

# WAYNE GENERAL HOSPITAL Waynesboro, Mississippi

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#### INDEPENDENT AUDITOR'S 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, 2024 and 2023, 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, 2024 and 2023, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

#### Responsibilities of Management for the Financial Statements

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 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 that collectively comprise the Hospital's basic financial statements. The schedule of surety bonds for officials and employees is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 February 10, 2025 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.

Laurel, Mississippi February 10, 2025

Carr, Riggs & Chapan, L.L.C.

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, 2024 and 2023. Please read it in conjunction with the financial statements in this report.

#### **FINANCIAL HIGHLIGHTS**

#### Fiscal Year Ended September 30, 2024

- The Hospital's total net position decreased approximately \$4.3 million or 10.5% from the prior year.
- At the end of the 2024 fiscal year, the assets of the Hospital exceeded liabilities by \$21.9 million.
  Of this amount, \$12.4 million (unrestricted net position) may be used to meet ongoing obligations
  to the Hospital's employees, patients, and creditors, and \$9.5 million is the net investment in
  capital assets.
- Net patient service revenue increased approximately \$6.2 million or 20% from the prior year. During this same period, operating expenses increased approximately \$9.2 million or 25% from the prior year. These changes will be further discussed in the Operating and Financial Performance section of this analysis.

#### Fiscal Year Ended September 30, 2023

- The Hospital's total net position decreased approximately \$3.1 million or 10.5% from the prior year.
- At the end of the 2023 fiscal year, the assets of the Hospital exceeded liabilities by \$26.3 million.
  Of this amount, \$16.2 million (unrestricted net position) may be used to meet ongoing obligations
  to the Hospital's employees, patients, and creditors, and \$10.1 million is the net investment in
  capital assets.
- Net patient service revenue increased approximately \$734,000 or 2.3% from the prior year.
  During this same period, operating expenses increased approximately \$1.5 million or 4.4% from
  the prior year. These changes will be further discussed in the Operating and Financial
  Performance section of this 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 amount 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 revenues, 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 balances 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.

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

#### **Condensed Statements of Net Position**

September 30,	2024	2023	2022
Assets Current and other assets Capital assets, net	\$ 18,558,599 13,109,949	\$ 21,402,163 13,976,059	\$ 24,089,279 14,627,423
Total assets	\$ 31,668,548	\$ 35,378,222	\$ 38,716,702
Liabilities Current liabilities Long-term liabilities Total liabilities	\$ 6,220,405 3,139,552 \$ 9,359,957	\$ 5,139,978 3,507,409 \$ 8,647,387	\$ 4,946,850 3,839,553 \$ 8,786,403
Deferred inflow of resources - leases	\$ 347,858	\$ 454,891	\$ 561,924
Net position Net investment in capital assets Unrestricted	\$ 9,549,047 12,411,686	\$ 10,064,227 16,211,717	\$ 10,426,470 18,941,905
Total net position	\$ 21,960,733	\$ 26,275,944	\$ 29,368,375

#### September 30, 2024

Current and other assets decreased due to a decrease in cash balances as a result of net cash used in operating activities. Capital assets decreased due to depreciation expense in excess of additions. Current liabilities increased due to an increase in accounts payable. Long-term liabilities decreased due to payments for leases and subscriptions.

#### **September 30, 2023**

Current and other assets decreased due to a decrease in cash balances as a result of net cash used in operating activities. Capital assets decreased due to depreciation expense in excess of additions. Total liabilities for 2023 were comparable to the prior year. Long-term liabilities decreased due to payments for leases and subscriptions.

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

#### Condensed Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended September 30,	2024	2023	2022
Operating revenues  Net patient service revenue  Other operating revenue	\$ 37,078,347 3,150,550	\$ 30,877,506 2,264,362	\$ 30,091,080 2,316,543
Total operating revenues	40,228,897	33,141,868	32,407,623
Operating expenses Salaries and benefits Depreciation and amortization Other	28,687,195 1,698,546 15,446,720	24,235,286 1,707,259 10,683,116	23,115,197 1,358,822 10,626,500
Total operating expenses	45,832,461	36,625,661	35,100,519
Operating loss	(5,603,564)	(3,483,793)	(2,692,896)
Nonoperating revenues	1,288,353	391,362	5,937,623
Change in net position	\$ (4,315,211)	\$ (3,092,431)	\$ 3,244,727

#### Fiscal Year Ended September 30, 2024

The Hospital derived 92% 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, 2023

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.

The following table represents the relative percentage of gross charges billed for patient services by payor for the fiscal years ended September 30, 2024, 2023 and 2022:

	2024	2023	2022
Medicare	47 %	47 %	48 %
Medicaid	16	20	21
Commercial	28	25	23
Other	9	8	8
Total gross charges	100 %	100 %	100 %

#### **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.

	2024	2023	2022
Actual number of acute patient days (adult) **	5,259	4,670	5,207
Percentage of occupancy (adult)	42.8 %	39.5 <b>%</b>	44.6 %
Newborn infant patient days	376	450	470
Swingbed patient days	2,378	2,230	1,834
Discharges including deaths (adult)	1,170	1,148	1,209
Average length of stay (adult) in days	4.1	3.9	5.8
Average daily census (adult)	14	12	14
Medicare days	5,533	4,980	4,961
Medicaid days	1,130	1,279	1,419
Surgery cases	628	541	430
Home health visits	7,086	6,341	5,807

<sup>\*\*</sup> 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 2024 and 2023:

#### Fiscal Year Ended September 30, 2024

- Net patient service revenues increased \$7.1 million due to an increase in patient days, increases in the chargemaster that were made in the middle of the prior year, as well as hiring a company to help with revenue cycle and coding. Gross patient service revenue increased approximately \$15.2 million, contractual adjustments increased approximately \$7.3 million, and the bad debt provision increased approximately \$1.8 million 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 due to
  adding hospitalists, adding a new foot care clinic, and merit and market adjustments to retain
  staff. Physician and professional fees increased due to hiring a company to improve revenue cycle
  and help with coding. Supplies and other operating expenses increased due to an increase in
  supplies as a result of an increase in patient revenues, as well as an increase in MHAP
  assessments.
- Nonoperating revenues (expenses) increased \$897,000 due to the Hospital receiving \$875,000 in general funds from an appropriation pursuant to Mississippi House Bill 2170 for funding disbursements to Mississippi hospitals.

#### Fiscal Year Ended September 30, 2023

- Net patient service revenues increased \$734,000 as stated in the financial highlights. Gross
  patient service revenue increased approximately \$3.7 million, contractual adjustments increased
  approximately \$2.5 million, and the bad debt provision increased approximately \$423,000 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 due to merit and market adjustments to retain staff, and supplies and other expenses increased due to economic market conditions.
- Nonoperating revenues (expenses) decreased \$5.5 million due to fewer COVID-19 grant funds available for spending with the Hospital recognizing approximately \$5.7 million in COVID-19 grant funds in prior year as compared to \$84,000 in the current year. Interest income increased \$208,000 due to higher interest rates on cash balances, but interest expense increased \$188,000 due to interest on leases and subscriptions.

#### **CASH FLOWS**

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

- Net cash used in operating activities was \$5.1 million.
- Net cash provided by noncapital activities was \$1 million.
- Net used in capital and related financing activities was \$1.3 million.
- Net cash provided by investing activities was \$440,000.

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

#### CAPITAL ASSETS AND DEBT ACTIVITY

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

September 30,	2024	2023	2022
Land and land improvements	\$ 1,916,329	\$ 1,906,329	\$ 1,906,329
Construction in progress	55,933	291,014	1,127,642
Buildings and improvements	19,750,169	19,204,673	18,770,752
Equipment	18,245,284	18,221,991	16,862,458
Right-to-use leased equipment	167,130	132,188	70,772
Right-to-use subscriptions	4,322,736	4,322,736	4,301,540
Total capital assets	44,457,581	44,078,931	43,039,493
Less accumulated depreciation	(31,347,632)	(30,102,872)	(28,412,070)
Capital assets, net	\$ 13,109,949	\$ 13,976,059	\$ 14,627,423

#### Fiscal Year Ended September 30, 2024

Net capital assets decreased approximately \$860,000 primarily due to increases in depreciation expense in excess of capital asset additions. See Note 4 for further information regarding current year capital asset activity.

The hospital is not reporting any long-term liabilities other than leases and subscriptions payable as of year-end. See Note 5 for further information regarding current year activity for long-term liabilities.

#### Fiscal Year Ended September 30, 2023

Net capital assets decreased approximately \$650,000 primarily due to increases in depreciation expense in excess of capital asset additions. See Note 4 for further information regarding prior year capital asset activity.

The Hospital did not report any long-term liabilities other than leases and subscriptions payable as of year-end. See Note 5 for further information regarding prior year activity for long-term liabilities.

#### **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 2025 budget. While the financial outlook for the Hospital is stable, of primary importance in setting the 2025 budget is the status of the economy and the healthcare environment, which takes into account market forces and environmental factors such as:

- Medicare and other payor 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;
- Increased cost of supplies, including pharmaceuticals;
- Impact of changes related to the change of electronic health information systems; and
- Impact of Healthcare Reform as it relates to reimbursement and employee health insurance coverage.

Wayne General Hospital is currently working to improve access to care within our facility. During the COVID-19 PHE, there were many challenges for the hospital, staff and patients, and our team is working to remove challenges related to access. Within the scope of this access to care initiative, one of our primary goals is to increase community awareness of the importance of wellness visits as well as chronic disease management. In order to facilitate this access, changes are being made by adding additional physicians, physician assistants, and nurse practitioners. We are also making changes within the facilities to remove any other barrier that would discourage patients from utilizing Wayne General Hospital.

#### **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

September 30,	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 7,112,374	\$ 12,144,822
Patient accounts receivable, net of allowance		
for doubtful accounts of \$9,178,973 and		
\$6,151,768 in 2024 and 2023, respectively	8,867,519	6,072,216
Current portion of lease receivable	113,793	109,339
Inventories	820,713	<b>3</b> 768,504
Prepaid expenses	413,809	490,608
Estimated third-party settlements	214,654	1,100,362
Other current assets	424,383	<b>1</b> 82,721
Total current assets	17,967,245	20,868,572
Noncurrent assets		
Capital assets		
Land	476,686	476,686
Construction in progress	55,933	•
Depreciable capital assets, net	12,577,330	•
Total capital assets, net	13,109,949	13,976,059
Lease receivable, less current portion	273,275	387,068
Other assets	318,079	,
Total noncurrent assets	13,701,303	14,509,650
Total assets	31,668,548	35,378,222
		Continued

# Wayne General Hospital Statements of Net Position (Continued)

September 30,	2024	2023
Liabilities, Deferred Inflows, and Net Position		
Current liabilities		
Current maturities of leases liability	\$ 34,498	\$ 29,011
Current maturities of subscriptions liability	386,852	375,412
Accounts payable	2,168,902	1,292,417
Accrued payroll and withholdings	1,796,092	1,614,115
Accrued compensated absences	1,488,790	1,511,050
Other accrued liabilities	48,422	-
Accrued health insurance claims payable	296,849	317,973
Total current liabilities	6,220,405	5,139,978
Long-term liabilities		
Leases liability, net of current maturities	82,669	63,674
Subscriptions liability, net of current maturities	3,056,883	3,443,735
Total long-term liabilities	3,139,552	3,507,409
Total liabilities	9,359,957	8,647,387
Deferred inflow of resources - leases	347,858	454,891
Net position		
Net investment in capital assets	9,549,047	10,064,227
Unrestricted	12,411,686	16,211,717
Total net position	\$ 21,960,733	\$ 26,275,944

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

For the years ended September 30,	2024	2023
Operating Revenues Patient service revenues, net of contractual allowances Provision for bad debts	\$ 42,231,789 (5,153,442)	\$ 34,256,894 (3,379,388)
Net patient service revenue	37,078,347	30,877,506
Other operating revenues	3,150,550	2,264,362
Total operating revenues	40,228,897	33,141,868
Operating Expenses Salaries and wages Employee benefits and payroll taxes Physician and professional fees Supplies and other operating expenses Maintenance, rentals, and utilities Depreciation and amortization	24,563,636 4,123,559 4,450,542 9,778,795 1,217,383 1,698,546	21,499,143 2,736,143 1,923,850 7,477,261 1,282,005 1,707,259
Total operating expenses	45,832,461	36,625,661
Operating loss	(5,603,564)	(3,483,793)
Nonoperating Revenues (Expenses) COVID-19 grant funds Other grants and contributions Interest income Interest expense Gain on disposal of assets	66,656 941,168 442,619 (243,008) 80,918	83,563 109,668 460,170 (263,154) 1,115
Total nonoperating revenues (expenses)	1,288,353	391,362
Change in net position  Net Position - beginning of year	(4,315,211) 26,275,944	(3,092,431) 29,368,375
Net Position - end of year	\$	\$ 26,275,944

# Wayne General Hospital Statements of Cash Flows

For the years ended September 30,	2024	2023
Operating Activities		
Receipts from and on behalf of patients	\$ , -,	\$ -//
Payments to suppliers and contractors	(14,545,645)	(10,105,877)
Payments to and on behalf of employees	(28,770,129)	(24,282,376)
Other receipts (payments), net	2,950,159	2,262,388
Net cash (used in) operating activities	(5,137,435)	(5,247,171)
Noncapital Financing Activities		
Receipt of noncapital grants and contributions	941,168	86,096
Receipt of COVID-19 grant funds	66,656	108,179
Net cash provided by noncapital financing activities	1,007,824	194,275
Capital and Related Financing Activities		
Purchase of capital assets	(863,448)	(951,093)
Proceeds from disposition of property and equipment	169,023	1,115
Interest paid on leases and subscriptons payable	(243,008)	(263,154)
Principal paid on leases and subscriptions payable	(408,023)	(371,733)
Net cash (used in) capital and related financing activities	(1,345,456)	(1,584,865)
Investing Activities		
Interest received	442,619	460,170
Net cash provided by investing activities	442,619	460,170
Net (decrease) in cash and cash equivalents	(5,032,448)	(6,177,591)
Cash and cash equivalents - beginning of year	12,144,822	18,322,413
Cash and cash equivalents - end of year	\$ 7,112,374	\$ 12,144,822
		(Continued)

# Wayne General Hospital Statements of Cash Flows (Continued)

For the years ended September 30,	2024	2023
Reconciliation of operating loss to		
net cash (used in) operating activities:		
Operating loss	\$ <b>(5,603,564)</b> \$	(3,483,793)
Adjustments to reconcile operating loss to		
net cash (used in) operating activities:		
Depreciation and amortization	1,698,546	1,707,259
Provision for bad debts	5,153,442	3,379,388
(Increase) decrease in assets:		
Patient accounts receivable	(7,948,745)	(6,039,220)
Lease receivable	109,339	105,059
Inventories	(52,209)	(18,917)
Prepaid and other current assets	(164,863)	(94,882)
Other assets	(171,556)	55,679
Estimated third-party settlements	885,708	(902,198)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	876,485	691,259
Accrued payroll and withholdings	181,977	159,808
Accrued compensated absences	(22,260)	(315,716)
Other accrued liabilities	48,422	-
Accrued health claims	(21,124)	52,639
Unearned revenue	-	(436,503)
Deferred inflows	(107,033)	(107,033)
Net cash (used in) operating activities	\$ <b>(5,137,435)</b> \$	(5,247,171)
Noncash Investing, Capital, and Financing Activities:	57.003 Å	C4 44 C
Right-to-use lease agreement additions	\$ <b>57,093</b> \$	61,416

#### **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 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. 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, 2024 and 2023. Publicly available financial statements are not issued for the Foundation. Summarized financial information is provided in Note 14.

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

#### **Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The accompanying financial statements are reported using the *economic resources measurement* focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility and timing requirements imposed by the provider have been met.

#### **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.

#### Assets, Liabilities, Deferred Inflows, and Net Position

#### Cash and Cash Equivalents

The Hospital's cash and cash equivalents include cash and all highly liquid investments with original maturities of three months or less from the date of acquisition.

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 as of September 30, 2024 and 2023 totaled \$375,573 and \$432,756, 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.

#### Patient Accounts Receivable, Net

Patient accounts receivable are reported at net realizable value after deduction of allowances for estimated uncollectible accounts and third-party contractual discounts. The allowance for uncollectible accounts is based on historical losses and an analysis of currently outstanding amounts. This account is generally increased by charges to a provision for uncollectible accounts and decreased by write-offs of accounts determined by management to be uncollectible. The allowances for third-party discounts are based on the estimated differences between the Hospital's established rates and the actual amounts to be received under each contract. Changes in estimates by material amounts are reasonably possible in the near term.

#### Lease Receivable

The Hospital is a lessor for a non-cancellable 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 measures the lease receivable at the present value of the 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 relates to future periods. Subsequently, the lease receivable is reduced by the principal portion of the lease payments made, and interest revenue is recognized. Lease revenue is recognized from the inflow of resources in a systematic and rational matter over the term of the lease.

#### Assets, Liabilities, Deferred Inflows, and Net Position (Continued)

#### *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. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

#### Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

#### Capital Assets

Capital assets, which includes property, plant, and equipment, are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Right-to-use assets (exceeding one year) are recorded at the present value of the lease or subscription payable, adjusted for payments made on or before the commencement date, plus certain initial direct costs. 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. Property, plant, and equipment are depreciated 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 term of the lease or subscription agreement or their respective estimated useful lives.

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 - equipment	5 - 7 years
Right to use assets - subscriptions	3 - 10 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.

#### Assets, Liabilities, Deferred Inflows, and Net Position (Continued)

#### 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, 2024 and 2023.

#### Other Current and Noncurrent 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 and are amortized to expense using the straight-line method over the related commitment period. Amounts expected to be amortized in the ensuing fiscal year as of September 30, 2024 and 2023 in the amount of \$166,716 and \$80,927, respectively, are reported as an "other current asset" in the accompanying statements of net position. Amounts expected to be amortized beyond one year as of September 30, 2024 and 2023 in the amount of \$317,058 and \$145,501, respectively, are reported as an "other asset" in the accompanying statements of net position.

#### 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.

#### Assets, Liabilities, Deferred Inflows, and Net Position (Continued)

#### Leases Payable

The Hospital is lessee for non-cancellable leases of equipment and recognizes leases payable and intangible right-to-use assets in the statements of net position. At the commencement of the lease, the Hospital measures the lease payable at the present value of the lease payments expected to be made during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease payable, 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 leases payable are reported with long-term liabilities in the statements of net position.

#### Subscriptions Payable

Subscription-based information technology arrangements ("SBITA") that allow the Hospital to use another entity's information technology software alone or in combination with tangible capital assets for a period greater than 12 months are recorded as both a right-to-use asset and subscription liability. At the commencement of the subscription term, the Hospital measures the subscription liability at the present value of the subscription payments expected to be made during the subscription term. Subsequently, the subscription payable is reduced by the principal portion of subscription payments made. The SBITA asset is initially measured at the initial amount of the subscription payable, adjusted for subscription payments made at or before the commencement of the subscription term, plus capitalizable implementation costs. Subsequently, the SBITA asset is amortized on a straight-line basis over the subscription term. SBITA assets are reported with capital assets and subscriptions payable are reported with long-term liabilities in the statements 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, which represent 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, which represent 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 a deferred inflow of resources related to leases which will be recognized in lease revenue in future reporting periods.

#### Assets, Liabilities, Deferred Inflows, and Net Position (Continued)

**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.

#### **Revenues 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. Net patient service revenue is reported at the 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 accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews, and investigations.

#### Net Patient Service Revenue (Continued)

The laws and regulations under which Medicare and Medicaid programs operate are complex and subject to interpretation and frequent changes. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid program.

In recent years, there has been an increase in regulatory initiatives at the state and federal levels including Recovery Audit Contractor ("RAC") and Medicaid Integrity Contractor ("MIC") programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue "improper" (in their judgment) payments with a three year look back from the date the claim was paid.

#### **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 \$673,000 and \$577,000 for the years ended September 30, 2024 and 2023, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$360,000 and \$311,000, 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.

#### **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.

#### **Income Taxes**

Under section 501(c)(3) of the Internal Revenue Code, the Foundation is exempt from taxes on income other than unrelated business income. The Hospital is a governmental entity and, as such, is exempt from federal and state income taxes.

#### Reclassifications

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

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. 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 uncollectible 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.

#### **Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 10, 2025, 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.

#### **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 the state of the political landscape, 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; and

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Current Healthcare Environment (Continued)**

• Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payor industry.

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.

#### **Recently Issued and Implemented Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 100, Accounting Changes and Error Corrections. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information ("RSI") and supplementary information ("SI"). There were no significant impacts of implementing this Statement.

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Pronouncements Issued But Effective in Future Years**

The GASB has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, Financial Reporting Model Improvements (GASB 103). The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Pronouncements Issued But Effective in Future Years (Continued)

Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

GASB 103 describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

GASB 103 requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

GASB 103 requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

#### Pronouncements Issued But Effective in Future Years (Continued)

GASB 103 requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

The requirements of GASB 103 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

The Hospital is evaluating the requirements of the above statements and the impact on reporting.

#### **NOTE 2: DEPOSITS AND INVESTMENTS**

As of September 30, 2024 and 2023, the Hospital's deposits consisted of the following:

September 30,	2024	2023
Petty cash and undeposited cash Cash deposits with financial institutions	\$ 2,650 7,109,724	\$ 2,650 12,142,172
Total cash and cash equivalents	\$ 7,112,374	\$ 12,144,822

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, 2024 and 2023.

#### NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

#### **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 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. The Hospital is not reporting any investments for fiscal years ending September 30, 2024 and 2023.

#### 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:
  - o observable; or
  - o 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, 2024 or 2023.

**NOTE 3: CAPITAL ASSETS** 

Capital asset activity and balances for the year ended September 30, 2024 was as follows:

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024
Capital asset not depreciated/amortized Land	\$ 476,686	\$ -	\$ -	\$ 476,686
Construction in progress	291,014	91,652	(326,733)	55,933
Total capital assets not depreciated/amortized	767,700	91,652	(326,733)	532,619
Capital assets depreciated/amortized				
Land improvements	1,429,643	10,000	=	1,439,643
Buildings and improvements	19,204,673	545,496	=	19,750,169
Fixed equipment	777,417	=	-	777,417
Major moveable equipment	17,444,574	543,032	(519,739)	17,467,867
Right-to-use leased equipment	132,188	57,093	(22,151)	167,130
Right-to-use subscriptions	4,322,736	-	-	4,322,736
Total capital assets depreciated/amortized	43,311,231	1,155,621	(541,890)	43,924,962
Less accumulated depreciation/amortization				
Land improvements	(1,306,165)	(16,004)	-	(1,322,169)
Buildings and improvements	(12,959,120)	(510,558)	-	(13,469,678)
Fixed equipment	(761,136)	(2,510)	-	(763,646)
Major moveable equipment	(14,405,063)	(675,840)	431,635	(14,649,268)
Right-to-use leased equipment	(40,918)	(34,189)	22,151	(52,956)
Right-to-use subscriptions	(630,470)	(459,445)	-	(1,089,915)
Total accumulated depreciation/amortization	(30,102,872)	(1,698,546)	453,786	(31,347,632)
Total capital assets depreciated/amortized, net	13,208,359	(542,925)	(88,104)	12,577,330
Total capital assets, net	\$ 13,976,059	\$ (451,273)	\$ (414,837)	\$ 13,109,949

#### NOTE 3: CAPITAL ASSETS (CONTINUED)

Capital asset activity and balances for the year ended September 30, 2023 was as follows:

	Restated Balance		5 J .:	Balance
	10/1/2022	Additions	Reductions	9/30/2023
Capital asset not depreciated/amortized				
Land	\$ 476,686	\$ -	\$ -	\$ 476,686
Construction in progress	1,127,642	196,030	(1,032,658)	291,014
Total capital assets not depreciated/amortized	1,604,328	196,030	(1,032,658)	767,700
Capital assets depreciated/amortized				
Land improvements	1,429,643	-	-	1,429,643
Buildings and improvements	18,770,752	433,921	-	19,204,673
Fixed equipment	777,417	=	-	777,417
Major moveable equipment	16,085,041	1,375,990	(16,457)	17,444,574
Right-to-use leased equipment	70,772	61,416	-	132,188
Right-to-use subscriptions	4,301,540	21,196	-	4,322,736
Total capital assets depreciated/amortized	41,435,165	1,892,523	(16,457)	43,311,231
Less accumulated depreciation				
Land improvements	(1,274,800)	(31,365)	-	(1,306,165)
Buildings and improvements	(12,441,891)	(517,229)	-	(12,959,120)
Fixed equipment	(758,632)	(2,504)	-	(761,136)
Major moveable equipment	(13,744,873)	(676,647)	16,457	(14,405,063)
Right-to-use leased equipment	(19,672)	(21,246)	-	(40,918)
Right-to-use subscriptions	(172,202)	(458,268)	-	(630,470)
Total accumulated depreciation/amortization	(28,412,070)	(1,707,259)	16,457	(30,102,872)
Total capital assets depreciated/amortized, net	13,023,095	185,264	-	13,208,359
Total capital assets, net	\$ 14,627,423	\$ 381,294	\$ (1,032,658)	\$ 13,976,059

Depreciation and amortization expense for the years ended September 30, 2024 and 2023 totaled \$1,698,546 and \$1,707,259, respectively.

#### **NOTE 4: LONG-TERM LIABILITIES**

The Hospital's long-term liabilities consisted of the following as of September 30, 2024:

September 30,	2024	2023
Leases payable, with interest rates ranging 4% to 6.5%, with monthly payments ranging from \$80 to \$1,235, maturing at various dates through March 2031.	\$ 117,167	\$ 92,685
Subscriptions payable with interest rates of 6.50%, with monthly payments ranging from \$319 to \$47,168, maturing at various dates through May 2032.	3,443,735	3,819,147
Total leases and subscriptions payable Current maturities of leases and subscriptions payable	3,560,902 (421,350)	3,911,832 (404,423)
Leases and subscriptions payable, net of current maturities	\$ 3,139,552	\$ 3,507,409

A summary of changes in the Hospital's long-term liabilities for the years ended September 30, 2024 and 2023 follows:

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024	Due Within One Year
Leases payable Subscriptions payable	\$ 92,685 3,819,147	\$ 57,093 -	\$ (32,611) (375,412)	\$ 117,167 3,443,735	\$ 34,498 386,852
Total	\$ 3,911,832	\$ 57,093	\$ (408,023)	\$ 3,560,902	\$ 421,350
	Restated Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Leases payable Subscriptions payable	52,095 4,148,858	61,416 21,196	(20,826) (350,907)	92,685 3,819,147	29,011 375,412
Total	\$ 4,200,953	\$ 82,612	\$ (371,733)	\$ 3,911,832	\$ 404,423

#### **NOTE 5: LONG-TERM LIABILITIES (CONTINUED)**

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

	Leases Payable			Subscription	ons F	Payable	
Year ending September 30,	F	rincipal	Interest		Principal		Interest
2025		34,498	5,872	2	386,852		212,170
2026		32,226	3,88!	5	379,832		187,479
2027		17,469	2,483	3	403,902		162,116
2028		9,908	1,678	3	430,952		135,066
2029		8,815	1,14	ļ	459,813		106,205
2030-2032		14,251	680	5	1,382,384		126,997
Total	\$	117,167	\$ 15,748	3 \$	3,443,735	\$	930,033

#### **NOTE 6: 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:

September 30,		2024	2023
Capital assets, net	Ś	13,109,949	13.976.059
Less long-term debt outstanding related to capital assets:	•	-,, ,	-,,
Leases payable		(117,167)	(92,685)
Subscriptions payable		(3,443,735)	(3,819,147)
Net investment in capital assets	\$	<b>9,549,047</b> \$	10,064,227

#### **NOTE 7: 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.

#### NOTE 7: 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. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid contractor. The inpatient rates are established by the Agency for Health Care Administration ("AHCA") for which the Hospital is a provider. Outpatient services are reimbursed based on a per diem amount established by utilization on a semi-annual basis.

The Hospital participates in the Division of Medicaid ("DOM") Mississippi Hospital Access Payment ("MHAP") program ("the MHAP Program"). The MHAP program is administered by the DOM through the MississippiCAN (Mississippi Coordinated Access Network) coordinated care organizations ("CCO"). The CCO's will subcontract with the hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care. The MHAP payments and associated tax are distributed and collected in equal monthly installments. For the fiscal years ended September 30, 2024 and 2023, the Hospital received \$7,390,038 and \$3,886,981, respectively, from the MHAP program. MHAP amounts are shown as a reduction of contractual adjustments with related assessments of \$1,770,659 and \$925,731, respectively, for the year ended September 30, 2024 and 2023, 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 2024 net patient service revenue increased \$164,000 and the 2023 net patient service revenue decreased approximately \$178,000 due to adjustments in excess of amounts previously estimated. The Hospital's cost reports have been settled through 2020.

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, 2024 and 2023 is as follows:

For the years ended September 30,	2024	2023
Gross patient service revenue	\$ 84,300,296	\$ 69,051,291
Less provision for:		
Contractual adjustments under third-party		
reimbursement programs and other adjustments	(42,068,507)	(34,794,397)
Provision for bad debts	(5,153,442)	(3,379,388)
Net patient service revenue	\$ 37,078,347	\$ 30,877,506

#### NOTE 7: NET PATIENT SERVICE REVENUE (CONTINUED)

Gross patient service revenue by major payor class consisted of the following for the years ended September 30, 2024 and 2023:

For the years ended September 30,	2024	2023
Medicare	47%	47%
Medicaid	16%	20%
Commercial	28%	25%
Other	9%	8%
Total	100%	100%

#### **NOTE 8: 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 all of the renewal options. 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, 2024 and 2023. Lease interest income of \$17,866 and \$22,146, respectively, was recognized for fiscal years ending September 30, 2024 and 2023, 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 9: NONOPERATING REVENUES**

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

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law by the President of the United States. Included in the CARES Act was a healthcare provider relief fund ("PRF"), administered by the Department of Health and Human Services (HHS") to be distributed to healthcare providers.

#### NOTE 9: NONOPERATING REVENUES (CONTINUED)

#### The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation (Continued)

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.

<u>Medicare and Medicaid Payment Policy Changes</u> - The CARES Act and subsequent legislation alleviated some of the financial strain on hospitals, physicians, and other healthcare providers and states through a series Medicare and Medicaid payment policies that temporarily increased Medicare and Medicaid reimbursements and allowed 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 31, 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 as declared by the Secretary of HHS, which expired on May 11, 2023.
- The scheduled reduction of \$4 billion in federal Medicaid DSH allotments in FFY 2020, as mandated by the Affordable Care Act, was 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.
- 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 were available to states from January 1, 2020 through the quarter in which the public health emergency period ended, 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. The public health emergency ended in May 2023. The FMAP increases were phased out quarterly until they were fully removed on January 1, 2024. The FMAP was 5% for April through June 2023, 2.5% for July through September 2023, and 1.5% for October through December 2023.

#### **NOTE 10: INSURANCE PROGRAMS**

#### **Risk Management**

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and 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, 2024 and 2023 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:

#### **NOTE 10: INSURANCE PROGRAMS**

#### Self-Funded Health Insurance (Continued)

For the Years Ended September 30,	2024	2023
Claims liability - beginning of year Claims filed and changes in estimates Claims paid	\$ 317,973 2,627,886 (2,649,010)	\$ 265,334 2,385,279 (2,332,640)
Claims liability - end of year	\$ 296,849	\$ 317,973

#### **NOTE 11: 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.

Effective January 1, 2023, participant contributions are matched by the Hospital a maximum of 2% for participants with up to 10 years of service, 3% for participants with at least 10 years of service, and 4% for participants with at least 20 years of service. Prior to January 1, 2023, all employees were matched up to a maximum of 2%. Employer contributions to the plan for fiscal years ended September 30, 2024 and 2023 were \$312,547 and \$295,339, respectively.

#### **NOTE 12: 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 gross patient receivables from patients and major third-party payors as of September 30, 2024 and 2023 was as follows:

September 30,	2024	2023
Medicare	34%	35%
Medicaid	18%	15%
Commercial insurance	20%	24%
Other	28%	26%
Total	100%	100%

#### **NOTE 13: COMMITMENTS AND CONTINGENCIES**

#### 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 14: BLENDED COMPONENT UNIT**

Condensed financial information for the Hospital's blended component unit, Wayne General Hospital Foundation, Inc., for the years ending September 30, 2024 and 2023 was as follows:

Condensed Statement of Net Position	2024	2023
Assets		
Current assets	\$ 158,714	\$ 110,140
Total assets	158,714	110,140
Net position - unrestricted	\$ 158,714	\$ 110,140
Condensed Statements of Revenue, Expenses		
and Changes in Net Position	2024	2023
Operating revenues	\$ 60,203	\$ 46,787
Operating expenses	17,278	27,712
Operating income	42,925	19,075
Nonoperating revenues	5,649	2,965
Change in net position	48,574	22,040
Net position - beginning of year	110,140	88,100
Net position - end of year	\$ 158,714	\$ 110,140
Condensed Statements of Cash Flows	2024	2023
Net cash provided by (used in)		
Operating activities	\$ (17,278)	\$ (27,712)
Noncapital financing activities	54,606	45,405
Investing activities	5,649	2,965
Net increase in cash and cash equivalents	42,977	20,658
Cash and cash equivalent - beginning of year	108,758	88,100
Cash and cash equivalents - end of year	\$ 151,735	108,758

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

			Amount of	
Name	Position	Company	Bond	
Kenny Odom	Trustee/ President	Travelers Casualty and Surety Company of America	\$	100,000
Laura Barnett	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
James. R. Bonner	Trustee	Travelers Casualty and Surety Company of America		100,000
Raymond G. Cooley	Trustee	Travelers Casualty and Surety Company of America		100,000
Lonnie Sanderson	Trustee	Travelers Casualty and Surety Company of America		100,000
Martin Stadalis	Trustee	Travelers Casualty and Surety Company of America		100,000
Andrew Porter	Hospital Administrator	Travelers Casualty and Surety Company of America		100,000



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

Board of Trustees 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, 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated February 10, 2025.

#### **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 2024-01 and 2024-02 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

Carr, Riggs & Chypan, L.L.C.

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### **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.

Laurel, Mississippi February 10, 2025