Based IT Liability	\$ 2,437,373	-	(591,097)	\$ 1,846,276	\$ 881,781

	Balance September 30, 2023	Additions	Reductions	Balance September 30, 2024	Amounts Due Within One year
Subscription-Based IT Liability	\$ 3,149,349	-	(711,976)	\$ 2,437,373	\$ 728,162

The following is a schedule by year of payments for the subscription-based IT liability as of September 30, 2025:

Year Ended September 30:	Total to be Paid	Principal	Interest
2026	\$ 912,590	\$ 881,781	\$ 30,809
2027	775,524	761,645	13,879
2028	203,629	202,850	779
2029	-	-	-
2030	-	-	-
Thereafter	-	-	-
Total	\$ 1,891,743	\$ 1,846,276	\$ 45,467

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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Note 12: Notes Payable

A schedule of changes in the Primary Government's notes payable for 2025, and 2024, follows:

	Balance September 30, 2024	Additions	Reductions	Balance September 30, 2025	Amounts Due Within One Year
Notes Payable	\$ 3,673,491	-	(443,884)	\$ 3,229,607	\$ 301,133

	Balance September 30, 2023	Additions	Reductions	Balance September 30, 2024	Amounts Due Within One Year
Notes Payable	\$ 4,460,363	-	(786,872)	\$ 3,673,491	\$ 443,494

A summary of the Primary Government's notes payable at September 30, 2025, and 2024, follows:

	2025	2024
CAP loan payable to Neshoba County due in 240 monthly installments of \$20,304.21 with 2.00% interest, secured by a building	\$ 1,659,209	\$ 1,867,692
Cerner note due in 6 quarterly installments of \$174,170 and 25 monthly installments of \$41,801 with 0% interest, secured by an EHR system.	174,170	174,170
Central Electric Power Association Rural Development Loan due in 108 monthly installments of \$18,518.52 with 0.00% interest, secured by certificate of deposit #10027731.	-	148,148
Central Electric Power Association Rural Economic Development Loan and Grant Program due in 120 monthly installments of \$3,232.49 with 1.50% interest, secured by certificate of deposit #10038931.	272,106	306,534
CAP Loan payable to Neshoba County due in 240 monthly installments of \$6,323.54 with 2.00% interest, secured by the nursing home renovation project.	1,124,122	1,176,947
Less: Current portion of notes payable	(301,133)	(443,494)
Total Long-Term Notes Payable	\$ 2,928,474	\$ 3,229,997

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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Notes to Financial Statements

Note 12: Notes Payable (Continued)

Scheduled principal and interest repayments on notes payable are as follows:

Year Ended September 30:	Total to be Paid	Principal	Interest
2026	\$ 358,323	\$ 301,133	\$ 57,190
2027	358,323	307,034	51,289
2028	358,323	313,051	45,272
2029	358,323	319,187	39,136
2030	358,323	325,491	32,832
Thereafter	1,790,182	1,663,711	126,471
Total	<u>\$ 3,581,797</u>	<u>\$ 3,229,607</u>	<u>\$ 352,190</u>

Note 13: House Bill 1131 Funding

During the fiscal year ended September 30, 2025, the Primary Government received \$2,000,000 from the State of Mississippi pursuant to House Bill 1131. The appropriation consisted of (1) \$1,000,000 to assist in paying costs associated with the allied health facility in conjunction with Mississippi University for Women and (2) \$1,000,000 to assist in paying costs associated with construction and development of property for Mississippi University for Women to establish a Nursing School program.

The funds are restricted by state legislation for the specific purposes identified in House Bill 1131. At September 30, 2025, the Primary Government had not incurred sufficient qualifying expenditures related to the approved projects. Accordingly, the Primary Government recorded the \$2,000,000 received as unearned revenue in the accompanying Statement of Net Position. Revenue will be recognized in future periods as qualifying project costs are incurred.

Cash related to these appropriations totaled \$2,000,000 at September 30, 2025 and is reported as restricted cash in the accompanying Statement of Net Position. The restricted cash may be used only for expenditures associated with the projects authorized by House Bill 1131.

Note 14: Net Patient Services Revenue

Primary Government

The Primary Government's net patient services revenue for the years ended September 30, 2025, and 2024, were as follows:

	2025	2024
Gross Patient Service Revenue	\$ 107,263,886	\$ 102,824,474
Less provisions for contractual and other adjustments	(47,418,507)	(42,954,030)
Less provisions for bad debts	(6,671,974)	(5,875,988)
Net Patient Service Revenue	<u>\$ 53,173,405</u>	<u>\$ 53,994,456</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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Notes to Financial Statements

Note 14: Net Patient Services Revenue (Continued)

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

a. Medicare – Inpatient acute care services, outpatient services, nonacute inpatient services, and geriatric psychiatric services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Primary Government is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Primary Government and audits thereof by the Medicare fiscal intermediary. The Primary Government's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2021.

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

c. Medicaid Mississippi Hospital Access Payments – The Primary Government received net Medicaid Mississippi hospital access payments of \$5,176,744, and \$4,922,175, for the years ended September 30, 2025, and 2024, respectively. The Medicaid Mississippi hospital access program is a program whereby the hospital qualifies for Mississippi hospital access program funds in addition to regular funds. The Mississippi Division of Medicaid administers the program through the MississippiCAN coordinated care organizations, and the continuation of the programs rest with the federal government.

d. Medicaid Upper Payment Limit Payments – The Primary Government received net Medicaid upper payment limit payments of \$446,304, and \$700,026 for the years ended September 30, 2025 and 2024, respectively. The Medicaid upper payment limit program is a program whereby the facility qualifies for upper payment limit funds in addition to regular funds. The Mississippi Division of Medicaid is currently administering the upper payment limit program, and the continuation of the program rests with the federal government.

Ambulance Enterprise

The Ambulance Enterprise's net patient service revenue for the years ended September 30, 2025, and 2024, were as follows:

	2025	2024
Gross Patient Service Revenue	\$ 5,598,098	\$ 6,356,952
Less provisions for contractual and other adjustments	(2,793,353)	(3,568,635)
Less provisions for bad debts	(575,630)	(521,304)
Net Patient Service Revenue	<u>\$ 2,229,115</u>	<u>\$ 2,267,013</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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Note 14: Net Patient Services Revenue (Continued)

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

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

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

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

Note 15: Medical Benefit Plan

The Primary Government provides health insurance coverage to its employees through a self-funded medical benefit plan that covers substantially all of its employees and certain dependents of the employees. The total medical benefit expense for the self-funded medical benefit plan for the years ended September 30, 2025, and 2024, amounted to \$2,845,071, and \$3,169,484, respectively. The Primary Government's policy is to fund the estimated medical benefit claims that will be filed against the plan less the contributions made by employees covered by the plan. In addition, an allowance representing the write-off of charges applicable to in-house claims of the employees and their dependents for the years ended September 30, 2025, and 2024, was provided in the amounts of \$1,112,093, and \$1,343,542, respectively. As of September 30, 2025, and 2024, the Primary Government accrued employee health insurance liabilities of approximately \$90,000, and \$274,000, respectively, which are included in accounts payable.

Note 16: Retirement Plans

The Primary Government, through the Mississippi Public Employees' Retirement System (PERS), offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all full-time employees with one year of service. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The total employee contribution to the deferred compensation plan for the years ended September 30, 2025, and 2024, amounted to \$805,470, and \$485,003, respectively. The facility did not make contributions to the deferred compensation plan during the years ended September 30, 2025, and 2024.

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Note 16: Retirement Plans (Continued)

The Primary Government contributes to the employees' retirement through a qualified retirement plan created in accordance with Internal Revenue Code Section 401(a). Routine matching contributions of up to 6% are made to employees who participate in the 457 deferred compensation plan. The employer contribution amount is calculated by applying a service-based percentage to the employee's base pay, not to exceed the amount the employee contributes to the 457 plan. The facility contributed \$485,131 to the qualified retirement plan during the year ended September 30, 2025 and made no contributions during the year ended September 30, 2024.

Note 17: Commitments and Contingencies

Mississippi True Provider-Sponsored Health Plan – In relation to Neshoba County General Hospital and Neshoba County Nursing Home's \$1,500,730 investment in Mississippi True, the Board of Trustees approved a total contribution of \$2,000,000 toward the Mississippi True Provider-Sponsored Health Plan. Contributions of \$250,000, and \$550,000, were made during the years ended September 30, 2016, and 2017, respectively. While Mississippi True was attempting to secure a Medicaid contract, the facility did not make any contributions in addition to the first installment paid in two parts. On August 10, 2022, Mississippi True was awarded a Medicaid MCO Contract. The contract was signed on August 12, 2024 and became effective on July 1, 2025. An additional contribution of \$700,730 was made during the year ended September 30, 2025. Mississippi True is doing business as TrueCare.

Note 18: Concentrations of Credit Risk

The facilities grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2025, and 2024, were as follows:

<u>Primary Government</u>	<u>2025</u>	<u>2024</u>
Medicare	18%	19%
Medicaid	14%	18%
Patients and other third-party payors	<u>68%</u>	<u>63%</u>
	<u>100%</u>	<u>100%</u>
<u>Ambulance Enterprise</u>	<u>2025</u>	<u>2024</u>
Medicare	10%	17%
Medicaid	3%	5%
Patients and other third-party payors	<u>87%</u>	<u>78%</u>
	<u>100%</u>	<u>100%</u>

Note 19: Litigation

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

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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Note 20: Ambulance Enterprise Management Agreement

On April 1, 2012, Neshoba County Ambulance Enterprise entered into the management services agreement with Neshoba County General Hospital and Neshoba County Nursing Home to provide various management and administrative services and incur certain operational expenses necessary for the establishment and continued operation of a public ambulance service. The Ambulance Enterprise shall operate and continue according to the Joint Venture Agreement until terminated pursuant to the Joint Venture Agreement between, Neshoba County, Mississippi and Neshoba County General Hospital and Neshoba County Nursing Home. Under the terms of this agreement, the Ambulance Enterprise agrees to reimburse Neshoba County General Hospital and Neshoba County Nursing Home for its actual compensation costs incurred for the employees for their time spent, as well as any other direct out of pocket costs incurred in performance of the ambulance services. The Ambulance Enterprise incurred \$2,579,947, and \$2,158,076, in expenses that were paid by Neshoba County General Hospital and Neshoba County Nursing Home during the years ended September 30, 2025, and 2024, respectively. The Ambulance Enterprise had a payable due to Neshoba County General Hospital and Neshoba County Nursing Home of \$559,272, and \$243,989, as of September 30, 2025, and 2024, respectively.

Note 21: Ambulance Enterprise Grant to County

Under the terms of the joint venture agreement, Neshoba County continues to apply for EMS Equipment Grant funding for Neshoba County Ambulance Enterprise's ambulance service and, to the extent the County's cost of debt service and insurance on county-owned emergency vehicles is not reimbursed through such grants, Neshoba County Ambulance Enterprise's funds are intended to be used to reimburse the County for those costs. During the year ended September 30, 2025, the Ambulance Enterprise reimbursed Neshoba County in the amount of \$324,000 for costs associated with the acquisition of new county-owned ambulances. The reimbursement represents the portion of the vehicle acquisition costs that exceeded the amount of emergency grant funding obtained by Neshoba County and is consistent with the provisions of the joint venture agreement.

Note 22: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the facilities through June 2, 2026 (the date the financial statements were available to be issued) and determined that there were no subsequent events requiring disclosures in the notes to financial statements, except for the event in the following paragraph.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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Note 22: Subsequent Events (Continued)

Neshoba County General Hospital is in the process of converting from an acute care hospital to a Critical Access Hospital (CAH), in which, the reimbursement structure will change from prospective payment to cost based for Medicare alone. A financial impact study was performed, and the net effect of the reimbursement change should be negligible, with the positive impact of securing continued participation in the 340B drug program.

Neshoba County General Hospital was surveyed by DNV Healthcare USA Inc. and accredited to Critical Access Hospital (CAH) standards. The Centers for Medicare and Medicaid Services approved the CAH conversion effective January 1, 2026.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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 Primary Government
 Schedule of Surety Bonds for Officials and Employees
 September 30, 2025

Name	Position	Company	Amount of Bond
Lee McCall	Chief Executive Officer	Travelers Casualty and Surety Company of America	\$ 10,000
Scott McNair	Chief Financial Officer	Travelers Casualty and Surety Company of America	\$ 10,000
Kenneth Posey	Trustee	Travelers Casualty and Surety Company of America	\$ 10,000
Dale Joyner	Trustee	Travelers Casualty and Surety Company of America	\$ 10,000
Oliver Jolly	Trustee	Travelers Casualty and Surety Company of America	\$ 10,000
Jean Brazzle	Trustee	Travelers Casualty and Surety Company of America	\$ 10,000
Jo Helen Daly	Trustee	Travelers Casualty and Surety Company of America	\$ 10,000

See accompanying independent auditors' report and report on supplementary information.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
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Primary Government
Detailed Schedules of Operating Revenues
Years Ended September 30, 2025, and 2024

	<u>2025</u>	<u>2024</u>
Inpatient:		
Nursing Services:		
Routine care	\$ 975,261	\$ 1,097,518
Geriatric-psych program	855,610	935,078
Skilled nursing facility	12,801,327	13,129,296
Hospitalist	382,338	426,165
Other Nursing Services:		
Operating and recovery rooms	5,722	10,351
Central service and supply	20,014	21,062
Emergency service	748,785	831,107
Total Nursing Services Revenue	<u>15,789,057</u>	<u>16,450,577</u>
Other Professional Services:		
Laboratory	872,242	960,315
Blood bank	152,999	174,777
Electrocardiology	58,928	62,886
Radiology	659,142	736,465
Neurology	779	1,081
Pharmacy	1,064,706	1,155,654
Pharmacy - SNF	913,535	893,403
Anesthesiology	4,316	5,569
Infusion therapy	2,545	1,836
Inhalation therapy	661,833	675,188
Rehabilitation services	853,618	780,244
Wound care	12,813	5,382
Total Other Professional Services Revenue	<u>5,257,456</u>	<u>5,452,800</u>
Total Inpatient Revenue	<u>21,046,513</u>	<u>21,903,377</u>
Outpatient:		
Nursing Services:		
Hospitalist	644,577	427,080
Other Nursing Services:		
Operating and recovery rooms	4,851,191	4,980,125
Observation room	1,135,569	1,080,546
Central service and supply	372,679	183,893
Emergency service	18,136,820	17,357,862
Total Nursing Services Revenue	<u>25,140,836</u>	<u>24,029,506</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT

Primary Government
Detailed Schedules of Operating Revenues
Years Ended September 30, 2025, and 2024

	<u>2025</u>	<u>2024</u>
Outpatient: (Continued)		
Other Professional Services:		
Laboratory	9,623,677	9,975,665
Blood	281,492	232,736
Electrocardiology	634,019	626,311
Radiology	13,274,169	12,269,294
Neurology	2,392,173	1,961,799
Pharmacy	11,733,350	10,470,422
Anesthesiology	1,653,406	1,648,535
Infusion therapy	696,230	718,401
Inhalation therapy	1,040,325	1,167,736
Rehabilitation services	4,036,444	4,260,524
Wound care	2,760,463	1,389,296
Clinic	<u>12,950,789</u>	<u>12,170,872</u>
Total Other Professional Services Revenue	<u>61,076,537</u>	<u>56,891,591</u>
 Total Outpatient Revenue	 <u>86,217,373</u>	 <u>80,921,097</u>
 Total Patient Services Revenue	 <u>107,263,886</u>	 <u>102,824,474</u>
 Deductions from Patient Services Revenue:		
Contractual adjustments and allowances	52,410,839	47,836,602
Mississippi hospital access payments	(5,176,744)	(4,922,175)
Upper payment limit payments	(446,304)	(700,026)
Charity	<u>630,716</u>	<u>739,629</u>
Total Deductions from Patient Services Revenue	<u>47,418,507</u>	<u>42,954,030</u>
 Provision for Uncollectible Accounts	 <u>6,671,974</u>	 <u>5,875,988</u>
 Net Patient Services Revenue	 <u>53,173,405</u>	 <u>53,994,456</u>

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT

Primary Government
Detailed Schedules of Operating Revenues
Years Ended September 30, 2025, and 2024

	2025	2024
Other Revenue:		
Medical records transcripts	8,185	5,773
Employee and other meals	710,091	844,037
Beauty shop - SNF	138	73
Services to Neshoba County Ambulance Enterprise *	2,014,181	1,919,135
Miscellaneous revenue	530,776	574,730
Lease income	49,851	46,100
Trauma care grant	10,000	10,000
Total Other Revenue	<u>3,323,222</u>	<u>3,399,848</u>
 Loss on Sale of Equipment	 (5,690)	 (751)
 Total Operating Revenue	 \$ <u>56,490,937</u>	 \$ <u>57,393,553</u>

* - These are charges by the Primary Government for providing staffing, management, maintenance, and billing and collection services to Neshoba County Ambulance Enterprise.

NESHOPA COUNTY GENERAL HOSPITAL AND NESHOPA COUNTY NURSING HOME
AND ITS COMPONENT UNIT

Primary Government

Detailed Schedules of Operating Expenses
Years Ended September 30, 2025, and 2024

	2025			2024		
	Salaries and Benefits	Supplies and Drugs	Other	Salaries and Salaries	Supplies and Drugs	Other
Nursing Services:						
Routine services	\$ 1,278,900	\$ 101,115	\$ 23,952	\$ 1,155,850	\$ 95,332	\$ 6,004
Geriatric-psych services	876,690	58,931	96,114	863,023	54,236	95,686
Hospitalist	13,615	-	857	22,320	-	7,169
Operating and recovery rooms	450,370	232,985	437,482	440,599	257,046	428,581
Central service and supply	13,285	40,303	108	35,804	47,950	1,130
Emergency room	4,723,416	148,226	14,231	4,581,579	145,743	21,906
Skilled nursing facility	3,907,129	924,087	1,165,112	3,788,459	888,381	1,252,507
Nursing administration	332,390	334,680	42,117	383,726	342,371	24,699
Other Professional Services:						
Laboratory	1,162,259	341,688	474,234	1,103,634	464,243	433,872
Blood bank	-	84,577	14,755	-	70,233	13,845
Electrocardiology	8,336	43	8,508	9,247	195	-
Radiology	994,153	103,493	1,016,382	872,414	112,299	932,772
Neurology	626,366	151,929	263,542	490,144	66,360	169,220
Pharmacy	263,338	22,611	33,690	248,443	17,411	34,249
Pharmacy-SNF	263,338	777,738	9,294	248,443	977,622	-
Anesthesiology	-	-	149,804	-	-	176,222
Infusion therapy	251,326	2,045,206	222	194,544	1,755,420	335
Inhalation therapy	365,337	63,898	13,697	351,985	65,155	7,664
Rehabilitation services	1,165,024	23,424	221,376	1,229,273	26,930	85,263
Ambulance	1,670,921	-	-	1,607,942	-	-
Medical records	91,083	1,563	425,056	78,529	1,357	366,368
Medical records-SNF	29,602	-	-	25,981	-	-
PSRO	141,334	1,723	333,427	183,498	5,158	251,219
Sleep Center	-	8,870	291,453	-	3,474	340,679
Wound Care	414,511	54,178	445,564	315,809	29,768	148,820
Social services-SNF	177,875	12,353	1,280	180,888	8,663	764
Clinic	6,004,519	607,832	781,492	5,583,914	541,638	727,453
General Services:						
Dietary	439,581	450,516	13,407	407,973	235,656	11,862
Dietary-SNF	388,255	427,790	10,516	360,338	508,685	10,173
Maintenance	114,400	36,579	910,415	104,342	56,731	853,841
Maintenance-SNF	157,980	6,940	46,780	144,091	781	30,465
Housekeeping	-	81,688	686,690	-	85,151	677,229
Housekeeping-SNF	-	51,858	457,687	-	41,027	451,435
Laundry and linen	-	-	60,402	-	122	68,124
Laundry and linen-SNF	-	-	59,112	-	29	58,027
Security	310,856	689	1,648	309,588	1,482	424
Security-SNF	44,415	224	-	44,487	1,218	-
Beauty shop-SNF	25,513	571	554	23,779	455	402
Administrative and Fiscal Services:						
Administrative	2,593,967	293,349	2,392,049	2,456,074	216,593	2,308,366
Administrative-SNF	-	96	761,492	-	-	715,978
Employee benefits	3,304,260	-	-	2,995,505	-	-
Employee benefits-SNF	2,143,178	-	-	2,305,590	-	-
Total Operating Expenses	\$ 34,747,522	\$ 7,491,753	\$ 11,664,501	\$ 33,147,815	\$ 7,124,915	\$ 10,712,753



WATKINS, WARD and STAFFORD
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Certified Public Accountants

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John N. Russell, CPA	Lauren M. Bowen, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, a component unit of Neshoba County, Mississippi, as of and for the year ended September 30, 2025, and the related notes to financial statements, which collectively comprise Neshoba County General Hospital and Neshoba County Nursing Home and its component unit's basic financial statements as listed in the contents, and have issued our report thereon dated June 2, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Neshoba County General Hospital and Neshoba County Nursing Home's and its discretely presented component unit, Neshoba County Ambulance Enterprise'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neshoba County General Hospital and Neshoba County Nursing Home's and its component unit's internal control. Accordingly, we do not express an opinion of the effectiveness of Neshoba County General Hospital and Neshoba County Nursing Home and its component unit'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 facilities' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neshoba County General Hospital and Neshoba County Nursing Home and its component unit's financial statements are free from material misstatement, we performed tests of their 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 facilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the facilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eupora, Mississippi
June 2, 2026

Watkins Ward and Stafford, PLLC



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Independent Auditors' Report on Compliance with State Laws and Regulations

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of Neshoba County General Hospital and Neshoba County Nursing Home, a component unit of Neshoba County, Mississippi, as of and for the year ended September 30, 2025, and have issued our report thereon dated June 2, 2026.

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

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

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

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

Eupora, Mississippi
June 2, 2026

Watkins Ward and Stafford, P.C.