



Wayne General Hospital
Waynesboro, Mississippi
(A Component Unit of Wayne County)

FINANCIAL STATEMENTS

September 30, 2022 and 2021

**WAYNE GENERAL HOSPITAL
Waynesboro, Mississippi**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Wayne General Hospital
Waynesboro, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Wayne General Hospital (the "Hospital"), a component unit of Wayne County, Mississippi, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of September 30, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Hospital adopted the provisions of GASB Statement Number 87, *Leases*, effective October 1, 2020. Our opinion is not modified with respect that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5–12 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of surety bonds for officials and employees is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2023 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Laurel, Mississippi
January 9, 2023

Wayne General Hospital Management's Discussion and Analysis

This section of Wayne General Hospital's (the "Hospital") annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal years that ended on September 30, 2022 and 2021. Please read it in conjunction with the financial statements in this report.

FINANCIAL HIGHLIGHTS

Fiscal Year Ended September 30, 2022

- The Hospital's total net position increased approximately \$3.26 million or 12.5% from the prior year.
- At the end of the 2022 fiscal year, the assets of the Hospital exceeded liabilities by \$29.4 million. Of this amount, \$18.9 million (unrestricted net position) may be used to meet ongoing obligations to the Hospital's employees, patients, and creditors, and \$10.5 million is the net investment in capital assets.
- Net patient service revenue increased approximately \$599,000 or 2% from the prior year. During this same period, operating expenses increased approximately \$962,000 or 2.8% from the prior year. This increase is largely due to increases in professional fees. These changes will be further discussed in the Operating and Financial Performance section of this analysis.

Fiscal Year Ended September 30, 2021

- The Hospital's total net position increased approximately \$9.38 million or 56% from the prior year.
- At the end of the 2022 fiscal year, the assets of the Hospital exceeded liabilities by \$26 million. Of this amount, \$16.8 million (unrestricted net position) may be used to meet ongoing obligations to the Hospital's employees, patients, and creditors, and \$9.2 million is the net investment in capital assets.
- Net patient service revenue increased approximately \$3.9 million or 15.14% from the prior year. During this same period, operating expenses increased approximately \$3.7 million or 12.2% from the prior year. This increase is largely due to increases in salaries and benefits, as well as supplies due to COVID. These changes will be further discussed in the Operating and Financial Performance section of this analysis.

Wayne General Hospital Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three statements – the statements of net position, the statements of revenues, expenses, and changes in net position, and the statements of cash flows. The financial statements report the financial position of the Hospital, the results of its operations, and its cash flows. The financial statements are prepared on the accrual basis of accounting. These statements offer short-term and long-term financial information about the Hospital's activities.

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

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

The statements of cash flows provide information about the Hospital's cash from operating, noncapital, investing, and financing activities. The statements of cash flows outline where the cash comes from, what the cash is used for, and the changes in the cash balance during the reporting period.

The annual report also includes notes to financial statements that are essential to gain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

FINANCIAL ANALYSIS OF THE HOSPITAL

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

Wayne General Hospital Management's Discussion and Analysis

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

Condensed Statements of Net Position

<i>September 30,</i>	2022	Restated 2021	2020
Assets			
Current and other assets	\$ 24,089,279	\$ 26,405,328	\$ 29,359,102
Capital assets, net	10,498,085	9,379,366	9,013,242
Total assets	\$ 34,587,364	\$ 35,784,694	\$ 38,372,344
Liabilities			
Current liabilities	\$ 4,601,508	\$ 8,960,069	\$ 21,437,792
Long-term liabilities	36,037	32,019	218,282
Total liabilities	\$ 4,637,545	\$ 8,992,088	\$ 21,656,074
Deferred inflow of resources - leases	\$ 561,924	\$ 668,958	\$ -
Net position			
Net investment in capital assets	\$ 10,445,990	\$ 9,247,707	\$ 8,631,202
Unrestricted	18,941,905	16,875,941	8,085,068
Total net position	\$ 29,387,895	\$ 26,123,648	\$ 16,716,270

September 30, 2022

Current and other assets decreased due to a decrease in cash balances as a result of net cash used in operating activities. Current liabilities decreased \$4.4 million due to the recognition of nonoperating revenues from COVID-19 grant funds and the repayment of Medicare advanced funds.

September 30, 2021

Current and other assets decreased due to a decrease in cash balances as a result of net cash used in operating activities. Current liabilities decreased \$12.5 million due to the recognition of nonoperating revenues from COVID-19 grant funds, the repayment of Medicare advanced funds, the gain on the extinguishment of the Paycheck Protection Program loan, and a decrease in compensated absences.

Wayne General Hospital Management's Discussion and Analysis

A summary of the Hospital's condensed statements of revenues, expenses, and changes in net position are presented in the following table:

<i>For the Years Ended September 30,</i>	2022	Restated 2021	2020
Operating revenues			
Net patient service revenue	\$ 30,091,080	\$ 29,491,710	\$ 25,614,795
Other operating revenue	2,316,543	1,740,957	1,813,080
Total operating revenues	32,407,623	31,232,667	27,427,875
Operating expenses			
Salaries and benefits	23,115,197	23,121,275	20,901,962
Depreciation and amortization	1,186,620	1,105,099	953,394
Other	10,852,092	9,965,577	8,613,102
Total operating expenses	35,153,909	34,191,951	30,468,458
Operating loss	(2,746,286)	(2,959,284)	(3,040,583)
Nonoperating revenues	6,010,533	12,343,862	2,729,546
Change in net position	\$ 3,264,247	\$ 9,384,578	\$ (311,037)

Fiscal Year Ended September 30, 2022

The Hospital derived 93% of its total operating revenues from net patient service revenues. Such revenues include revenues from the Medicare and Medicaid programs, patients, or their third-party carriers who pay for care in the Hospital's facilities.

Fiscal Year Ended September 30, 2021

The Hospital derived 94% of its total operating revenues from net patient service revenues. Such revenues include revenues from the Medicare and Medicaid programs, patients, or their third-party carriers who pay for care in the Hospital's facilities.

The following table represents the relative percentage of gross charges billed for patient services by payor for the fiscal years ended September 30, 2022, 2021 and 2020:

	2022	2021	2020
Medicare	48 %	48 %	49 %
Medicaid	21	20	19
Other	31	32	32
Total gross charges	100 %	100 %	100 %

Wayne General Hospital Management's Discussion and Analysis

OPERATING AND FINANCIAL PERFORMANCE

The following summarizes statistical information related to the Hospital's operations. Prior year amounts have been updated to be consistent with current year presentation.

	2022	2021	2020
Actual number of acute patient days (adult) **	5,207	5,922	5,859
Percentage of occupancy (adult)	44.6 %	50.7 %	50.2 %
Newborn infant patient days	470	381	448
Pediatric patient days	44	43	119
Swingbed patient days	1,834	1,852	2,125
Percentage of occupancy (swingbed)	30.0 %	30.0 %	34.5 %
Discharges including deaths (adult)	1,209	1,242	1,279
Average length of stay (adult) in days	5.8	4.7	5.8
Average daily census (adult)	14	16	22
Medicare days	4,961	4,745	5,374
Medicaid days	1,419	1,476	1,662
Surgery cases	430	384	575
Home health visits	5,807	6,905	7,248
Emergency room visits	12,245	11,346	11,170

** Acute patient days includes inpatient medical, obstetrics, ICU, and surgery

The following summarizes changes in the Hospital's statements of revenues, expenses and changes in net position between 2022 and 2021:

Fiscal Year Ended September 30, 2022

- Net patient service revenues increased \$600,000 as stated in the financial highlights. Gross patient service revenue decreased approximately \$1 million, contractual adjustments decreased approximately \$2.2 million, and the bad debt provision increased approximately \$645,000 due to management's review of collections over the last year.
- Operating expenses increased as a result of an increase in salaries and related benefits to retain staff.
- Nonoperating revenues (expenses) decreased \$6.3 million due to fewer COVID-19 grant funds available for spending with the Hospital recognizing approximately \$5.7 million in COVID-19 grant funds. Interest income also decreased due to the decrease in cash on hand and lower interest rates on cash balances.

Wayne General Hospital Management's Discussion and Analysis

Fiscal Year Ended September 30, 2021

- Net patient service revenues increased as stated in the financial highlights. Gross patient service revenue increased approximately \$4.87 million, contractual adjustments increased approximately \$2.6 million, and the bad debt provision decreased approximately \$1.6 million due to management's review of collections over the last year.
- Operating expenses increased as a result of an increase in salaries, wages and employee benefits of approximately \$2.2 million due to hazard pay, incentives paid to retain staff, and higher health insurance costs. Supplies and other expenses increased approximately \$1 million due to expenses for pharmaceuticals, testing, and personal protection equipment related to the COVID-19 pandemic.
- Nonoperating revenues (expenses) increased \$9.6 million due to the Hospital recognizing approximately \$7.7 million in CARES Act funds and \$3.1 million from the extinguishment of the Paycheck Protection Program loan. Interest income also increased due to the increase in cash on hand.

CASH FLOWS

Changes in the Hospital's cash flows consist of the following:

- Net cash used in operating activities of \$4.4 million
- Net cash provided by noncapital activities of \$4.3 million
- Net used in capital and related financing activities of \$2.4 million
- Net cash provided by investing activities of \$252,000.

See the statement of cash flows for more details regarding these changes.

Wayne General Hospital Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets consisted of the following as of each year-end:

<i>September 30,</i>	2022	Restated 2021	2020
Land and land improvements	\$ 1,906,329	\$ 1,839,057	\$ 1,835,207
Construction in progress	1,127,642	23,335	-
Buildings and improvements	18,770,752	18,144,236	17,605,595
Equipment	16,862,458	16,419,091	15,875,845
Right to use asset - equipment	81,038	46,225	-
Total capital assets	38,748,219	36,471,944	35,316,647
Less accumulated depreciation	(28,250,134)	(27,092,578)	(26,303,405)
Capital assets, net	\$ 10,498,085	\$ 9,379,366	\$ 9,013,242

Fiscal Year Ended September 30, 2022

Net capital assets increased approximately \$1 million primarily due to the purchase of new software. Current year capital additions were \$2.3 million and depreciation expense was \$1.2 million.

Current year debt activity included \$103,000 of debt service payments on notes payable.

Fiscal Year Ended September 30, 2021

Net capital assets increased approximately \$366,000 primarily due to current year purchases exceeding current year disposals and depreciation. Current year capital additions were \$1.5 million and depreciation expense was \$1.1 million.

Current year debt activity included \$279,000 of debt service payments on notes payable.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

While the annual budget of the Hospital is not presented within these financial statements, the Hospital's Board and management considered many factors when setting the fiscal year 2022 budget. While the financial outlook for the Hospital is stable, of primary importance in setting the 2022 budget is the status of the economy and the healthcare environment, which takes into account market forces and environmental factors such as:

- Medicare reimbursement changes;
- Increased number of uninsured and working poor;
- Ongoing competition for services;
- Workforce shortages primarily in nursing and other clinically skilled positions;
- Increased labor costs to retain staff and respond to the COVID-19 surges;

Wayne General Hospital Management's Discussion and Analysis

- Increased cost of supplies, including pharmaceuticals, due to COVID pandemic; and
- Impact of Healthcare Reform as it relates to reimbursement and employee health insurance coverage.

The Hospital, as have all healthcare facilities across the United States, has been and continues to be impacted by the wide spread of the Coronavirus Disease 2019 (COVID-19). Since the Public Health Emergency declaration by the President of the United States on March 13, 2020, the Hospital has experienced and continues to experience a significant reduction in services provided in the hospital, physician clinics, swing bed and home care services. Elective surgeries were suspended at times and levels have not reached those of the prior year. Healthcare professionals have raised concerns that patients have forgone important care and chronic disease management which can jeopardize their health, and as a result hospitals are anticipating continued reductions in revenues for these patients until COVID-19 subsides.

CONTACTING THE HOSPITAL FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances. If you have any questions about this report or need additional financial information, please contact the Administrator, Wayne General Hospital, P.O. Box 1249, Waynesboro, Mississippi 39367.

Wayne General Hospital
Statements of Net Position

<i>September 30,</i>	2022	Restated 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 18,322,413	\$ 20,525,350
Patient accounts receivable, net of allowance doubtful accounts of \$5,391,484 and \$7,154,637 in 2022 and 2021, respectively	3,412,384	3,816,296
Lease receivable	105,059	100,946
Inventories	749,587	652,736
Prepaid expenses	414,112	343,854
Estimated third-party settlements	198,164	124,284
Other current assets	188,951	108,374
Total current assets	23,390,670	25,671,840
Noncurrent assets		
Capital assets		
Land	476,686	476,686
Construction in progress	1,127,642	23,335
Depreciable capital assets, net	8,893,757	8,879,345
Total capital assets, net	10,498,085	9,379,366
Lease receivable	496,407	601,466
Other assets	202,202	132,022
Total noncurrent assets	11,196,694	10,112,854
Total assets	34,587,364	35,784,694

Continued

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

Wayne General Hospital
Statements of Net Position (Continued)

<i>September 30,</i>	2022	Restated 2021
Liabilities, Deferred Inflows, and Net Position		
Current liabilities		
Current maturities of long-term debt	\$ -	\$ 90,439
Current maturities of lease obligations	16,058	9,201
Accounts payable	602,540	686,151
Accrued payroll and withholdings	1,454,307	1,268,339
Accrued compensated absences	1,826,766	1,736,816
Accrued health insurance claims payable	265,334	207,539
Unearned revenue	436,503	4,961,584
Total current liabilities	4,601,508	8,960,069
Long-term liabilities		
Notes payable, net of current maturities	-	12,517
Lease obligations, net of current maturities	36,037	19,502
Total long-term liabilities	36,037	32,019
Total liabilities	4,637,545	8,992,088
Deferred inflow of resources - leases	561,924	668,958
Net position		
Net investment in capital assets	10,445,990	9,247,707
Unrestricted	18,941,905	16,875,941
Total net position	\$ 29,387,895	\$ 26,123,648

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

Wayne General Hospital
Statements of Revenues, Expenses and Changes in Net Position

<i>For the years ended September 30,</i>	2022	Restated 2021
Operating Revenues		
Patient service revenues, net of contractual allowances	\$ 33,047,423	\$ 31,803,558
Provision for bad debts	(2,956,343)	(2,311,848)
Net patient service revenue	30,091,080	29,491,710
Other operating revenues	2,316,543	1,740,957
Total operating revenues	32,407,623	31,232,667
Operating Expenses		
Salaries and wages	19,546,135	19,078,447
Employee benefits and payroll taxes	3,569,062	4,042,828
Physician and professional fees	2,635,418	1,949,531
Supplies and other operating expenses	6,855,875	6,824,153
Maintenance, rentals, and utilities	1,360,799	1,191,893
Depreciation and amortization	1,186,620	1,105,099
Total operating expenses	35,153,909	34,191,951
Operating loss	(2,746,286)	(2,959,284)
Nonoperating Revenues (Expenses)		
COVID-19 grant funds	5,761,078	8,763,330
Gain on extinguishment of Paycheck Protection Program loan	-	3,115,398
Interest income	251,672	509,557
Interest expense	(2,265)	(45,923)
Gain on disposal of assets	48	1,500
Total nonoperating revenues (expenses)	6,010,533	12,343,862
Change in net position	3,264,247	9,384,578
Net Position - beginning of year restated (See Note 2)	26,123,648	16,739,070
Net Position - end of year	\$ 29,387,895	\$ 26,123,648

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

Wayne General Hospital Statements of Cash Flows

<i>For the years ended September 30,</i>	2022	Restated 2021
Operating Activities		
Receipts from and on behalf of patients	\$ 27,316,031	\$ 27,959,731
Payments to suppliers and contractors	(11,130,989)	(10,133,149)
Payments to and on behalf of employees	(22,907,625)	(23,092,635)
Other receipts (payments), net	2,338,632	1,730,918
Net cash (used in) operating activities	(4,383,951)	(3,535,135)
Noncapital Financing Activities		
Receipt of noncapital grants and contributions	64,598	71,855
Receipt of COVID-19 grant funds	4,251,864	337,544
Net cash provided by noncapital financing activities	4,316,462	409,399
Capital and Related Financing Activities		
Purchase of capital assets	(2,270,527)	(1,435,263)
Proceeds from sale of property and equipment	48	1,500
Interest paid on long-term debt	(2,265)	(11,265)
Principal paid on long-term debt	(114,376)	(286,956)
Net cash (used in) capital and related financing activities	(2,387,120)	(1,731,984)
Investing Activities		
Interest received	251,672	509,557
Net cash provided by investing activities	251,672	509,557
Net (decrease) in cash and cash equivalents	(2,202,937)	(4,348,163)
Cash and cash equivalents - beginning of year	20,525,350	24,873,513
Cash and cash equivalents - end of year	\$ 18,322,413	\$ 20,525,350

(Continued)

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

Wayne General Hospital
Statements of Cash Flows (Continued)

<i>For the years ended September 30,</i>	2022	Restated 2021
Reconciliation of operating loss to net cash (used in) operating activities:		
Operating loss	\$ (2,746,286)	\$ (2,959,284)
Adjustments to reconcile operating loss to net cash (used in) operating activities:		
Depreciation and amortization	1,186,620	1,105,099
Provision for bad debts	2,956,343	2,311,848
(Increase) decrease in assets:		
Patient accounts receivable	(2,552,431)	(2,696,322)
Lease receivable	100,946	96,994
Inventories	(96,851)	(131,273)
Prepaid and other current assets	(126,219)	(109,366)
Other assets	(70,180)	41,000
Estimated third-party settlements	(73,880)	(107,864)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	(83,611)	55,531
Accrued payroll and withholdings	185,968	168,716
Accrued compensated absences	89,950	(173,507)
Accrued health claims	57,795	9,967
Unearned revenue	(3,105,081)	(1,039,641)
Deferred inflows	(107,034)	(107,033)
Net cash (used in) operating activities	\$ (4,383,951)	\$ (3,535,135)
Noncash Investing, Capital, and Financing Activities:		
Gain from extinguishment of Paycheck Protection Program loan	\$ -	\$ 3,115,398

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

Wayne General Hospital Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Wayne General Hospital (the "Hospital") is an acute care hospital established by Wayne County (the "County") as a special-purpose government entity under the laws of the State of Mississippi. The Hospital is owned by the County and is governed by a Board of Trustees appointed by the County Board of Supervisors. Because of the relationship between the Hospital and the County, the Hospital has been defined as a component unit of the County.

The Hospital provides inpatient, outpatient and emergency care services primarily for residents of the County and the surrounding area. Admitting physicians are primarily practitioners in the same area. The Hospital is currently licensed to operate 49 inpatient beds.

Blended Component Unit

Wayne General Hospital Foundation, Inc. (the "Foundation") is a nonstock, nonprofit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The members of the Foundation Board consist principally of persons selected from the trustees, executive staff, and medical staff of the Hospital, as well as local civic leaders and professionals. The Hospital exerts control over the Foundation and there is a financial benefit relationship with this entity. Therefore, the Foundation is reported as a blended component unit in the Hospital's financial statements as of September 30, 2022 and 2021. Publicly available financial statements are not issued for the Foundation. Summarized financial information is provided in Note 15.

The Foundation is organized and operated exclusively for charitable scientific and educational purposes for the benefit of the Hospital. The primary sources of financial support for the Foundation are gifts, grants and contributions from the general public, corporations, and charitable organizations.

All significant intercompany transactions between the Foundation and the Hospital have been eliminated.

Budgetary Information

Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America with concurrence by the Hospital's Board of Trustees on an annual basis. The Hospital, however, is not required by statute to adopt a legally binding budget. Accordingly, budgetary information is not a required part of these financial statements.

Wayne General Hospital Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). Revenues, 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 nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowances for doubtful accounts and contractual adjustments and estimated third-party payor settlements. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Assets, Liabilities, and Net Position

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of three months or less. The Hospital's cash and cash equivalents consist of demand deposits and money market funds. Interest income is reported as nonoperating revenues.

Cash and cash equivalents include funds held on behalf of employees who participate in the Hospital's Christmas Club Program. Funds that were not paid out at September 30, 2022 and 2021 totaled \$401,168 and \$425,956, respectively. The Hospital has recorded an accrual for these amounts, which is included in accrued payroll and withholdings on the accompanying statements of net position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs are unobservable and significant to the fair value measurement.

The Hospital did not have any significant assets or liabilities measured at fair value on a recurring basis requiring disclosure of fair value inputs at September 30, 2022 or 2021.

Patient Accounts Receivable, Net

Patient accounts receivable are reduced by estimated contractual and other adjustments and estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debt. Management reviews data about these major payor sources of revenue on a monthly basis in evaluating the sufficiency of the allowances. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

Wayne General Hospital Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable, Net (Continued)

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as 'self-pay'), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2022 and did not have significant write-offs from third-party payors related to collectability in fiscal years 2022 or 2021.

Inventories

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

Prepaid Expenses

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Capital assets are defined as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year.

Land and construction in progress are not depreciated. For other capital assets, depreciation is computed using the straight-line method over the estimated useful life of each asset. Right-to-use assets and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

Wayne General Hospital Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The following estimated useful lives are being used by the Hospital:

Land improvements	5 - 20 years
Buildings and improvements	5 - 40 years
Fixed equipment	5 - 28 years
Major moveable equipment	5 - 28 years
Right to use assets	5 years

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs are charged to expense when incurred.

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived asset impairments were recognized during the years ended September 30, 2022 and 2021.

Other Assets

The Hospital has entered into various agreements with physicians and employees, specifically to benefit the Hospital's community service area. These agreements include income guarantees, tuition assistance, student loan assistance, and other advances, all of which are generally conditioned upon a service commitment to the Hospital. Advances under these agreements are forgiven upon fulfillment of a contractual service commitment, but are due in full if such commitment is not fulfilled. Advances under these arrangements are amortized to expense using the straight-line method over the related commitment period. Amounts expected to be amortized in the ensuing fiscal year are classified as an other current asset in the accompanying statements of net position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Hospital's policy allows most employees to accumulate benefits that may be realized as paid time off or as a cash payment upon termination of employment. The expense and the related liability are recognized as benefits as earned whether the employee is expected to realize the benefit as paid time off or in cash upon termination of employment. Compensated absences are computed using the pay rates in effect at year-end, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The Hospital's estimated accrual for compensated absences is recorded as a current liability in the statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Hospital is not reporting any deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Hospital is reporting deferred inflows of resources related to leases which will be recognized in lease revenue in future reporting periods.

Net Position

Net position of the Hospital is classified in three components, as follows:

Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

Restricted – Represents resources that are externally restricted by external parties or by law through constitutional provision or enabling legislation.

Unrestricted – Represents the remaining net position that does not meet the definition of net investment in capital assets or restricted net position described above.

As a general practice, when both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

Wayne General Hospital Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenue and Expenses

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

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the recognition and accrual of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such reviews may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Management believes it has complied with the requirements of these programs.

Charity Care

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was approximately \$590,000 and \$816,000 for the years ended September 30, 2022 and 2021, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$304,000 and \$405,000, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases – Lessor

The Hospital is a lessor for a noncancellable lease of property and recognizes a lease receivable and deferred inflow of resources in the statement of net position. At the commencement of the lease, the Hospital initially measures the lease receivable at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is initially measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. Subsequently, the lease receivable is reduced by the principal portion of lease payments made, and interest revenue is recognized. Lease revenue is recognized from the inflow of resources in a systematic and rational manner over the term of the lease.

Leases - Lessee

The Hospital is a lessee for noncancellable leases of equipment and recognizes a lease obligation and an intangible right-to-use lease asset in the statements of net position. The Hospital recognizes lease obligations with an initial, individual value of \$1,000 or more.

At the commencement of the lease, the Hospital initially measures the lease obligation at the present value of lease payments expected to be made during the lease term. Subsequently, the lease obligation is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease 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. Lease assets are reported with capital assets and lease obligations are reported with long-term liabilities in the statement of net position.

Grants and Contributions

From time to time, the Hospital receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted either for 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 revenue and expenses.

Wayne General Hospital Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current Healthcare Environment

The Hospital monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payor industry
- Workforce shortages primarily in nursing and other clinically skilled positions; as well as, increased payroll costs to retain current staff.

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Hospital's financial position and operating results.

Reclassifications of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with current year presentation.

Income Taxes

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

Wayne General Hospital
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 9, 2023, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Pronouncements Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Hospital upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
91	<i>Conduit Debt Obligations</i>	2023
94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	2023
96	<i>Subscription-Based Information Technology Arrangements Compensation Plans</i>	2023
99	<i>Omnibus 2022</i>	2023/2024 (1)
100	<i>Accounting Changes and Corrections</i>	2024
101	<i>Compensated Absences</i>	2025

(1) Certain provisions of this standard were effective immediately.

Pronouncements Issued and Recently Adopted

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting, and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement was adopted during the year ended September 30, 2022, and did not have a material effect on the Hospital's financial statements.

Wayne General Hospital
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pronouncements Issued and Recently Adopted (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement was adopted during the year ended September 30, 2022, and did not have a material effect on the Hospital's financial statements.

NOTE 2: RESTATEMENT DUE TO ADOPTION OF NEW ACCOUNTING PRINCIPLE

During the year ended September 30, 2022, the Hospital implemented GASB Statement No. 87, *Leases* (GASB 87), effective October 1, 2020. The lease definition now focuses on a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in a contract for a period of time in an exchange or exchange-like transaction. Under GASB 87, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements. As it related to lessee activities, the Hospital has recorded a right to use asset, included in capital assets, net, and a lease obligation on the accompanying statements of net position. As it relates to lessor activities, the Hospital has recorded a lease receivable and a deferred inflow of resources on the accompanying statements of net position. The following changes have been made to the accompanying financial statements as of and for the year ended September 30, 2021:

Statement of Net Position	Restated after Adoption of GASB 87	Reported Prior to Adoption of GASB 87	Change
Lease receivable	\$ 702,412	\$ -	\$ 702,412
Capital assets, net	9,379,366	9,351,514	27,852
Lease obligations	28,703	-	28,703
Deferred inflows - leases	668,958	-	668,958
Net position	26,123,648	26,091,045	32,603

Wayne General Hospital
Notes to Financial Statements

NOTE 2: RESTATEMENT DUE TO ADOPTION OF NEW ACCOUNTING PRINCIPLE (CONTINUED)

Statement of Revenues, Expenses, and Changes in Net Position	Restated after Adoption of GASB 87	As Originally Reported Prior to Adoption of GASB 87	Change
Other operating revenue	\$ 1,740,957	\$ 1,761,129	\$ (20,172)
Maintenance, rentals, and utilities	1,191,893	1,200,822	(8,929)
Depreciation and amortization	1,105,099	1,096,991	8,108
Interest income	509,557	479,346	30,211
Interest expense	45,923	44,866	1,057
Change in net position	9,384,578	9,374,775	9,803
Change in net position - beginning of year	16,739,070	16,716,270	22,800
Change in net position - end of year	26,123,648	26,091,045	32,603
Statement of Cash Flows			
Payments to suppliers and contractors	\$ 10,133,149	\$ 10,142,078	\$ (8,929)
Other receipts (payments), net	1,730,918	1,761,129	(30,211)
Principal paid on long-term debt	286,956	279,084	7,872
Interest paid on long-term debt	11,265	10,208	1,057
Interest received	509,557	479,346	30,211

Wayne General Hospital Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2022 and 2021, the Hospital's deposits consisted of the following:

<i>September 30,</i>	2022	2021
Petty cash and undeposited cash	\$ 2,650	\$ 2,430
Cash deposits with financial institutions	18,319,763	20,522,920
Total cash and cash equivalents	\$ 18,322,413	\$ 20,525,350

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits might not be recovered. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The collateral for public entity deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the Hospital's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public

funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation ("FDIC"). All deposits with financial institutions must be collateralized in an amount equal to 105% of uninsured deposits and are therefore fully insured. All of the Hospital's deposits were collateralized and insured at September 30, 2022 and 2021.

Investments

The statutes of the State of Mississippi restrict the authorized investments of the Hospital to obligations of the U.S. Treasury, agencies, and instrumentalities of the United States and certain other types of investments. The Hospital's does not have a formal investment policy that further limits the types of investments available to the Hospital or limits investment maturities as a means of managing its exposure to fair value losses.

Wayne General Hospital
Notes to Financial Statements

NOTE 4: CAPITAL ASSETS

Capital asset activity and balances for the years ended September 30, 2022 and 2021 were as follows:

	Restated Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022
Capital asset not depreciated/amortized				
Land	\$ 476,686	\$ -	\$ -	\$ 476,686
Construction in progress	23,335	1,127,642	(23,335)	1,127,642
Total capital assets not depreciated/amortized	500,021	1,127,642	(23,335)	1,604,328
Capital assets depreciated/amortized				
Land improvements	1,362,371	67,272	-	1,429,643
Buildings and improvements	18,144,236	626,516	-	18,770,752
Fixed equipment	777,417	-	-	777,417
Major moveable equipment	15,641,674	472,431	(29,064)	16,085,041
Right-to-use leased equipment	46,225	34,813	-	81,038
Total capital assets depreciated/amortized	35,971,923	1,201,032	(29,064)	37,143,891
Less accumulated depreciation/amortization				
Land improvements	(1,230,660)	(44,140)	-	(1,274,800)
Buildings and improvements	(11,938,885)	(503,006)	-	(12,441,891)
Fixed equipment	(755,212)	(3,420)	-	(758,632)
Major moveable equipment	(13,149,448)	(624,489)	29,064	(13,744,873)
Right-to-use leased equipment	(18,373)	(11,565)	-	(29,938)
Total accumulated depreciation/amortization	(27,092,578)	(1,186,620)	29,064	(28,250,134)
Total capital assets depreciated/amortized, net	8,879,345	14,412	-	8,893,757
Total capital assets, net	\$ 9,379,366	\$ 1,142,054	\$ (23,335)	\$ 10,498,085

Wayne General Hospital
Notes to Financial Statements

NOTE 4: CAPITAL ASSETS (CONTINUED)

	Restated Balance 10/1/2020	Additions	Reductions	Restated Balance 9/30/2021
Capital asset not depreciated/amortized				
Land	\$ 476,686	\$ -	\$ -	\$ 476,686
Construction in progress	-	23,335	-	23,335
Total capital assets not depreciated/amortized	476,686	23,335	-	500,021
Capital assets depreciated/amortized				
Land improvements	1,358,521	3,850	-	1,362,371
Buildings and improvements	17,605,595	538,641	-	18,144,236
Fixed equipment	779,541	-	(2,124)	777,417
Major moveable equipment	15,096,304	869,437	(324,067)	15,641,674
Right-to-use leased equipment	32,416	13,809	-	46,225
Total capital assets depreciated/amortized	34,872,377	1,425,737	(326,191)	35,971,923
Less accumulated depreciation				
Land improvements	(1,182,322)	(48,338)	-	(1,230,660)
Buildings and improvements	(11,498,262)	(440,623)	-	(11,938,885)
Fixed equipment	(752,996)	(4,340)	2,124	(755,212)
Major moveable equipment	(12,869,825)	(603,690)	324,067	(13,149,448)
Right-to-use leased equipment	(10,265)	(8,108)	-	(18,373)
Total accumulated depreciation/amortization	(26,313,670)	(1,105,099)	326,191	(27,092,578)
Total capital assets depreciated/amortized, net	8,558,707	320,638	-	8,879,345
Total capital assets, net	\$ 9,035,393	\$ 343,973	\$ -	\$ 9,379,366

Depreciation and amortization expense for the years ended September 30, 2022 and 2021 totaled \$1,186,620 and \$1,105,099.

NOTE 5: SHORT-TERM DEBT

The Hospital received loan proceeds in the amount of \$3,080,740 under the Paycheck Protection Program (“PPP”) in fiscal year ended September 30, 2020. The PPP, was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), to provide loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest were forgivable as long as the borrower maintained staffing levels and used the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. On June 8, 2021, the PPP loan principal, plus accrued interest of \$34,658, was forgiven and has been reported on the statement of revenues, expenses, and changes in net position as a gain on extinguishment in nonoperating revenues for the year ended September 30, 2021.

Wayne General Hospital
Notes to Financial Statements

NOTE 6: LONG-TERM LIABILITIES

The Hospital's long-term debt and lease obligations consisted of the following:

<i>September 30,</i>	2022	Restated 2021
Note payable to First State Bank, interest rate of 3.74%, monthly payments of \$7,839, maturing March 2023, collateralized by equipment. Paid off in 2022.	\$ -	\$ 102,956
Lease obligations, interest at 4%, monthly payments ranging from \$80 to \$639, maturing at various dates through May 2027.	52,095	28,703
Total long-term debt	52,095	131,659
Current portion of long-term debt and lease obligations	(16,058)	(99,640)
Long-term debt and lease obligations, net of current portion	\$ 36,037	\$ 32,019

A summary of changes in the Hospital's long-term liabilities for the years ended September 30, 2022 and 2021 follows:

	Restated Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022	Due Within One Year
Notes payable	\$ 102,956	\$ -	\$ (102,956)	\$ -	\$ -
Lease obligations	28,703	34,812	(11,420)	52,095	16,058
Total	\$ 131,659	\$ 34,812	\$ (114,376)	\$ 52,095	\$ 16,058

	Restated Balance 10/1/2020	Additions	Reductions	Restated Balance 9/30/2021	Restated Due Within One Year
Notes payable	\$ 382,040	\$ -	\$ (279,084)	\$ 102,956	\$ 90,439
Lease obligations	22,766	13,809	(7,872)	28,703	9,201
Total	\$ 404,806	\$ 13,809	\$ (286,956)	\$ 131,659	\$ 99,640

Wayne General Hospital
Notes to Financial Statements

NOTE 6: LONG-TERM LIABILITIES (CONTINUED)

The maturities for the long-term lease obligations are as follows:

<i>Year ending September 30,</i>	Lease Obligations	
	Principal	Interest
2023	\$ 16,058	\$ 1,792
2024	12,505	1,179
2025	9,949	760
2026	8,547	374
2027	5,036	76
Total	\$ 52,095	\$ 4,181

NOTE 7: NET INVESTMENT IN CAPITAL ASSETS

The Hospital's net investment in capital assets, as presented on the accompanying statements of net position is calculated as follows:

<i>September 30,</i>	2022	Restated 2021
Capital assets, net	\$ 10,498,085	\$ 9,379,366
Less long-term debt outstanding related to capital assets	(52,095)	(131,659)
Net investment in capital assets	\$ 10,445,990	\$ 9,247,707

NOTE 8: NET PATIENT SERVICE REVENUE

The Hospital has agreements with governmental and other third-party payors that provide for payments to the Hospital for services rendered at amounts different from its established rates. Patient revenue is reported net of contractual adjustments arising from these third-party arrangements, as well as a net provision for uncollectible accounts. A summary of the payment arrangements with major third-party payors follows:

Medicare – Inpatient acute, swing bed, outpatient, and home health 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. Medicare bad debts are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

**Wayne General Hospital
Notes to Financial Statements**

NOTE 8: NET PATIENT SERVICE REVENUE (CONTINUED)

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon the Ambulatory Payment Classification ("APC") system for outpatient payments and an APR-DRG system for inpatient payments.

Beginning with the state fiscal year 2016, July 1, 2015, UPL payments were phased out and the Division of Medicaid ("DOM") implemented the Mississippi Hospital Access Payment ("MHAP") program in its place. The MHAP program is administered by the DOM through the Mississippi CAN coordinated care organizations ("CCO"). The CCO's subcontracts with the Hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care. The MHAP program began December 1, 2015 and the MHAP payments and associated tax are distributed and collected in equal monthly installments. For the fiscal years ended September 30, 2022 and 2021, the Hospital received \$2,264,101 and \$2,113,714, respectively, from the MHAP program. MHAP amounts are shown as a reduction of contractual adjustments with related assessments of \$564,287 and \$722,999, respectively, for the year ended September 30, 2022 and 2021, and recorded in operating expenses.

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least the possibility that recorded estimates will change. The 2022 and 2021 net patient service revenues increased approximately \$207,000 for both years due to prior year retroactive adjustments in excess of amounts previously estimated. The Hospital's cost reports have been settled through 2018.

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

The composition of gross and net patient service revenue for the years ended September 30, 2022 and 2021 is as follows:

<i>For the years ended September 30,</i>	2022	2021
Gross patient service revenue	\$ 65,362,352	\$ 66,349,214
Less provision for:		
Contractual adjustments under third-party reimbursement programs and other adjustments	(32,314,929)	(34,545,656)
Provision for bad debts	(2,956,343)	(2,311,848)
Net patient service revenue	\$ 30,091,080	\$ 29,491,710

Wayne General Hospital
Notes to Financial Statements

NOTE 8: NET PATIENT SERVICE REVENUE (CONTINUED)

Gross patient service revenue by major payor class consisted of the following for the years ended September 30, 2022 and 2021:

<i>For the years ended September 30,</i>	2022	2021
Medicare	48%	48%
Medicaid	21%	20%
Other	31%	32%
Total	100%	100%

NOTE 9: LESSOR AGREEMENTS

In 2014, the Hospital, as a lessor, entered into a lease agreement with a lessee for property. The initial lease was for a term of four years with the lessee having an option to renew the lease for three additional three-year terms. The lessee has exercised the first two renewal options, and the Hospital is reasonably certain that the lessee will renew the lease for one additional term. In accordance with GASB 87, the lease was retroactively measured at an interest rate of 4%, the Hospital's incremental borrowing rate at that time.

Rent is payable monthly with total annual payments of \$127,205 made in fiscal years ending September 30, 2022 and 2021. Lease interest income of \$26,259 and \$30,211, respectively, was recognized for fiscal years ending September 30, 2022 and 2021, and lease revenue in the amount of \$107,033 was recognized for both years.

Future minimum rental payments are \$127,205 annually for fiscal years through September 30, 2027, and \$31,801 for fiscal year ending September 30, 2028.

NOTE 10: NONOPERATING REVENUES

The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation

Additional funding for the Public Health and Social Services Emergency Relief Fund ("Relief Fund") was among the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was signed into law on March 27, 2020, and other legislation. In the years ended September 30, 2022 and 2021, the Hospital recognized nonoperating income of \$2.96 million and \$7.7 million, respectively, due to grants from the Relief Fund, which is reported as nonoperating income in the Hospital's accompanying statement of revenues, expenses, and changes in net position. Payments from the Relief Fund are not loans and, therefore, they are not subject to repayment.

NOTE 10: NONOPERATING REVENUES (CONTINUED)

However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost operating revenues and COVID-related costs, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider. The Hospital recognizes grant payments as income when there is reasonable assurance of compliance with the conditions associated with the grant. The Hospital's estimates could change materially in the future based on Hospital's operating performance or COVID-19 activities, as well as the evolving grant compliance guidance provided by the government.

Below is a brief overview of certain provisions of the CARES Act and related legislation that have impacted and are expected to continue to impact the Hospital's business. Please note that this summary is not exhaustive, and additional legislative action and regulatory developments may evolve rapidly. There is no assurance that the Hospital will continue to receive or remain eligible for funding or assistance under the CARES Act or similar measures.

Public Health and Social Services Emergency Relief Fund - To address the fiscal burdens on healthcare providers created by the COVID-19 public health emergency, the CARES Act and the Paycheck Protection Program authorized \$175 billion for the Relief Fund. During the year ended September 30, 2020, HHS commenced distribution of Relief Fund monies, which were later increased by subsequent legislation.

Medicare and Medicaid Payment Policy Changes - The CARES Act and subsequent legislation also alleviates some of the financial strain on hospitals, physicians, and other healthcare providers and states through a series Medicare and Medicaid payment policies that temporarily increase Medicare and Medicaid reimbursement and allow for added flexibility, as described below.

- The CARES Act suspended the sequestration payment adjustment percentage of 2% applied to all Medicare Fee-for-Service (FFS) claims from May 1 through December 1, 2020. The Consolidation Appropriations Act, 2021 extended the suspension period to March 31, 2021. An Act to Prevent Across-the-Board Direct Spending Cuts, and for Other Purposes, signed into law on April 14, 2021, extended the suspension period to December 31, 2021. The Protecting Medicare and American Farmers from Sequesters Cuts Act extended the suspension period through March 31, 2022, and adjusted the sequester to 1% between April 1, 2022 and June 30, 2022. Subsequent to July 1, 2022, the 2% cut was effective.
- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency (which was tentatively set to expire on January 11, 2023) as declared by the Secretary of HHS.

NOTE 10: NONOPERATING REVENUES (CONTINUED)

- The scheduled reduction of \$4 billion in federal Medicaid DSH allotments in FFY 2020, as mandated by the Affordable Care Act, is suspended until October 1, 2024. Also, the federal DSH allotment reduction for FFY 2024 is set at \$8 billion for each year through termination in FFY 2027.
- The CARES Act expanded the Medicare accelerated payment program, which provides prepayment of claims to providers in certain circumstances, such as national emergencies or natural disasters. Under this measure, providers could request accelerated advance payments for Medicare Part A and B. Under the Continuing Appropriations Act, 2021 and Other Extensions Act, repayment began one year from the issuance date of each provider or supplier's accelerated advance payment. After the first 12 months, Medicare began to automatically recoup 25 percent of Medicare payments otherwise owed to the provider or supplier for eleven months. At the end of the eleven month period, recoupment increased to 50 percent for another six months. If the provider or supplier was unable to repay the total amount of the accelerated advance payment during this time period (a total of 29 months), CMS issued demand letters requiring payment of any outstanding balance, subject to an interest rate of four percent consistent with the Continuing Appropriations Act, 2021. At September 30, 2022 and 2021, the Hospital owed \$436,503 and \$3,541,584, respectively, in accelerated advance payments. All amounts owed at September 30, 2022 were repaid subsequent to year-end.
- A 6.2% increase in the Federal Medical Assistance Percentage ("FMAP") matching funds was instituted to help states respond to the COVID-19 pandemic. The additional funds are available to states from January 1, 2020 through the quarter in which the public health emergency period ends, provided that states meet certain conditions. An increase in states' FMAP leverages Medicaid's existing financing structure, which allows federal funds to be provided to states more quickly and efficiently than establishing a new program or allocating money from a new funding stream. Increased federal matching funds support states in responding to the increased need for services, such as testing and treatment during the COVID-19 public health emergency, as well as increased enrollment as more people lose income and qualify for Medicaid during the economic downturn.

Because of the uncertainty associated with various factors that may influence the Hospital's future Medicare and Medicaid payments, including future legislative, legal or regulatory actions, or changes in volumes and case mix, there is a risk that the Hospital's estimates of the impact of the aforementioned payment and policy changes will be incorrect and that actual payments received under, or the ultimate impact of, these programs may differ materially from the Hospital's expectations.

Wayne General Hospital Notes to Financial Statements

NOTE 11: INSURANCE PROGRAMS

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

Medical Malpractice Insurance

The Hospital held professional and general liability insurance under a self-funded plan prior to 2007. During 2007, the Hospital purchased professional and general liability insurance to cover medical malpractice claims. The Hospital has not accrued any losses for malpractice claims or expenses for periods subsequent to the self-funded plan. Nevertheless, the future assertion of claims for occurrences prior to year-end is reasonably possible and may occur, although not anticipated. In any event, management believes that any such claims would be substantially covered under its insurance program.

The Mississippi Tort Claims Act provides a cap on the amount of damages recoverable against government entities, including governmental hospitals. For claims arising, the amount recoverable is the greater of \$500,000 or the amount of liability insurance coverage that has been retained.

Self-Funded Health Insurance

The Hospital provides health insurance coverage to its employees under a self-funded health plan. Health claims are paid by the Hospital as they are incurred and filed by the employee. An estimated liability for claims incurred but not reported or paid is reported in the statements of net position. Commercial insurance is purchased for claims in excess of \$110,000 per person to limit the Hospital's liability for losses under its self-insurance program.

The claims liability at September 30, 2022 and 2021 is based on the requirements of GASB and provides that a liability for claims 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 amount of loss can be reasonably estimated. Changes in the Hospital's claims liability amount are reflected below:

<i>For the Years Ended September 30,</i>	2022	2021
Claims liability - beginning of year	\$ 207,539	\$ 197,572
Claims filed and changes in estimates	2,629,184	2,936,993
Claims paid	(2,571,389)	(2,927,026)
Claims liability - end of year	\$ 265,334	\$ 207,539

Wayne General Hospital
Notes to Financial Statements

NOTE 12: RETIREMENT PLAN

The Hospital sponsors a defined contribution plan qualified under Section 403(b) of the Internal Revenue Code (the "Plan"). The Plan covers all employees who elect to participate. The plan allows participants to defer a portion of their annual compensation. The amount of annual contributions to the plan by participants is subject to certain limitations as defined in the plan document. Plan participants vest 100% immediately in their contributions and investment earnings thereon.

Participant contributions are matched by the Hospital up to a maximum of 2%. Employer contributions to the plan for fiscal years ended September 30, 2022 and 2021 was \$205,462 and \$209,811, respectively.

NOTE 13: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The percentage mix of net patient receivables from patients and major third-party payors as of September 30, 2022 and 2021 was as follows:

<i>September 30,</i>	2022	2021
Medicare	40%	45%
Medicaid	29%	29%
Commercial insurance	17%	18%
Other	14%	8%
Total	100%	100%

NOTE 14: COMMITMENTS AND CONTINGENCIES

COVID-19

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the Hospital. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the overall economy, all of which are uncertain.

Wayne General Hospital
Notes to Financial Statements

NOTE 14: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

NOTE 15: BLENDED COMPONENT UNIT

Condensed financial information for the Hospital's blended component unit, Wayne General Hospital Foundation, Inc., for the years ending September 30, 2022 and 2021 was as follows:

Condensed Statement of Net Position	2022	2021
Assets		
Current assets	\$ 88,100	\$ 57,450
Total assets	88,100	57,450
Net position - unrestricted	\$ 88,100	\$ 57,450

Condensed Statements of Revenue, Expenses and Changes in Net Position	2022	2021
Operating revenues	\$ 59,547	\$ 7,962
Operating expenses	29,601	2,550
Operating income	29,946	5,412
Nonoperating revenues	704	1,152
Change in net position	30,650	6,564
Net position - beginning of year	57,450	50,886
Net position - end of year	\$ 88,100	\$ 57,450

Condensed Statements of Cash Flows	2022	2021
Net cash provided by		
Operating activities	\$ 29,946	\$ 5,412
Investing activities	704	1,152
Net increase in cash and cash equivalents	30,650	6,564
Cash and cash equivalent - beginning of year	57,450	50,886
Cash and cash equivalents - end of year	\$ 88,100	57,450

**Wayne General Hospital
Supplementary Information
Schedule of Surety Bonds for Officials and Employees**

Name	Position	Company	Amount of Bond
Kenny Odom	Trustee/ President	Travelers Casualty and Surety Company of America	\$ 100,000
Annice H. Jordan	Trustee/ Vice President	Travelers Casualty and Surety Company of America	100,000
Laura R. Kelley	Trustee/ Secretary	Travelers Casualty and Surety Company of America	100,000
Martin Stadalis	Trustee	Travelers Casualty and Surety Company of America	100,000
Lonnie Sanderson	Trustee	Travelers Casualty and Surety Company of America	100,000
Raymond G. Cooley	Trustee	Travelers Casualty and Surety Company of America	100,000
Cooper M. Leggett	Trustee	Travelers Casualty and Surety Company of America	100,000
Katherine Waddell	Hospital Administrator	Travelers Casualty and Surety Company of America	100,000



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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*

Board of Trustees
Wayne General Hospital
Waynesboro, 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 Wayne General Hospital (the "Hospital"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated January 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Findings 2022-01, 2022-02, and 2022-03 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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*.

The Hospital's Response to Findings

The Hospital's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Laurel, Mississippi
January 9, 2023

Wayne General Hospital Schedule of Findings and Responses

Finding 2022-01 – Segregation of Duties

Criteria: Proper segregation of duties requires that no single employee have access, authority, and approval over a single financial process.

Condition: The purchasing department and human resources department each have one employee who can perform multiple phases of a transaction that are incompatible.

The materials management purchasing agent has access and is able to perform all of the following duties: inventory counts; placing orders for goods; receiving goods; entering goods into the inventory system; adding new vendors; and approving invoices for payment. In addition, the materials management purchasing agent has access to the accounts payable system.

The human resources director has access and is able to perform all of the following responsibilities: setting up new employees, making changes to the human resources software module, maintaining the payroll system, and processing payrolls.

Cause: Due to limited resources and personnel, a number of duties are performed by a single individual.

Effect: Lack of segregation of duties could lead to errors or irregularities due to one individual performing multiple duties within a single financial process.

Recommendation: Management should reassign duties and responsibilities to other employees to eliminate a single person from having access or being able to perform the entire process.

We recommend that access to the accounts payable system be eliminated for the materials management purchasing agent. In addition, we recommend that the functions of receiving goods and entering goods into the inventory system be performed by two separate individuals. In addition, all inventory counts should be performed by two individuals.

We recommend that the human resources director's access to process a payroll be eliminated thereby limiting his responsibilities to the set up and maintenance of the human resource system and authorization and approval of transactions.

Views of Responsible Officials and Planned Corrective Actions: Management will continue to evaluate the cost benefit of shifting duties and responsibilities within these departments.

Wayne General Hospital Schedule of Findings and Responses

Finding 2022-02 – Inventories

Criteria: Proper controls over inventory observations and inventory pricing are necessary to ensure the inventory is fairly stated in accordance with generally accepted accounting principles.

Condition: During our inventory observations, we noted several errors in the inventory test counts. In addition, our audit procedures disclosed several errors in the unit cost used to value inventory items.

Cause: No established policies and procedures over inventory observations and inventory pricing, and new personnel involved in the process.

Effect: Due to the number of errors noted in the Laboratory Department, a full recount was required. In addition, audit adjustments were necessary to properly value the inventory due to errors noted in unit costs.

Recommendation: We recommend that written physical inventory instructions be prepared by management, distributed in advance to employees who will be involved in the count, and reviewed with them in advance. The written instructions should, at a minimum, include the following matters:

- Properly organizing and arranging inventory stock to simplify the count.
- Proper identification and description of stock.
- Use of inventory tags to ensure all items are counted.
- Counts being performed by two individuals.
- Pricing policies and procedures.

Views of Responsible Officials and Planned Corrective Actions: Management will develop written instructions to educate those involved with inventory and start meeting with them in advance to plan for the inventory.

Finding 2022-03 – Accounts Payable

Criteria: Payables should be recorded in the period in which goods and services are received in order to reflect proper cutoff and ensure that the financial statements are complete and accurate.

Condition: Our audit procedures disclosed several invoices that were recorded in the incorrect period at year-end.

Cause: From our review of these invoices, it appeared the invoice was being posted based on the date of the invoice rather than when good or services were received.

Effect: We proposed an audit adjustment to correct the noted errors.

Wayne General Hospital Schedule of Findings and Responses

Recommendation: We recommend that supervisory management review all invoices posted near year-end to ensure proper cutoff of expenses.

Views of Responsible Officials and Planned Corrective Actions: Supervisory management will review all invoices posted near year-end to ensure proper cutoff.