

**NORTH SUNFLOWER MEDICAL CENTER  
RULEVILLE, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
SEPTEMBER 30, 2018**



NORTH SUNFLOWER MEDICAL CENTER  
September 30, 2018  
Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	4
<b>Basic Financial Statements</b>	
Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	15
<b>Required Supplementary Information</b>	
Schedule of the Hospital's Proportionate Share of the Net Pension Liability	32
Schedule of Hospital Contributions	33
Notes to Required Supplementary Information	34
<b>Other Information</b>	
Detailed Schedules of Operating Revenues	35
Detailed Schedules of Operating Expenses	38
Schedule of Surety Bonds for Officials and Employees	39
<b>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</b>	40
<b>Independent Auditors' Report on Compliance with State Laws and Regulations</b>	42
<b>Schedule of Findings and Responses</b>	43



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Staggers, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
R. Steve Sinclair, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA

Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, Jr., CPA  
Perry C. Rackley, Jr., CPA  
Jerry L. Gammel, CPA  
Michael C. Knox, CPA  
Clifford P. Stewart, CPA

## **Independent Auditors' Report**

The Board of Trustees  
North Sunflower Medical Center  
Ruleville, Mississippi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of North Sunflower Medical Center, a component unit of Sunflower County, Mississippi, as of September 30, 2018, and 2017, and the related notes to financial statements, which collectively comprise North Sunflower Medical Center's basic financial statements as listed in the contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Sunflower Medical Center, a component unit of Sunflower County, Mississippi, as of September 30, 2018, and 2017, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the financial information of North Sunflower Medical Center and do not purport to, and do not, present fairly the financial position of Sunflower County, Mississippi as of September 30, 2018, and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management discussion and analysis (pages 4 to 9), the Schedule of the Hospital's Proportionate Share of the Net Pension Liability (page 32), the Schedule of Hospital Contributions (page 33), and notes to required supplementary information (page 34) be presented to supplement the basic financial statements. Such information, 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.

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The detailed schedules of operating revenues and detailed schedules of operating expenses for the years ended September 30, 2018, and 2017, and schedule of surety bonds for officials and employees (pages 35 to 39) are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The detailed schedules of operating revenues and detailed schedules of operating expenses for the years ended September 30, 2018, and 2017, and schedule of surety bonds for officials and employees are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the detailed schedules of operating revenues and detailed schedules

of operating expenses and schedule of surety bonds for officials and employees are fairly stated in all material respects in relation to the 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 May 17, 2019, on our consideration of North Sunflower Medical Center'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 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 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 North Sunflower Medical Center's internal control over financial reporting and compliance.

Eupora, Mississippi  
May 17, 2019

*Watkins Ward and Stafford, PLLC*

**North Sunflower Medical Center  
Management's Discussion and Analysis  
Years Ended September 30, 2018, and 2017**

Our discussion and analysis of North Sunflower Medical Center's financial performance provides an overview of the facility's financial activities for the fiscal years ended September 30, 2018, and 2017. Please read it in conjunction with the facility's financial statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

- ◆ The facility's net deficit increased by \$8,855,484, or 48.39%, from 2017 to 2018, and by \$7,328,493, or 66.80%, from 2016 to 2017.
- ◆ The facility reported an operating loss of \$8,584,649 in 2018, and \$7,853,779 in 2017.
- ◆ Nonoperating revenues decreased by \$477,454, or 64.74%, in 2018 compared to 2017. Nonoperating revenues increased by \$541,958, or 277.13%, in 2017 compared to 2016.

**USING THIS ANNUAL REPORT**

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

**The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position**

Our analysis of the facility's finances begins on page 5. One of the most important questions asked about the facility's finances is, "Is the facility as a whole better or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the facility's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, deferred outflows, deferred inflows, and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

**North Sunflower Medical Center  
Management's Discussion and Analysis  
Years Ended September 30, 2018, and 2017**

**USING THIS ANNUAL REPORT (Continued)**

**The Statement of Cash Flows**

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

**THE FACILITY'S NET DEFICIT**

- ◆ The facility's net deficit is the difference between its assets combined with deferred outflows and liabilities combined with deferred inflows reported in the Statements of Net Position on pages 10 and 11. The facility's net deficit increased by \$8,855,484, or 48.39%, from 2017 to 2018, and by \$7,328,493, or 66.80%, from 2016 to 2017.

**Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Deficit**

	2018	2017
<b>Assets:</b>		
Current assets	\$ 32,559,468	\$ 33,565,841
Capital assets, net	13,519,189	14,006,704
Other noncurrent assets	398,490	774,490
<b>Total Assets</b>	<u>46,477,147</u>	<u>48,347,035</u>
<b>Deferred Outflows of Resources</b>	<u>9,137,453</u>	<u>17,319,009</u>
<b>Total Assets and Deferred Outflows</b>	<u><u>\$ 55,614,600</u></u>	<u><u>\$ 65,666,044</u></u>
<b>Liabilities:</b>		
Current liabilities	\$ 7,674,023	\$ 7,435,003
Long-term debt outstanding	67,992,487	69,651,361
<b>Total Liabilities</b>	<u>75,666,510</u>	<u>77,086,364</u>
<b>Deferred Inflows of Resources</b>	<u>7,103,400</u>	<u>6,879,506</u>
<b>Net Deficit:</b>		
Invested in capital assets, net of related debt	7,829,543	9,252,576
Unrestricted	( 34,984,853)	( 27,552,402)
<b>Total Net Deficit</b>	<u>( 27,155,310)</u>	<u>( 18,299,826)</u>
<b>Total Liabilities, Deferred Inflows, and Net Deficit</b>	<u><u>\$ 55,614,600</u></u>	<u><u>\$ 65,666,044</u></u>



**North Sunflower Medical Center  
Management's Discussion and Analysis  
Years Ended September 30, 2018, and 2017**

**THE FACILITY'S NET DEFICIT (Continued)**

Additional information on unrestricted net deficit:

In connection with the implementation of standards on accounting and financial reporting for pensions, management presents the following additional information:

	<u>2018</u>	<u>2017</u>
Total unrestricted net deficit	\$ ( 34,984,853)	\$ ( 27,552,402)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	<u>60,851,142</u>	<u>54,965,255</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 25,866,289</u>	<u>\$ 27,412,853</u>

The change in the facility's net deficit is due to several factors. The facility's cash balance decreased by \$3,737,252, or 22.51%, compared to 2017. The inventory increased by \$69,680, or 4.42%, compared to 2017. Patient accounts receivable net of estimated uncollectibles and allowances increased by \$1,376,180, or 11.90%, compared to 2017. Other receivables increased by \$236,289, or 36.32%, compared to 2017. Receivable from third-party payors increased by \$1,110,394, or 42.31%, compared to 2017. The facility acquired capital assets in the amounts of \$1,488,174, and \$1,077,296, for the years 2018, and 2017, respectively. Depreciation and amortization expenses amounted to \$1,946,164 in 2018, and \$2,989,722 in 2017.

**North Sunflower Medical Center  
Management's Discussion and Analysis  
Years Ended September 30, 2018, and 2017**

**OPERATING RESULTS AND CHANGES IN THE FACILITY'S NET DEFICIT**

**Table 2: Operating Results**

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues:</b>		
Net patient service revenues	\$ 61,041,130	\$ 70,144,477
Other revenues	1,587,215	1,298,703
Electronic health records incentive	<u>93,501</u>	<u>177,688</u>
Total Operating Revenues	<u>62,721,846</u>	<u>71,620,868</u>
<b>Operating Expenses:</b>		
Salaries and benefits	40,794,295	45,686,271
Supplies and drugs	10,081,297	10,623,938
Other operating expenses	17,984,956	19,753,527
Insurance	499,783	421,189
Depreciation and amortization	<u>1,946,164</u>	<u>2,989,722</u>
Total Operating Expenses	<u>71,306,495</u>	<u>79,474,647</u>
<b>Operating Loss</b>	<u>( 8,584,649)</u>	<u>( 7,853,779)</u>
<b>Nonoperating Revenues (Expenses):</b>		
Interest and investment income	196,272	203,271
Interest expense	( 311,548)	( 242,230)
Loss on sale of assets	( 219,349)	-
Grants	<u>63,790</u>	<u>534,245</u>
Total Nonoperating Revenues (Expenses)	<u>( 270,835)</u>	<u>495,286</u>
<b>Excess of Expenses Over Revenues</b>	( 8,855,484)	( 7,358,493)
<b>Net Deficit Beginning of Year</b>	( 18,299,826)	( 10,971,333)
<b>Contributed Capital</b>	<u>-</u>	<u>30,000</u>
<b>Net Deficit End of Year</b>	<u><u>\$ ( 27,155,310)</u></u>	<u><u>\$ ( 18,299,826)</u></u>

**North Sunflower Medical Center  
Management's Discussion and Analysis  
Years Ended September 30, 2018, and 2017**

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

**Operating Loss**

The first component of the overall change in the facility's net deficit is its operating loss – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. Operating loss in 2018 increased by \$730,870, or 9.31%, compared to the operating loss reported in 2017. The operating loss in 2017 increased by \$163,667, or 2.13%, compared to the operating loss reported in 2016.

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

- ◆ An decrease in net patient service revenues of \$9,103,347, or 12.98%, in 2018 compared to 2017, and an increase of \$5,781,255, or 8.98%, in 2017 compared to 2016. Medicaid Mississippi hospital access payments, a component of net patient revenue, totaled \$744,672 in 2018, and \$907,369 in 2017.
- ◆ An decrease in salaries and benefits of \$4,891,976, or 10.71%, in 2018 compared to 2017, and an increase of \$6,023,369, or 15.19%, in 2017 compared to 2016. This is mainly due to a pension expense balance of \$9,618,969 in 2018, and \$13,363,319 in 2017.
- ◆ An decrease in supplies and drugs, other operating expenses and insurance of \$2,232,618, or 7.25%, in 2018 compared to 2017, and an decrease of \$202,696, or 0.65%, in 2017 compared to 2016.
- ◆ Electronic health records incentive funds from Medicare and Medicaid in the amount of \$93,501 for 2018, and \$177,688 in 2017.

**Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of interest income, net investment earnings, and grants and contributions. The facility had interest income and investment income, primarily from checking accounts and certificates of deposit, of \$196,272 for the year ended September 30, 2018, and \$203,271 for the year ended September 30, 2017. The facility received grants and contributions of \$63,790 for the year ended September 30, 2018, and \$534,245 for the year ended September 30, 2017.

Nonoperating expenses consist primarily of interest expense and loss on sale of assets. The facility had interest expense in the amount of \$311,548 for the year ended September 30, 2018, and \$242,230 for the year ended September 30, 2017. The facility had a loss on sale of assets of \$219,349 for the year ended September 30, 2018.

**North Sunflower Medical Center  
Management's Discussion and Analysis  
Years Ended September 30, 2018, and 2017**

**THE HOSPITAL'S CASH FLOWS**

Changes in the hospital's cash flows are consistent with changes in operating income and nonoperating revenues and expenses.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2017, the facility had \$13,519,189 invested in capital assets net of accumulated depreciation at September 30, 2018, and \$14,006,704 at September 30, 2017. The facility had capital expenditures of \$1,488,174, and \$1,077,296 in 2018, and 2017, respectively. See Note 5 for a detailed analysis of capital assets.

**Long-Term Debt**

At September 30, 2018, the facility had \$5,689,646 in long-term debt outstanding, including the current portion. The facility incurred new debt of \$1,156,406 in 2018 while making \$220,888 in principal payments. In 2017, the facility had \$4,754,128 in long-term debt outstanding, including the current portion. The facility incurred no new debt in 2017 while making \$732,081 in principal payments. See Note 6 for a detailed analysis of long-term debt.

**CONTACTING THE FACILITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the facility's finances and to show the facility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact North Sunflower Medical Center's administrative offices at 662-756-2711.

NORTH SUNFLOWER MEDICAL CENTER  
Statements of Net Position  
September 30, 2018, and 2017

**Assets and Deferred Outflows of Resources**

	2018	2017
<b>Current Assets:</b>		
Cash	\$ 12,862,308	\$ 16,599,560
Cash - nursing home residents' funds	52,134	53,158
Patient accounts receivable (Net of estimated uncollectibles and allowances of \$9,990,862 in 2018, and \$8,974,977 in 2017)	12,944,254	11,568,074
Estimated third-party payor settlements	3,734,581	2,624,187
Other receivables	886,900	650,611
Inventories	1,644,513	1,574,833
Prepaid expenses	350,973	379,220
Current portion of deferred recruitment incentives	83,805	116,198
<b>Total Current Assets</b>	<b>32,559,468</b>	<b>33,565,841</b>
<b>Capital Assets:</b>		
Property and equipment (Net of accumulated depreciation and amortization of \$20,973,208 in 2018, and \$19,046,441 in 2017)	13,519,189	14,006,704
<b>Other Assets:</b>		
Investment in Healthcare Providers Insurance Company	98,490	98,490
Investment in TRINA Health	200,000	200,000
Goodwill - dental clinic	-	376,000
Goodwill - hospice	100,000	100,000
<b>Total Other Assets</b>	<b>398,490</b>	<b>774,490</b>
<b>Total Assets</b>	<b>46,477,147</b>	<b>48,347,035</b>
<b>Deferred Outflows of Resources:</b>		
Deferred outflows - pensions	8,884,875	17,025,259
Deferred outflows - recruitment incentives	252,578	293,750
<b>Total Deferred Outflows of Resources</b>	<b>9,137,453</b>	<b>17,319,009</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 55,614,600</b>	<b>\$ 65,666,044</b>

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

NORTH SUNFLOWER MEDICAL CENTER  
Statements of Net Position  
September 30, 2018, and 2017

**Liabilities, Deferred Inflows of Resources and Net Deficit**

	2018	2017
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,897,542	\$ 1,926,160
Patient accounts receivable - credit balances	908,177	740,700
Current portion of notes payable	79,909	76,781
Current portion of bond payable	126,000	121,500
Current portion of capitalized lease obligation	123,867	15,494
Accrued expenses and payroll withholdings	4,486,394	4,501,210
Nursing home residents' funds	52,134	53,158
<b>Total Current Liabilities</b>	<u>7,674,023</u>	<u>7,435,003</u>
<b>Long-Term Debt:</b>		
Notes payable	2,460,444	2,540,353
Bond payable	1,860,000	2,000,000
Capitalized lease obligation	1,039,426	-
Net pension liability	62,632,617	65,111,008
<b>Total Long-Term Debt</b>	<u>67,992,487</u>	<u>69,651,361</u>
<b>Total Liabilities</b>	<u>75,666,510</u>	<u>77,086,364</u>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows - pensions	<u>7,103,400</u>	<u>6,879,506</u>
<b>Net Deficit:</b>		
Invested in capital assets, net of related debt	7,829,543	9,252,576
Unrestricted	( 34,984,853)	( 27,552,402)
<b>Total Net Deficit</b>	<u>( 27,155,310)</u>	<u>( 18,299,826)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Deficit</b>	<u>\$ 55,614,600</u>	<u>\$ 65,666,044</u>

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

NORTH SUNFLOWER MEDICAL CENTER  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended September 30, 2018, and 2017

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues:</b>		
Net patient service revenue (Net of provision for uncollectible accounts of \$3,945,148 in 2018, and \$3,162,420 in 2017)	\$ 61,041,130	\$ 70,144,477
Other revenue	1,587,215	1,298,703
Electronic health records incentive	93,501	177,688
Total Operating Revenues	<u>62,721,846</u>	<u>71,620,868</u>
<b>Operating Expenses:</b>		
Salaries and benefits	40,794,295	45,686,271
Supplies and drugs	10,081,297	10,623,938
Other operating expenses	17,984,956	19,753,527
Insurance	499,783	421,189
Depreciation and amortization	1,946,164	2,989,722
Total Operating Expenses	<u>71,306,495</u>	<u>79,474,647</u>
<b>Operating Loss</b>	<u>( 8,584,649)</u>	<u>( 7,853,779)</u>
<b>Nonoperating Revenues (Expenses):</b>		
Interest and investment income	196,272	203,271
Interest expense	( 311,548)	( 242,230)
Loss on sale of assets	( 219,349)	-
Grants	63,790	534,245
Total Nonoperating Revenues (Expenses)	<u>( 270,835)</u>	<u>495,286</u>
<b>Excess of Expenses Over Revenues</b>	<u>( 8,855,484)</u>	<u>( 7,358,493)</u>
<b>Net Deficit Beginning of Year</b>	<u>( 18,299,826)</u>	<u>( 10,971,333)</u>
<b>Contributed Capital</b>	<u>-</u>	<u>30,000</u>
<b>Net Deficit End of Year</b>	<u><u>\$ ( 27,155,310)</u></u>	<u><u>\$ ( 18,299,826)</u></u>

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

NORTH SUNFLOWER MEDICAL CENTER  
Statements of Cash Flows  
Years Ended September 30, 2018, and 2017

	2018	2017
<b>Cash Flows From Operating Activities:</b>		
Receipts from and on behalf of patients	\$ 58,950,803	\$ 65,126,462
Payments to suppliers and contractors	( 29,239,928)	( 31,898,465)
Payments to and on behalf of employees	( 35,061,684)	( 36,334,659)
Receipts from other than patients	1,587,215	1,298,703
Receipts from electronic health records incentive	93,501	177,688
<b>Net Cash Used by Operating Activities</b>	<u>( 3,670,093)</u>	<u>( 1,630,271)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Grants and donations	<u>563,790</u>	<u>1,026,745</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Principal payments on bond payable	( 135,500)	( 126,000)
Principal payments on notes payable	( 76,781)	( 590,146)
Principal payments on capitalized lease obligation	( 8,607)	( 15,935)
Purchase of property and equipment	( 329,639)	( 1,047,296)
Interest paid on long-term debt	( 277,116)	( 242,791)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>( 827,643)</u>	<u>( 2,022,168)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest and investment income	196,272	203,271
Proceeds from sale of assets	422	-
Investment in TRINA Health	-	( 200,000)
<b>Net Cash Provided by Investing Activities</b>	<u>196,694</u>	<u>3,271</u>
<b>Net Decrease in Cash</b>	( 3,737,252)	( 2,622,423)
<b>Cash at Beginning of Year</b>	<u>16,599,560</u>	<u>19,221,983</u>
<b>Cash at End of Year</b>	<u><u>\$ 12,862,308</u></u>	<u><u>\$ 16,599,560</u></u>

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



NORTH SUNFLOWER MEDICAL CENTER  
Statements of Cash Flows  
Years Ended September 30, 2018, and 2017

	<u>2018</u>	<u>2017</u>
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Used by Operating Activities:</b>		
Operating loss	\$ ( 8,584,649)	\$ ( 7,853,779)
Adjustment to Reconcile Operating Loss to Net Cash Flows		
Used by Operating Activities:		
Depreciation and amortization	1,946,164	2,989,722
Pension expense adjustment	5,885,887	9,468,505
HPIC equity credit	( 137,637)	( 134,127)
Provision for uncollectible accounts	3,945,148	3,162,420
Deferred outflows - recruitment incentives	73,565	23,473
Changes in:		
Patient accounts receivable	( 4,954,659)	( 3,431,623)
Supplies and other current assets	( 658,152)	( 737,539)
Accounts payable, accrued expenses, and other current liabilities	( 75,366)	( 338,737)
Estimated third-party payor payments	( 1,110,394)	( 4,778,586)
<b>Net Cash Used by Operating Activities</b>	<u><u>\$ ( 3,670,093)</u></u>	<u><u>\$ ( 1,630,271)</u></u>

**Capital and Financing Activities:**

The facility entered into capital lease obligations of \$1,156,406 during the year ended September 30, 2018, and did not enter into any new capital lease obligations during the year ended September 30, 2017.

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

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

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

**a. Reporting Entity** - The facility provides inpatient, outpatient, emergency, psychiatric, long-term care, durable medical equipment, pharmacy, hospice, eye clinic, diagnostic and dental services for residents of Sunflower County, Mississippi, and surrounding areas. The facility is governed by a Board of Trustees appointed by the Board of Supervisors of Sunflower County, Mississippi.

Under Governmental Accounting Standards Board Statement Number 14: *The Financial Reporting Entity*, the facility is defined as a component unit of Sunflower County, Mississippi. These financial statements present only the financial position and results of operations and cash flows of North Sunflower Medical Center.

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

**c. Proprietary Fund Accounting** - The facility utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. Based on Governmental Accounting Standards Board (GASB) Statement No. 20: *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the facility has elected to apply the provisions and all pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict or contradict GASB pronouncements.

**d. Cash** - Cash includes unrestricted cash used for operating purposes only.

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

Land improvements	5 to 20 years
Building and building improvements	5 to 40 years
Equipment, computers, and furniture	3 to 20 years

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

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

**f. Deferred Outflows and Deferred Inflows of Resources** - In addition to assets, the statement of financial 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) until then. The hospital has incurred a deferred outflow which is presented as a deferred outflow related to pensions.

In addition to liabilities, the statement of financial 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 has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 10 for further details.

**g. Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi and additions to and deductions from Public Employees' Retirement System of Mississippi's fiduciary net position have been determined on the same basis as they are reported by Public Employees' Retirement System of Mississippi. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**h. Grants and Contributions** - From time to time, the hospital receives grants from Sunflower County and the State of Mississippi, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**i. Net Deficit** - Net deficit of North Sunflower Medical Center is classified in two components. *Net position invested in capital assets net of related debt* consists of capital assets net of accumulated depreciation and is reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted net deficit* is the remaining net deficit that does not meet the definition of *invested in capital assets net of related debt*.

**j. Operating Revenues and Expenses** - North Sunflower Medical Center's statements of revenues, expenses, and changes in net position distinguishes 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 revenues, including grants and contributions received for purposes other than capital assets acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

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

**k. Net Patient Service Revenue** - The facility 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, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**l. Compensated Absences** - North Sunflower Medical Center's employees earn PTO time at varying rates depending on years of service. PTO time is used for absences such as vacation, holidays, personal time off and the first two days of illness and is payable upon termination not to exceed 480 hours.

**m. Risk Management** - The facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The facility purchases coverage of risks of loss related to torts and malpractice up to \$500,000 per case from Healthcare Providers Insurance Company. The facility purchases coverage of risks of loss related to theft of, damage to and destruction of assets from various commercial insurance carriers. The facility purchases coverage of risk of loss related to workers' compensation claims from Bridgefield Employers Insurance Company.

Under Governmental Accounting Standards Board Statement Number 10: *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, a liability for a claim must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The facility has not been exposed to any risk of loss above the applicable insurance coverage amounts at September 30, 2018; therefore, no liability has been accrued at this time.

**n. Income Taxes** - As a political subdivision of the State of Mississippi, the facility qualifies as a tax-exempt organization under existing provisions of the Internal Revenue Code, and its income is not subject to federal or state income taxes.

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

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

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

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

**q. Electronic Health Record Incentive Program** - The Centers for Medicare and Medicaid Services (CMS) have implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, eligible hospitals, and critical access hospitals, as defined, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30. The facility recorded EHR incentive revenue of \$93,501 in 2018, and \$177,688 in 2017.

**r. New Pronouncements** - In June 2012, the GASB issued *GASB Statement No. 68: Accounting and Financial Reporting for Pensions*. In November 2013, the GASB also issued *GASB Statement No. 71: Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also were addressed. These Statements were effective for fiscal years beginning after June 15, 2014 and were to be applied simultaneously.

**Note 2: Cash and Other Deposits**

**a. Bank Deposits** – The facility deposits funds in financial institutions selected by the Board of Trustees and invests excess funds in investment instruments that are allowed by statutes. Various restrictions on deposits and investments are imposed by statutes.

The collateral for public entities' deposits in financial institutions is required to be held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under the program, an entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. All of the facility's funds eligible to be included in the state's collateral pool program were properly included and were fully collateralized as of September 30, 2018, and 2017.

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 2: Cash and Other Deposits (Continued)**

**b. Custodial Credit Risk – Deposits** – Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the facility will not be able to recover deposits or collateral securities that are in the possession of an outside party. The facility does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the facility. As of September 30, 2018, and 2017, none of the facility's bank balance was exposed to custodial credit risk.

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

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

**Note 3: Charity Care**

The facility provides care to patients who meet certain criteria under its charity care policy. Because the facility does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The cost of charity care provided in 2018, and 2017, approximated \$119,500, and \$128,000, respectively.

**Note 4: Accounts Receivable – Estimated Uncollectibles and Allowances**

The balance in the estimated uncollectibles and allowances accounts at September 30, 2018, and 2017, is comprised of the following:

	<u>2018</u>	<u>2017</u>
Provision for uncollectible accounts	\$ 5,176,680	\$ 4,479,443
Allowance for Medicare/Medicaid adjustment	3,844,158	3,681,215
Allowance for DME adjustment	149,942	152,613
Allowance for other adjustments	820,082	661,706
	<u>\$ 9,990,862</u>	<u>\$ 8,974,977</u>

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 5: Capital Assets**

	Balance September 30, 2017	Additions and Transfers	Retirements and Transfers	Balance September 30, 2018
Land	\$ 43,355	-	-	\$ 43,355
Land improvements	762,361	39,176	-	801,537
Buildings and improvements				
Under capital lease	74,995	-	-	74,995
Other	14,989,428	57,774	-	15,047,202
Fixed equipment	2,128,220	13,011	-	2,141,231
Major movable equipment	14,390,139	947,342	( 46,794)	15,290,687
Automobiles	662,519	9,700	-	672,219
Construction in Progress	2,128	421,171	( 2,128)	421,171
	<u>33,053,145</u>	<u>1,488,174</u>	<u>( 48,922)</u>	<u>34,492,397</u>
Total Historical Cost				
Less: Accumulated Depreciation and Amortization for:				
Land improvements	( 382,462)	( 61,626)	-	( 444,088)
Buildings and improvements				
Under capital lease	( 15,312)	-	-	( 15,312)
Other	( 4,283,501)	( 688,496)	-	( 4,971,997)
Fixed equipment	( 1,796,862)	( 40,122)	-	( 1,836,984)
Major movable equipment	(12,153,547)	( 1,073,891)	19,397	( 13,208,041)
Automobiles	( 414,757)	( 82,029)	-	( 496,786)
	<u>(19,046,441)</u>	<u>( 1,946,164)</u>	<u>19,397</u>	<u>( 20,973,208)</u>
Total Accumulated Depreciation and Amortization				
Capital Assets, Net	<u>\$ 14,006,704</u>	<u>( 457,990)</u>	<u>( 29,525)</u>	<u>\$ 13,519,189</u>

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 5: Capital Assets (Continued)**

	Balance September 30, 2016	Additions and Transfers	Retirements and Transfers	Balance September 30, 2017
Land	\$ 43,355	-	-	\$ 43,355
Land improvements	533,093	229,268	-	762,361
Buildings and improvements				
Under capital lease	74,995	-	-	74,995
Other	14,650,784	62,395	276,249	14,989,428
Fixed equipment	2,128,220	-	-	2,128,220
Major movable equipment	13,392,084	677,338	320,717	14,390,139
Automobiles	580,898	81,621	-	662,519
Construction in Progress	572,420	26,674	( 596,966)	2,128
	<u>31,975,849</u>	<u>1,077,296</u>	<u>-</u>	<u>33,053,145</u>
Total Historical Cost				
Less: Accumulated Depreciation and Amortization for:				
Land improvements	( 317,121)	( 65,341)	-	( 382,462)
Buildings and improvements				
Under capital lease	( 11,562)	( 3,750)	-	( 15,312)
Other	( 3,689,014)	( 594,487)	-	( 4,283,501)
Fixed equipment	( 1,755,910)	( 40,952)	-	( 1,796,862)
Major movable equipment	( 9,953,904)	( 2,199,643)	-	( 12,153,547)
Automobiles	( 329,208)	( 85,549)	-	( 414,757)
	<u>(16,056,719)</u>	<u>( 2,989,722)</u>	<u>-</u>	<u>( 19,046,441)</u>
Total Accumulated Depreciation and Amortization				
Capital Assets, Net	<u>\$ 15,919,130</u>	<u>( 1,912,426)</u>	<u>-</u>	<u>\$ 14,006,704</u>



NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 6: Long-Term Debt**

A schedule of changes in the facility's long-term debt for September 30, 2018, and 2017, follows:

	Balance 9/30/2017	Additions	Reductions	Balance 9/30/2018	Amounts Due Within One Year
Note payable	\$ 2,617,134	-	( 76,781)	\$ 2,540,353	\$ 79,909
Bond payable	2,121,500	-	( 135,500)	1,986,000	126,000
Capital lease obligation	15,494	1,156,406	( 8,607)	1,163,293	123,867
Total Long-Term Debt	\$ <u>4,754,128</u>	<u>1,156,406</u>	<u>( 220,888)</u>	\$ <u>5,689,646</u>	\$ <u>329,776</u>

  

	Balance 9/30/2016	Additions	Reductions	Balance 9/30/2017	Amounts Due Within One Year
Note payable	\$ 3,207,280	-	( 590,146)	\$ 2,617,134	\$ 76,781
Bond payable	2,247,500	-	( 126,000)	2,121,500	121,500
Capital lease obligations	31,429	-	( 15,935)	15,494	15,494
Total Long-Term Debt	\$ <u>5,486,209</u>	<u>-</u>	<u>( 732,081)</u>	\$ <u>4,754,128</u>	\$ <u>213,775</u>

A detail of long-term debt, including capital lease obligations at September 30, 2018, and 2017, follows:

**Note Payable**

USDA Rural Development Loan with an interest rate of 4.197%.  
Due in monthly installments of \$15,005 for 28 years with final  
installment due January 15, 2040. Secured by Wellness Center  
building.

	2018	2017
	\$ <u>2,540,353</u>	\$ <u>2,617,134</u>

**Bond Payable**

Series 2009 Revenue Bond with varying interest rates,  
interest due semiannually and principal due in varying annual  
installments with final installment due in the year 2029, secured  
by facility revenue.

	\$ <u>1,986,000</u>	\$ <u>2,121,500</u>
--	---------------------	---------------------

**Capital Lease Obligations**

Performance Capital Leasing with an interest rate of 6.00%  
Due in monthly installments of \$1,450 for 60 months with  
final installment due August 1, 2018, collateralized by a clinic  
Specialty Modular Building

	2018	2017
	\$ -	\$ 15,494

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 6: Long-Term Debt (Continued)**

Cisco Capital with an interest rate of 0.099% due in monthly installments of \$5,276 for 60 months with final installment due September 1, 2023, collateralized by equipment and software	\$ 315,750	\$ -
Cisco Capital with no interest. Due in monthly installments of \$420 for 60 months with final installment due September 1, 2023, collateralized by equipment and software	25,200	-
Cisco Capital with no interest. Due in monthly installments of \$315 for 60 months with final installment due November 1, 2023, collateralized by equipment and software	18,900	-
Cisco Capital with no interest. Due in monthly installments of \$315 for 60 months with final installment due December 1, 2023, collateralized by equipment and software	18,900	-
Phillips Healthcare with an interest rate of 21.711% Due in monthly installments of \$6,763 for 12 months and \$11,801 for the following 60 months with final installment due January 1, 2024, collateralized by a CT Scanner	425,943	-
Fukuda Denshi with an interest rate of 5.535% Due in monthly installments of \$1,695 for 60 months with final installment due February 28, 2023, collateralized by a Telemetry System	79,535	-
Hologic Capital with an interest rate of 19.843% due in monthly installments of \$0 for 3 months, \$5,650 for the following 9 months, and \$8,494 for the remaining 48 months with final installment due August 15, 2023, collateralized by a Mammography System	<u>279,065</u>	<u>-</u>
Total Capital Lease Obligations	<u>\$ 1,163,293</u>	<u>\$ 15,494</u>

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 6: Long-Term Debt (Continued)**

Scheduled principal and interest repayments on long-term debt and payments on capital lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Bond Payable</u>		<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 126,000	\$ 88,294	\$ 79,909	\$ 100,151
2020	145,000	82,169	82,894	97,166
2021	155,000	76,369	86,542	93,518
2022	160,000	69,975	90,068	89,992
2023	170,000	63,175	93,738	86,322
Thereafter	1,230,000	205,525	2,107,202	740,170
Total	<u>\$ 1,986,000</u>	<u>\$ 585,507</u>	<u>\$ 2,540,353</u>	<u>\$ 1,207,319</u>

  

<u>Year Ended September 30,</u>	<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 123,867	\$ 151,609
2020	206,285	133,497
2021	233,367	106,414
2022	266,502	73,279
2023	286,554	32,868
Thereafter	46,718	2,060
Total	<u>\$ 1,163,293</u>	<u>\$ 499,727</u>

**Note 7: Net Patient Service Revenue**

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

**a. Medicare** - Inpatient acute care services, outpatient services, nonacute inpatient services and rural health clinic services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The facility is paid for inpatient senior care psychiatric services based on prospectively determined rates. Home health agency services are paid at prospectively determined rates based on service provided. The facility is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the facility and audits thereof by the Medicare fiscal intermediary. The facility's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2016.

**b. Medicaid** - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The facility is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the facility and audits thereof by the Medicaid fiscal intermediary.

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 7: Net Patient Service Revenue (Continued)**

**c. Medicaid Mississippi Hospital Access Payment** – The hospital received Medicaid Mississippi hospital access payments of \$744,672, and \$907,369, for the years ended September 30, 2018, and 2017, respectively. The Medicaid Mississippi hospital access program is a program whereby the hospital qualifies for Mississippi hospital access program funds in addition to regular funds. The Mississippi Division of Medicaid administers the program through the MississippiCAN coordinated care organizations, and the continuation of the program rests with the federal government.

**Note 8: Medical Benefit Plan**

The facility provides health insurance coverage to its employees through a self-funded medical benefit plan that covers substantially all of its employees and certain dependents of the employees. The total medical benefit expense for the self-funded medical benefit plan for the years ended September 30, 2018, and 2017, amounted to \$2,483,163, and \$2,420,074, respectively. The facility's policy is to fund the estimated medical benefit claims that will be filed against the plan less the contributions made by employees covered by the plan. In addition, an allowance representing the write-off of charges applicable to in-house claims of the employees and their dependents for the year ended September 30, 2018, and 2017, was provided in the amount of \$2,246,317, and \$2,311,676, respectively.

**Note 9: Lease Commitments**

The facility leases equipment under operating leases expiring at various dates. Future minimum pending noncancelable lease payments are as follows:

Year ended September 30,	
2019	\$ 104,241
2020	42,617
2021	-
2022	-
2023	-

Rental expense under all operating leases for the years ended September 30, 2018, and 2017, was, \$542,363, and \$576,637, respectively.

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 10: Defined Benefit Pension Plan**

**a. General Information about the Pension Plan**

*Plan Description.* The hospital contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public hospitals. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the hospital is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The hospital's contributions to PERS for the fiscal years ending September 30, 2018, 2017, and 2016, were \$3,733,082, \$3,894,813, and \$3,480,120, respectively, which equaled the required contributions for each year.

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 10: Defined Benefit Pension Plan (Continued)**

**b. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2018, and 2017, the hospital reported a liability of \$62,632,617, and \$65,111,008, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The hospital's proportion of the net pension liability was based on a projection of the hospital's long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2018, the hospital's proportion was 0.376557 percent, and at June 30, 2017, the hospital's proportion was 0.391683 percent.

For the years ended September 30, 2018, and 2017, the hospital recognized pension expense of \$9,618,969, and \$13,363,318, respectively. See the following schedule for a reconciliation of actual pension expense to pension expense per GASB 68 and 71 for the years ended September 30, 2018, and 2017.

	2018	2017
Pension Expense - prior to GASB 68 adjustments	\$ 3,733,082	\$ 3,894,813
Current year pension expense includes deferred outflows and deferred inflows	4,928,704	4,557,926
Contributions made subsequent to the measurement date of June 30, 2018, and 2017	( 850,373)	( 904,658)
Amortize change in proportional share	( 654,585)	3,050,374
Reverse contributions from beginning of fiscal year through June 30, 2018, and 2017	( 2,882,709)	( 2,990,155)
Amortize prior year deferred outflows	8,145,909	7,097,908
Amortize prior year deferred inflows	( 2,801,059)	( 1,342,890)
Pension Expense - after GASB 68 adjustments	<u>\$ 9,618,969</u>	<u>\$ 13,363,318</u>

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 10: Defined Benefit Pension Plan (Continued)**

At September 30, 2018, and 2017, the hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources at 9/30/18</b>	<b>Deferred Inflows of Resources at 9/30/18</b>
Differences between expected and actual experience	\$ 250,332	\$ ( 274,633)
Net difference between projected and actual earnings on pension plan investments	3,058,396	( 4,899,781)
Changes of assumptions	38,445	( 30,688)
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	4,687,329	( 1,898,298)
Hospital contributions subsequent to the measurement date	850,373	-
Total	<u>\$ 8,884,875</u>	<u>\$ ( 7,103,400)</u>
	<b>Deferred Outflows of Resources at 9/30/17</b>	<b>Deferred Inflows of Resources at 9/30/17</b>
Differences between expected and actual experience	\$ 782,611	\$ ( 475,096)
Net difference between projected and actual earnings on pension plan investments	4,937,998	( 6,309,785)
Changes of assumptions	1,159,001	( 94,625)
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	9,240,991	-
Hospital contributions subsequent to the measurement date	904,658	-
Total	<u>\$ 17,025,259</u>	<u>\$ ( 6,879,506)</u>

\$850,373 reported as deferred outflows of resources related to pensions resulting from hospital contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2019	\$ 3,252,394
2020	70,323
2021	( 2,109,953)
2022	( 281,663)
2023	-
Thereafter	-

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 10: Defined Benefit Pension Plan (Continued)**

*Actuarial assumptions.* The collective total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.25-18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
U.S Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Assets	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.25%
Cash	1.00%	0.00%
	<u>100.00%</u>	



NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 10: Defined Benefit Pension Plan (Continued)**

*Discount Rate.* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Hospital's proportionate share of the net pension liability	\$ 82,469,184	\$ 62,632,617	\$ 46,145,810

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**Note 11: Concentrations of Credit Risk**

The facility grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2018, and 2017, was as follows:

	2018	2017
Medicare	27%	31%
Medicaid	13%	10%
Patients and other third-party payors	60%	59%
	<u>100%</u>	<u>100%</u>

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 12: Contingencies and Commitments**

**a. Attorney General Opinion Dated March 3, 2017** – The Attorney General of the State of Mississippi, in response to a request, has issued an opinion stating that a hospital facility, as a participating employer in the Public Employees' Retirement System of Mississippi, is responsible for paying the employer contributions as established by the Board of Trustees under MS Code Section 25-11-123. Additionally, the facility is responsible for causing the employee contributions to be deducted and remitted to PERS on behalf of the employee. The facility has no obligation above or beyond the proper payment of these contributions. The Attorney General's opinion further states that the Office of the Attorney General does not address accounting principles or an entity's compliance or noncompliance with accounting principles. *Governmental Accounting Standards Board Statement No. 68* requires that the facility record a liability for its proportionate share of the plan's net pension liability.

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

**c. Contingencies** – It was determined that there were several irregular charges found in a former Rural Health Clinic employee's expense reports. As of the date of the independent auditors' report, the total amount of irregular chargers has not been determined. However, current estimates are that the amount is immaterial to the financial statements taken as a whole.

**Note 13: Effect of Deferred Amounts on Net Deficit**

The unrestricted net deficit amount of \$34,984,853 at September 30, 2018, and \$27,552,402 at September 30, 2017, include the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$8,884,875 balance of the deferred outflow of resources at September 30, 2018, and the \$17,025,259 balance at September 30, 2017 will be recognized as expenses and increase unrestricted net deficit over the next 3 years.

The unrestricted net deficit amount of \$34,984,853 at September 30, 2018, and \$27,552,402 at September 30, 2017, include the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$7,103,400 balance of the deferred inflow of resources at September 30, 2018, and the \$6,879,506 balance at September 30, 2017, will be recognized as revenues and decrease unrestricted net deficit over the next 4 years.

**Note 14: Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of North Sunflower Medical Center evaluated the activity of the hospital through, May 17, 2019 (the date the financial statements were available to be issued), and determined that there were no subsequent events requiring disclosures in the notes to financial statements.

NORTH SUNFLOWER MEDICAL CENTER  
Required Supplementary Information  
Schedule of the Hospital's Proportionate Share of the Net Pension Liability  
PERS  
Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Hospital's proportion of net pension liability	\$ 62,632,617	\$ 65,111,008	\$ 59,670,207	\$ 47,909,375	\$ 35,291,848
Hospital's proportionate share of the net pension liability	0.376557%	0.391683%	0.334053%	0.309932%	0.290751%
Hospital's covered-employee payroll	\$ 23,702,108	\$ 24,728,971	\$ 22,096,000	\$ 19,715,079	\$ 18,240,044
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.25%	263.30%	270.05%	243.01%	193.49%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

\*The amounts presented were determined as of the measurement date of June 30 of the fiscal year presented. The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10-year trend is compiled, the hospital has only presented information for the years in which information is available.

The notes to required supplementary information are an integral part of this schedule.

NORTH SUNFLOWER MEDICAL CENTER  
Required Supplementary Information  
Schedule of Hospital Contributions  
PERS  
Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,733,087	\$ 3,894,813	\$ 3,480,120	\$ 3,105,125	\$ 2,872,807
Contribution in relation to the contractually required contribution	( 3,733,087)	( 3,894,813)	( 3,480,120)	( 3,105,125)	( 2,872,807)
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Hospital's covered-employee payroll	\$ 23,702,108	\$ 24,728,971	\$ 22,096,000	\$ 19,715,079	\$ 18,240,044
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%	15.75%

\*The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10-year trend is compiled, the hospital has only presented information for the years in which information is available.

The notes to required supplementary information are an integral part of this schedule.

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Required Supplementary Information

**Pension Schedules**

*Changes of assumptions.*

- 2017
  - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.
  - The wage inflation assumption was reduced from 3.75% to 3.25%.
  - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
  - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

*Method and assumptions used in calculations of actuarially determined contributions.* The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

NORTH SUNFLOWER MEDICAL CENTER  
Detailed Schedules of Operating Revenues  
Years Ended September 30, 2018, and 2017

	<u>2018</u>	<u>2017</u>
<b>Inpatient:</b>		
Nursing Services:		
Routine care	\$ 17,161,752	\$ 16,853,413
Other Nursing Services:		
Operating and recovery rooms	369,920	515,130
Observation room	6,415	14,189
Central service and supply	163,272	352,663
Emergency service	61,186	55,814
Total Nursing Services Revenue	<u>17,762,545</u>	<u>17,791,209</u>
Other Professional Services:		
Respiratory therapy	1,181,535	1,583,259
Laboratory	1,839,218	2,041,389
Blood bank	90,357	88,679
Electrocardiology	77,368	86,555
Radiology	294,466	330,307
CT scan/Nuclear medicine	355,501	363,054
Ultrasound/MRI	273,176	328,464
Pharmacy	2,786,655	3,501,026
IV therapy	398,052	442,820
Anesthesia	48,350	65,425
Physical therapy	2,340,711	3,239,836
Speech therapy	885,930	1,275,999
Occupational therapy	1,559,618	2,339,301
Psychiatric therapy	355,620	326,084
Hospital based physician	729,018	716,290
Total Other Professional Services Revenue	<u>13,215,575</u>	<u>16,728,488</u>
Total Inpatient Revenue	<u>\$ 30,978,120</u>	<u>\$ 34,519,697</u>

NORTH SUNFLOWER MEDICAL CENTER  
Detailed Schedules of Operating Revenues  
Years Ended September 30, 2018, and 2017

	<u>2018</u>	<u>2017</u>
<b>Outpatient:</b>		
Other Nursing Services:		
Operating and recovery rooms	\$ 10,754,098	\$ 10,845,666
Observation room	218,175	182,439
Central service and supply	36,141	35,950
Emergency service	2,056,879	1,793,168
Hospice	2,079,909	1,974,598
Total Nursing Services Revenue	<u>15,145,202</u>	<u>14,831,821</u>
Other Professional Services:		
Respiratory therapy	72,808	67,057
Laboratory	10,319,995	10,856,387
Blood	85,230	56,084
Electrocardiology	392,939	370,594
Radiology	2,512,350	2,194,753
Cardiology	342,204	337,462
CT scan/Nuclear Medicine	5,629,336	4,755,479
Ultrasound/MRI	3,148,900	2,423,104
Pharmacy	4,255,324	3,818,542
IV therapy	311,711	262,163
Anesthesia	1,703,375	1,792,200
Physical therapy	2,446,643	1,671,999
Speech therapy	381,036	103,035
Occupational therapy	808,928	320,092
Psychiatric therapy	5,421,807	5,485,199
Wound care	399,702	305,272
DME	1,848,658	2,086,922
Eye Station	349,270	391,928
Diagnostic Center	611,234	557,577
Dental clinic	280,228	672,931
TRINA Health	218,495	1,077,353
NSMC Pharmacy	6,385,138	6,046,041
Simply Sunflower	203,533	193,082
Wellness center	95,875	102,350
Infusion therapy	453,601	470,589
Sleep lab	1,555,470	1,635,360
RHC Screen Team	175,423	4,198,536
Clinic	4,788,895	4,605,387
Total Other Professional Services Revenue	<u>55,198,108</u>	<u>56,857,478</u>
Total Outpatient Revenue	\$ <u>70,343,310</u>	\$ <u>71,689,299</u>

NORTH SUNFLOWER MEDICAL CENTER  
Detailed Schedules of Operating Revenues  
Years Ended September 30, 2018, and 2017

	<u>2018</u>	<u>2017</u>
<b>Total Patient Services Revenue</b>	\$ <u>101,321,430</u>	\$ <u>106,208,996</u>
<b>Deductions from Patient Service Revenue:</b>		
Contractual Adjustments and Allowances:		
Medicare	14,885,461	14,213,353
Medicaid	426,600	( 3,888,700)
Medicaid Mississippi hospital access payments and Medicaid upper payment limit payments	( 744,672)	( 907,369)
Blue Cross	5,642,723	5,509,053
Administrative adjustments and other	<u>16,125,040</u>	<u>17,975,762</u>
Total Deductions from Patient Service Revenue	<u>36,335,152</u>	<u>32,902,099</u>
<b>Provision for Uncollectible Accounts</b>	<u>3,945,148</u>	<u>3,162,420</u>
<b>Net Patient Services Revenue</b>	<u>61,041,130</u>	<u>70,144,477</u>
<b>Other Revenue:</b>		
Medical records transcripts	17,804	20,282
Employee and other meals	50,086	47,948
Miscellaneous revenue	<u>1,519,325</u>	<u>1,230,473</u>
Total Other Revenue	<u>1,587,215</u>	<u>1,298,703</u>
<b>Electronic Health Records Incentive</b>	<u>93,501</u>	<u>177,688</u>
<b>Total Revenue</b>	\$ <u><u>62,721,846</u></u>	\$ <u><u>71,620,868</u></u>



NORTH SUNFLOWER MEDICAL CENTER  
Detailed Schedules of Operating Expenses  
Years Ended September 30, 2018, and 2017

	2018			2017		
	Salaries and Benefits	Supplies and Drugs	Other	Salaries and Benefits	Supplies and Drugs	Other
<b>Nursing Services:</b>						
Routine services	\$ 1,686,996	104,215	616,863	\$ 1,433,572	97,479	689,996
Senior care	1,576,272	134,459	676,147	1,468,330	135,996	843,553
Operating and recovery rooms	1,343,797	855,187	1,756,085	1,105,190	724,611	1,907,417
Emergency room	555,780	82,541	287,447	654,095	87,817	327,192
Skilled nursing facility	1,973,812	735,335	1,139,260	1,892,160	722,988	1,291,984
Hospice	713,428	125,579	944,475	549,300	106,110	923,075
Swingbed	2,005,929	93,052	637,682	1,801,090	153,701	517,522
Nursing administration	151,976	2,716	345,440	111,077	3,776	314,465
<b>Other Professional Services:</b>						
Laboratory	997,321	800,758	267,774	1,001,022	758,915	178,162
Radiology	623,258	35,127	1,243,155	527,776	27,748	972,649
Cardiology	-	2,438	388,057	-	4,021	381,429
Respiratory	281,719	23,822	15,381	258,185	35,023	20,999
Therapy	1,403,127	17,062	645,954	1,426,745	11,341	649,301
Cardiac Rehab	-	306	29,426	-	965	25,806
Central supply	38,027	-	-	37,726	-	-
Pharmacy	575,650	1,720,379	14,199	572,189	2,043,755	8,450
Nuclear Medicine	110,996	110,343	54,738	111,496	147,708	58,120
Infusion therapy	172,059	22,773	14,866	168,230	23,305	22,107
Sleep lab	255,952	42,364	223,031	207,478	12,302	257,935
Wound Care	55,025	720	206,585	91,311	3,287	202,116
Social service	42,164	148	81,783	49,654	-	72,140
Health information services	2,058,970	25,625	1,003,964	3,177,955	27,235	874,947
Medical records	206,963	5,043	115,101	202,179	3,278	124,365
DME	661,973	672,677	237,543	702,444	791,313	266,732
Eye Station	134,538	50,139	75,351	99,127	35,680	59,390
Diagnostic Center	113,447	64,155	139,028	169,073	4,197	65,742
Dental clinic	173,786	26,007	27,936	360,750	56,811	63,669
IOP Indianola	-	-	3,209	-	-	777
TRINA Health	36,235	9,705	20,817	267,061	88,832	101,286
NSMC Pharmacy	873,708	3,564,946	1,489,923	868,442	3,637,556	1,142,232
Simply Sunflower	63,288	125,860	43,605	51,445	112,767	33,853
Wellness center	245,354	7,641	44,933	210,204	5,984	31,336
RHC Screen Team	99,632	5,894	181,633	659,768	184,092	2,408,789
Clinic	2,976,178	361,335	792,425	3,029,679	370,083	876,853
<b>General Services:</b>						
Dietary	605,206	136,206	147,796	588,564	106,088	142,353
Maintenance	255,096	1,485	577,648	200,810	651	471,839
Housekeeping	1,029,784	25,036	216,835	1,052,911	9,303	245,592
Laundry	116,595	20,045	91,020	128,015	14,631	75,840
Inservice/Infection control	88,030	4,010	10,687	66,533	10,468	4,686
<b>Administrative and Fiscal Services:</b>						
Administrative	2,195,088	49,815	2,515,596	2,395,998	70,948	2,357,759
Fiscal	110,897	8,570	52,477	104,692	( 7,664)	71,893
Information technology	404,780	7,779	609,081	469,550	837	669,176
Employee benefits	4,162,490	-	-	4,051,127	-	-
Pension expense	9,618,969	-	-	13,363,318	-	-
<b>Total Operating Expenses</b>	<b>\$ 40,794,295</b>	<b>10,081,297</b>	<b>17,984,956</b>	<b>\$ 45,686,271</b>	<b>10,623,938</b>	<b>19,753,527</b>

NORTH SUNFLOWER MEDICAL CENTER  
Schedule of Surety Bonds for Officials and Employees  
September 30, 2018

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount of Bond</u>
Leigh Ann Armstrong	Interim CFO	Nationwide Mutual Insurance Company	\$ 10,000
Billy Marlow	Executive Director	Nationwide Mutual Insurance Company	\$ 10,000
Sam Miller	CEO	Nationwide Mutual Insurance Company	\$ 10,000
Rodney Clark	COO	Nationwide Mutual Insurance Company	\$ 10,000
Bobbie B. Allen	Trustee	Nationwide Mutual Insurance Company	\$ 10,000
H.T. Miller, III	Trustee	Nationwide Mutual Insurance Company	\$ 10,000
Billy Joe Waldrup	Trustee	Nationwide Mutual Insurance Company	\$ 10,000
Willie Mays Burton	Trustee	Nationwide Mutual Insurance Company	\$ 10,000
Phil McNeer	Trustee	Nationwide Mutual Insurance Company	\$ 10,000



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
S. Keith Winfield, CPA	John N. Russell, CPA
William B. Staggers, CPA	Thomas A. Davis, CPA
Michael W. McCully, CPA	Anita L. Goodrum, CPA
Mort Stroud, CPA	Ricky D. Allen, CPA
R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
Wanda S. Holley, CPA	Perry C. Rackley, Jr., CPA
Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	

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

The Board of Trustees  
North Sunflower Medical Center  
Ruleville, 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 North Sunflower Medical Center, a component unit of Sunflower, Mississippi, as of and for the years ended September 30, 2018, and 2017, and the related notes to financial statements, which collectively comprise North Sunflower Medical Center's basic financial statements as listed in the contents, and have issued our report thereon dated May 17, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Sunflower Medical Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Sunflower Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of North Sunflower Medical Center's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001, 2018-002, 2018-003 and 2018-004 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Sunflower Medical Center's financial statements are free of 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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **North Sunflower Medical Center's Response to Findings**

North Sunflower Medical Center's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. North Sunflower Medical Center'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.

Eupora, Mississippi  
May 17, 2019

*Watkins Ward and Stafford, PLLC*



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Staggers, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
R. Steve Sinclair, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA

Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, Jr., CPA  
Perry C. Rackley, Jr., CPA  
Jerry L. Gammel, CPA  
Michael C. Knox, CPA  
Clifford P. Stewart, CPA

**Independent Auditors' Report on Compliance with State Laws and Regulations**

The Board of Trustees  
North Sunflower Medical Center  
Ruleville, Mississippi

We have audited the financial statements of North Sunflower Medical Center, a component unit of Sunflower County, Mississippi, as of and for the years ended September 30, 2018, and 2017, and have issued our report thereon dated May 17, 2019.

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

Compliance with state laws applicable to North Sunflower Medical Center is the responsibility of the facility's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of North Sunflower Medical Center's compliance with certain provisions of state laws and regulations. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, North Sunflower Medical Center complied with the provisions referred to in the preceding paragraph, except as stated in the following paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that North Sunflower Medical Center had not complied with those provisions.

**Condition** – The facility did not obtain two competitive written bids for a purchase which involved an expenditure of more than \$5,000 but not more than \$50,000 as required by Section 31-7-13(a), Mississippi Code of 1972, Annotated.

**Response** – Management will be advised to follow proper bid procedures for all future purchases.

This report is intended solely for the information and use of the board of trustees, management, others within the organization, and the Board of Supervisors of Sunflower County, Mississippi and is not intended to be and should not be used by anyone other than these specified parties.

Eupora, Mississippi  
May 17, 2019

*Watkins Ward and Stafford, PLLC*

NORTH SUNFLOWER MEDICAL CENTER  
Schedule of Findings and Responses  
Year Ended September 30, 2018

**2018-001**      Significant Deficiency

*Condition:* The hospital has a bank account under their federal identification number that is being used by Sunflower Dental Clinic which was sold on March 1, 2018. The account contains funds that do not belong to North Sunflower Medical Center.

*Criteria:*

*Cause:* The hospital did not properly close their bank account related to the dental clinic before it was sold.

*Effect:* The Sunflower Dental Clinic used the bank account under the hospital's federal identification number and these funds did not belong to the hospital.

*Recommendation:* Management should ensure that Sunflower Dental Clinic closes the account and opens a new account under their federal identification number.

*Response:* Administration has stated that the account will be removed from their federal identification number.

**2018-002**      Significant Deficiency

*Condition:* Sunflower Eye Station accounts receivable listing contains numerous old accounts and credit balances.

*Criteria:*

*Cause:* The accounting department has not been working old accounts receivable accounts to ensure that they are being collected and credit balances are being refunded properly.

*Effect:* The accounts receivable listing for the Sunflower Eye Station contained numerous old accounts and credit balances that should have been cleared up prior to year-end.

*Recommendation:* Management should examine old accounts receivable accounts and work these account to clear out credit balance and turn over old accounts to a collection agency.

*Response:* Management stated that the accounts receivable software is difficult to use and has contacted the vendor. The software vendor has agreed to improve the software by rewriting the software code.

NORTH SUNFLOWER MEDICAL CENTER  
Schedule of Findings and Responses  
Year Ended September 30, 2018

**2018-003**      Significant Deficiency

*Condition:* Numerous entries were made during the audit to correct bookkeeping errors or to make accruals and other adjustments that should have been made by the accounting department.

*Criteria:*

*Cause:* Management did not effectively review year-end and monthly closing procedures to ensure that financial information was accurate.

*Effect:* The auditors' proposed numerous audit adjustments to correct errors that would have been corrected had proper year-end and monthly closing procedures been monitored effectively.

*Recommendation:* Management should review and evaluate transactions and proper monthly closing procedures, including posting of identified adjustments, to expedite the year-end and monthly closing, and provide them with accurate financial information throughout the year, with which informed decision can be made.

*Response:* The accounting department has implemented procedures to improve the financial information provided to management and is evaluating additional procedures that will improve information provided to management.

**2018-004**      Significant Deficiency

*Condition:* The hospital did not obtain two competitive written bids for a purchase which involved an expenditure of more than \$5,000 but not more than \$50,000.

*Criteria:* According to Section 31-7-13(a), Mississippi Code of 1972, Annotated, at least two written quotes should be received for all purchases of \$5,000 but not more than \$50,000.

*Cause:* Personnel did not follow proper bid law procedures for a purchase of more than \$5,000.

*Effect:* The hospital was not in compliance with state purchasing laws.

*Recommendation:* Management should follow proper bid procedures for all future purposes.

*Response:* Management will follow the bidding procedures provided by the State of Mississippi for all future purchases of \$5,000 or more.