

**NORTH SUNFLOWER MEDICAL CENTER  
RULEVILLE, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
SEPTEMBER 30, 2019**



NORTH SUNFLOWER MEDICAL CENTER  
September 30, 2019  
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**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	Edward A. Maxwell, 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, 2019, and 2018, 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, 2019, and 2018, 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, 2019, and 2018, 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 33), the Schedule of Hospital Contributions (page 34), and notes to required supplementary information (page 35) 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 an opinion 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, 2019, and 2018, and the schedule of surety bonds for officials and employees (pages 36 to 40) are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The schedule of surety bonds for officials and employees is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of surety bonds for officials and employees is fairly stated in all material respects in relation to the financial statements as a whole.

The detailed schedules of operating revenues and detailed schedules of operating expenses for the years ended September 30, 2019, and 2018, have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we do not express an opinion on them or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2020, 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 12, 2020

*Watkins Ward and Stafford, P.C.*

**North Sunflower Medical Center  
Management's Discussion and Analysis  
Years Ended September 30, 2019, and 2018**

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, 2019, and 2018. 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 \$5,080,342, or 18.71%, from 2018 to 2019, and by \$8,855,484, or 48.39%, from 2017 to 2018.
- ◆ The facility reported an operating loss of \$5,143,233 in 2019, and \$8,584,649 in 2018.
- ◆ Nonoperating revenues increased by \$140,636, or 54.08%, in 2019 compared to 2018. Nonoperating revenues decreased by \$477,454, or 64.74%, in 2018 compared to 2017.

**USING THIS ANNUAL REPORT**

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

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

Our analysis of the facility's finances begins on page 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, 2019, and 2018**

**USING THIS ANNUAL REPORT (Continued)**

**The Statements 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 \$5,080,342, or 18.71%, from 2018 to 2019, and by \$8,855,484, or 48.39%, from 2017 to 2018.

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

	2019	2018
<b>Assets:</b>		
Current assets	\$ 32,903,094	\$ 32,559,468
Capital assets, net	11,778,247	13,519,189
Other noncurrent assets	398,490	398,490
<b>Total Assets</b>	<u>45,079,831</u>	<u>46,477,147</u>
<b>Deferred Outflows of Resources</b>	<u>5,203,649</u>	<u>9,137,453</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 50,283,480</u>	<u>\$ 55,614,600</u>
<b>Liabilities:</b>		
Current liabilities	\$ 7,883,875	\$ 7,674,023
Long-term debt outstanding	67,128,621	67,992,487
<b>Total Liabilities</b>	<u>75,012,496</u>	<u>75,666,510</u>
<b>Deferred Inflows of Resources</b>	<u>7,506,636</u>	<u>7,103,400</u>
<b>Net Deficit:</b>		
Invested in capital assets, net of related debt	6,418,377	7,829,543
Unrestricted	( 38,654,029)	( 34,984,853)
<b>Total Net Deficit</b>	<u>( 32,235,652)</u>	<u>( 27,155,310)</u>
<b>Total Liabilities, Deferred Inflows, and Net Deficit</b>	<u>\$ 50,283,480</u>	<u>\$ 55,614,600</u>



**North Sunflower Medical Center  
Management's Discussion and Analysis  
Years Ended September 30, 2019, and 2018**

**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>2019</u>	<u>2018</u>
Total unrestricted net deficit	\$ ( 38,654,029)	\$ ( 34,984,853)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	<u>64,712,169</u>	<u>60,851,142</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 26,058,140</u>	<u>\$ 25,866,289</u>

The change in the facility's net deficit is due to several factors. The facility's cash balance increased by \$4,655,064, or 36.19%, compared to 2018. The inventory increased by \$110,601, or 6.73%, compared to 2018. Patient accounts receivable net of estimated uncollectibles and allowances decreased by \$349,991, or 2.70%, compared to 2018. Other receivables decreased by \$461,617, or 52.05%, compared to 2018. Receivable from third-party payors decreased by \$3,687,813, or 98.75%, compared to 2018. The facility acquired capital assets in the amounts of \$191,388, and \$1,488,174, for the years 2019, and 2018, respectively. Depreciation and amortization expenses amounted to \$1,931,998, and \$1,946,164, for the years 2019, and 2018, respectively.

**North Sunflower Medical Center  
Management's Discussion and Analysis  
Years Ended September 30, 2019, and 2018**

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

**Table 2: Operating Results**

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

**Table 2: Operating Results**

	2019	2018
<b>Operating Revenues:</b>		
Net patient service revenues	\$ 60,818,344	\$ 61,041,130
Other revenues	1,926,184	1,587,215
Electronic health records incentive	-	93,501
Total Operating Revenues	<u>62,744,528</u>	<u>62,721,846</u>
<b>Operating Expenses:</b>		
Salaries and benefits	38,564,826	40,794,295
Supplies and drugs	10,625,834	10,081,297
Other operating expenses	16,201,235	17,984,956
Insurance	563,868	499,783
Depreciation and amortization	<u>1,931,998</u>	<u>1,946,164</u>
Total Operating Expenses	<u>67,887,761</u>	<u>71,306,495</u>
<b>Operating Loss</b>	<u>( 5,143,233)</u>	<u>( 8,584,649)</u>
<b>Nonoperating Revenues (Expenses):</b>		
Interest and investment income	240,785	196,272
Interest expense	( 329,378)	( 311,548)
Loss on sale of assets	-	( 219,349)
Loss on disposal of Eye Station	( 8,429)	-
Grants	<u>159,913</u>	<u>63,790</u>
Total Nonoperating Revenues (Expenses)	<u>62,891</u>	<u>( 270,835)</u>
<b>Excess of Expenses Over Revenues</b>	<u>( 5,080,342)</u>	<u>( 8,855,484)</u>
<b>Net Deficit Beginning of Year</b>	<u>( 27,155,310)</u>	<u>( 18,299,826)</u>
<b>Net Deficit End of Year</b>	<u><u>\$ ( 32,235,652)</u></u>	<u><u>\$ ( 27,155,310)</u></u>

**North Sunflower Medical Center  
Management's Discussion and Analysis  
Years Ended September 30, 2019, and 2018**

**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. The operating loss in 2019 decreased by \$3,441,416, or 40.09%, compared to the operating loss reported in 2018. The operating loss in 2018 increased by \$730,870, or 9.31%, compared to the operating loss reported in 2017.

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

- ◆ A decrease in net patient service revenues of \$222,786, or 0.36%, in 2019 compared to 2018, and a decrease of \$9,103,347, or 12.98%, in 2018 compared to 2017. Medicaid Mississippi hospital access payments, a component of net patient revenue, totaled \$660,943 in 2019, and \$744,672 in 2018.
- ◆ A decrease in salaries and benefits of \$2,229,469, or 5.47%, in 2019 compared to 2018, and a decrease of \$4,891,976, or 10.71%, in 2018 compared to 2017. This is mainly due to a pension expense balance of \$7,541,570 in 2019, and \$9,618,969 in 2018.
- ◆ A decrease in supplies and drugs, other operating expenses, and insurance of \$1,175,099, or 4.11%, in 2019 compared to 2018, and a decrease of \$2,232,618, or 7.25%, in 2018 compared to 2017.
- ◆ The facility did not receive an Electronic Health Records Incentive payment in 2019. In 2018, the facility received an incentive payment of \$93,501.

**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 \$240,785 for the year ended September 30, 2019, and \$196,272 for the year ended September 30, 2018. The facility received grants and contributions of \$159,913 for the year ended September 30, 2019, and \$63,790 for the year ended September 30, 2018.

Nonoperating expenses consist primarily of interest expense and loss on sale of assets. The facility had interest expense in the amount of \$329,378 for the year ended September 30, 2019, and \$311,548 for the year ended September 30, 2018. The facility had a loss on disposal of Eye Station of \$8,429 for the year ended September 30, 2019, and 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, 2019, and 2018**

**THE HOSPITAL'S CASH FLOWS**

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The facility had \$11,778,247 invested in capital assets net of accumulated depreciation at September 30, 2019, and \$13,519,189 at September 30, 2018. The facility had capital expenditures of \$191,388, and \$1,488,174 in 2019, and 2018, respectively. See Note 5 for a detailed analysis of capital assets.

**Long-Term Debt**

At September 30, 2019, the facility had \$5,359,870 in long-term debt outstanding, including the current portion. The facility incurred no new debt in 2019 while making \$329,776 in principal payments. In 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. 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, 2019, and 2018

**Assets and Deferred Outflows of Resources**

	2019	2018
<b>Current Assets:</b>		
Cash	\$ 17,517,372	\$ 12,862,308
Cash - nursing home residents' funds	45,559	52,134
Patient accounts receivable (Net of estimated uncollectibles and allowances of \$10,185,325 in 2019, and \$9,990,862 in 2018)	12,594,263	12,944,254
Estimated third-party payor settlements	46,768	3,734,581
Other receivables	425,283	886,900
Inventories	1,755,114	1,644,513
Prepaid expenses	341,192	350,973
Current portion of deferred recruitment incentives	177,543	83,805
<b>Total Current Assets</b>	<b>32,903,094</b>	<b>32,559,468</b>
<b>Capital Assets:</b>		
Property and equipment (Net of accumulated depreciation and amortization of \$22,892,238 in 2019, and \$20,973,208 in 2018)	11,778,247	13,519,189
<b>Other Assets:</b>		
Investment in Healthcare Providers Insurance Company	98,490	98,490
Investment in TRINA Health	200,000	200,000
Goodwill - hospice	100,000	100,000
<b>Total Other Assets</b>	<b>398,490</b>	<b>398,490</b>
<b>Total Assets</b>	<b>45,079,831</b>	<b>46,477,147</b>
<b>Deferred Outflows of Resources:</b>		
Deferred outflows - pensions	4,997,397	8,884,875
Deferred outflows - recruitment incentives	206,252	252,578
<b>Total Deferred Outflows of Resources</b>	<b>5,203,649</b>	<b>9,137,453</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 50,283,480</b>	<b>\$ 55,614,600</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, 2019, and 2018

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

	2019	2018
<b>Current Liabilities:</b>		
Accounts payable	\$ 1,572,829	\$ 1,897,542
Patient accounts receivable - credit balances	939,099	908,177
Estimated third-party payor settlements	344,064	-
Current portion of notes payable	82,894	79,909
Current portion of bond payable	145,000	126,000
Current portion of capitalized lease obligation	206,285	123,867
Accrued expenses and payroll withholdings	4,548,145	4,486,394
Nursing home residents' funds	45,559	52,134
<b>Total Current Liabilities</b>	<u>7,883,875</u>	<u>7,674,023</u>
<b>Long-Term Debt:</b>		
Notes payable	2,377,550	2,460,444
Bond payable	1,715,000	1,860,000
Capitalized lease obligation	833,141	1,039,426
Net pension liability	62,202,930	62,632,617
<b>Total Long-Term Debt</b>	<u>67,128,621</u>	<u>67,992,487</u>
<b>Total Liabilities</b>	<u>75,012,496</u>	<u>75,666,510</u>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows - pensions	<u>7,506,636</u>	<u>7,103,400</u>
<b>Net Deficit:</b>		
Invested in capital assets, net of related debt	6,418,377	7,829,543
Unrestricted	( 38,654,029)	( 34,984,853)
<b>Total Net Deficit</b>	<u>( 32,235,652)</u>	<u>( 27,155,310)</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Deficit</b>	<u>\$ 50,283,480</u>	<u>\$ 55,614,600</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, 2019, and 2018

	<u>2019</u>	<u>2018</u>
<b>Operating Revenues:</b>		
Net patient service revenue (Net of provision for uncollectible accounts of \$1,556,903 in 2019, and \$3,945,148 in 2018)	\$ 60,818,344	\$ 61,041,130
Other revenue	1,926,184	1,587,215
Electronic health records incentive	-	93,501
Total Operating Revenues	<u>62,744,528</u>	<u>62,721,846</u>
<b>Operating Expenses:</b>		
Salaries and benefits	38,564,826	40,794,295
Supplies and drugs	10,625,834	10,081,297
Other operating expenses	16,201,235	17,984,956
Insurance	563,868	499,783
Depreciation and amortization	1,931,998	1,946,164
Total Operating Expenses	<u>67,887,761</u>	<u>71,306,495</u>
<b>Operating Loss</b>	<u>( 5,143,233)</u>	<u>( 8,584,649)</u>
<b>Nonoperating Revenues (Expenses):</b>		
Interest and investment income	240,785	196,272
Interest expense	( 329,378)	( 311,548)
Loss on sale of assets	-	( 219,349)
Loss on disposal of Eye Station	( 8,429)	-
Grants	159,913	63,790
Total Nonoperating Revenues (Expenses)	<u>62,891</u>	<u>( 270,835)</u>
<b>Excess of Expenses Over Revenues</b>	<u>( 5,080,342)</u>	<u>( 8,855,484)</u>
<b>Net Deficit, Beginning of Year</b>	<u>( 27,155,310)</u>	<u>( 18,299,826)</u>
<b>Net Deficit, End of Year</b>	<u><u>\$ ( 32,235,652)</u></u>	<u><u>\$ ( 27,155,310)</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, 2019, and 2018

	2019	2018
<b>Cash Flows From Operating Activities:</b>		
Receipts from and on behalf of patients	\$ 65,216,177	\$ 58,950,803
Payments to suppliers and contractors	( 26,878,658)	( 29,239,928)
Payments to and on behalf of employees	( 34,640,498)	( 35,061,684)
Receipts from other than patients	1,926,184	1,587,215
Receipts from electronic health records incentive	-	93,501
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>5,623,205</u>	<u>( 3,670,093)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Grants and donations	( 340,087)	563,790
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Principal payments on bond payable	( 126,000)	( 135,500)
Principal payments on notes payable	( 79,909)	( 76,781)
Principal payments on capitalized lease obligation	( 123,867)	( 8,607)
Purchase of property and equipment	( 191,388)	( 329,639)
Interest paid on long-term debt	( 347,492)	( 277,116)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>( 868,656)</u>	<u>( 827,643)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest and investment income	240,785	196,272
Proceeds from sale of assets	-	422
Disposal of Eye Station	( 183)	-
<b>Net Cash Provided by Investing Activities</b>	<u>240,602</u>	<u>196,694</u>
<b>Net Increase (Decrease) in Cash</b>	4,655,064	( 3,737,252)
<b>Cash at Beginning of Year</b>	<u>12,862,308</u>	<u>16,599,560</u>
<b>Cash at End of Year</b>	<u><u>\$ 17,517,372</u></u>	<u><u>\$ 12,862,308</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, 2019, and 2018

	<u>2019</u>	<u>2018</u>
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>		
Operating loss	\$ ( 5,143,233)	\$ ( 8,584,649)
Adjustment to Reconcile Operating Loss to Net Cash Flows Provided (Used) by Operating Activities:		
Depreciation and amortization	1,931,998	1,946,164
Pension expense adjustment	3,861,027	5,885,887
HPIC equity credit	( 135,743)	( 137,637)
Provision for uncollectible accounts	-	3,945,148
Deferred outflows - recruitment incentives	( 47,412)	73,565
Changes in:		
Patient accounts receivable	371,307	( 4,954,659)
Supplies and other current assets	998,232	( 658,152)
Accounts payable, accrued expenses, and other current liabilities	( 244,848)	( 75,366)
Estimated third-party payor payments	4,031,877	( 1,110,394)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 5,623,205</u></u>	<u><u>\$ ( 3,670,093)</u></u>

**Capital and Financing Activities:**

The facility did not enter into any new capital lease obligations during the year ended September 30, 2019, and entered into capital lease obligations of \$1,156,406 during the year ended September 30, 2018.

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, and diagnostic 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, third-party settlements, and deferred inflows and outflows related to pensions.

**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 deferred outflows which are presented as deferred outflows related to pensions and recruitment incentives.

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 facility 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. *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 facility'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. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three years.

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, 2019; 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 deficit 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 did not receive an Electronic Health Record Incentive payment in 2019. In 2018, the facility received an EHR Incentive payment of \$93,501.

**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, 2019, and 2018.

**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, 2019, and 2018, none of the facility's bank balance was exposed to custodial credit risk.

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

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

**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 2019, and 2018, approximated \$127,100, and \$119,500, respectively.

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

The balance in the estimated uncollectibles and allowances accounts at September 30, 2019, and 2018, is comprised of the following:

	<u>2019</u>	<u>2018</u>
Provision for uncollectible accounts	\$ 5,264,697	\$ 5,176,680
Allowance for Medicare/Medicaid adjustment	3,743,138	3,844,158
Allowance for DME adjustment	164,561	149,942
Allowance for other adjustments	1,012,929	820,082
	<u>\$ 10,185,325</u>	<u>\$ 9,990,862</u>

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**Note 5: Capital Assets**

	Balance September 30, 2018	Additions and Transfers	Retirements and Transfers	Balance September 30, 2019
Land	\$ 43,355	-	-	\$ 43,355
Land improvements	801,537	-	-	801,537
Buildings and improvements	15,122,197	20,220	-	15,142,417
Fixed equipment	2,141,231	-	-	2,141,231
Major movable equipment				
Under capital lease	777,655	-	-	777,655
Other	14,513,032	44,315	34,091	14,591,438
Automobiles	672,219	-	-	672,219
Construction in Progress	421,171	126,853	( 47,391)	500,633
	<u>34,492,397</u>	<u>191,388</u>	<u>( 13,300)</u>	<u>34,670,485</u>
Total Historical Cost				
Less: Accumulated Depreciation and Amortization for:				
Land improvements	( 444,088)	( 63,433)	-	( 507,521)
Buildings and improvements	( 4,987,309)	( 603,794)	-	( 5,591,103)
Fixed equipment	( 1,836,984)	( 40,671)	-	( 1,877,655)
Major movable equipment				
Under capital lease	( 74,759)	( 141,566)	-	( 216,325)
Other	(13,133,282)	( 1,004,547)	12,968	( 14,124,861)
Automobiles	( 496,786)	( 77,987)	-	( 574,773)
	<u>(20,973,208)</u>	<u>( 1,931,998)</u>	<u>12,968</u>	<u>( 22,892,238)</u>
Total Accumulated Depreciation and Amortization				
Capital Assets, Net	<u>\$ 13,519,189</u>	<u>( 1,740,610)</u>	<u>( 332)</u>	<u>\$ 11,778,247</u>

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

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

	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	74,995	15,122,197
Fixed equipment	2,128,220	13,011	-	2,141,231
Major movable equipment				
Under capital lease	-	777,655	-	777,655
Other	14,390,139	169,687	( 46,794)	14,513,032
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)	( 7,499)	22,811	-
Other	( 4,283,501)	( 680,997)	( 22,811)	( 4,987,309)
Fixed equipment	( 1,796,862)	( 40,122)	-	( 1,836,984)
Major movable equipment				
Under capital lease	-	( 74,759)	-	( 74,759)
Other	(12,153,547)	( 999,132)	19,397	( 13,133,282)
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 6: Long-Term Debt**

A schedule of changes in the facility's long-term debt for September 30, 2019, and 2018, follows:

	Balance 09/30/2018	Additions	Reductions	Balance 09/30/2019	Amounts Due Within One Year
Note payable	\$ 2,540,353	-	( 79,909)	\$ 2,460,444	\$ 82,894
Bond payable	1,986,000	-	( 126,000)	1,860,000	145,000
Capital lease obligations	1,163,293	-	( 123,867)	1,039,426	206,285
Total Long-Term Debt	<u>\$ 5,689,646</u>	<u>-</u>	<u>( 329,776)</u>	<u>\$ 5,359,870</u>	<u>\$ 434,179</u>

	Balance 09/30/2017	Additions	Reductions	Balance 09/30/2018	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 obligations	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>

A detail of long-term debt, including capital lease obligations at September 30, 2019, and 2018, follows:

<b>Note Payable</b>	2019	2018
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.	<u>\$ 2,460,444</u>	<u>\$ 2,540,353</u>

<b>Bond Payable</b>	2019	2018
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>\$ 1,860,000</u>	<u>\$ 1,986,000</u>

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

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

<b>Capital Lease Obligations</b>	<u>2019</u>	<u>2018</u>
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.	\$ 252,728	\$ 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.	20,160	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.	15,750	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.	16,065	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.	395,511	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.	63,187	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>276,025</u>	<u>279,065</u>
Total Capital Lease Obligations	<u>\$ 1,039,426</u>	<u>\$ 1,163,293</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>
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
2024	180,000	55,980	97,325	82,735
Thereafter	1,050,000	149,575	2,009,877	357,435
Total	<u>\$ 1,860,000</u>	<u>\$ 497,243</u>	<u>\$ 2,460,444</u>	<u>\$ 807,168</u>

  

<u>Year Ended September 30,</u>	<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 206,285	\$ 133,497
2021	233,367	106,414
2022	266,502	73,279
2023	286,555	32,868
2024	46,717	2,060
Total	<u>\$ 1,039,426</u>	<u>\$ 348,118</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, 2017.

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

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

**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.

**c. Medicaid Mississippi Hospital Access Payment** - The hospital received Medicaid Mississippi hospital access payments of \$660,943 and \$744,672, for the years ended September 30, 2019, and 2018, 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, 2019, and 2018, amounted to \$2,346,562, and \$2,483,163, 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, 2019, and 2018, was provided in the amount of \$2,086,187, and \$2,246,317, 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:

<u>Year ended September 30,</u>	
2020	\$ 43,518
2021	901
2022	901
2023	300

Rental expense under all operating leases for the years ended September 30, 2019, and 2018, was, \$474,490, and \$542,363, 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 retirees and 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, 2019 was 17.40% of annual covered payroll. The employer's rate was 15.75% through June 30, 2019 and 17.40% thereafter. 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, 2019, 2018, and 2017, were \$3,680,543, \$3,733,087, and \$3,894,813, 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, 2019, and 2018, the hospital reported a liability of \$62,202,930, and \$62,632,617, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and 2018, 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, 2019, the hospital's proportion was 0.353587 percent, and at June 30, 2018, the hospital's proportion was 0.376557 percent.

For the years ended September 30, 2019, and 2018, the hospital recognized pension expense of \$7,541,570, and \$9,618,969, 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, 2019, and 2018.

	<u>2019</u>	<u>2018</u>
Pension Expense - prior to GASB 68 adjustments	\$ 3,680,543	\$ 3,733,082
Current year pension expense includes deferred outflows and deferred inflows	5,313,937	4,928,704
Contributions made subsequent to the measurement date of June 30, 2019, and 2018	( 903,973)	( 850,373)
Amortize change in proportional share	( 1,024,761)	( 654,585)
Reverse contributions from beginning of fiscal year through June 30, 2019, and 2018	( 2,776,570)	( 2,882,709)
Amortize prior year deferred outflows	5,677,499	8,145,909
Amortize prior year deferred inflows	<u>( 2,425,105)</u>	<u>( 2,801,059)</u>
Pension Expense - after GASB 68 adjustments	<u>\$ 7,541,570</u>	<u>\$ 9,618,969</u>

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

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

At September 30, 2019, and 2018, the hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources 09/30/2019</b>	<b>Deferred Inflows of Resources 09/30/2019</b>
Differences between expected and actual experience	\$ 39,182	\$ ( 74,170)
Net difference between projected and actual earnings on pension plan investments	2,314,742	( 3,360,412)
Changes of assumptions	610,863	-
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	1,128,637	( 4,072,054)
Hospital contributions subsequent to the measurement date	903,973	-
Total	<u>\$ 4,997,397</u>	<u>\$ ( 7,506,636)</u>
	<b>Deferred Outflows of Resources 09/30/2018</b>	<b>Deferred Inflows of Resources 09/30/2018</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>

\$903,973 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30,</u>	
2020	\$ ( 452,888)
2021	( 2,633,164)
2022	( 611,147)
2023	283,987

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, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.00-18.25%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2018. The experience report is dated October 9, 2018.

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, 2019, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Domestic Equity	27 %	4.90 %
International Equity	22	4.75
Global Equity	12	5.00
Fixed Income	20	1.50
Real Estate	10	4.00
Private Equity	8	6.25
Cash	1	0.25
Total	100 %	



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	\$ 81,768,000	\$ 62,203,000	\$ 46,054,000

*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, 2019, and 2018, was as follows:

	2019	2018
Medicare	26%	27%
Medicaid	14%	13%
Patients and other third-party payors	60%	60%
	<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. Pending Claims:** The facility has potential pending claims not covered by its existing insurance coverage. At this time, management and legal representatives are uncertain about any potential outcome.

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

The unrestricted net deficit amount of \$38,654,029 at September 30, 2019, and \$34,984,853 at September 30, 2018, include the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$4,997,397 balance of the deferred outflow of resources at September 30, 2019, and the \$8,884,875 balance at September 30, 2018, will be recognized as expenses and increase unrestricted net deficit over the next 3 years.

The unrestricted net deficit amount of \$38,654,029 at September 30, 2019, and \$34,984,853 at September 30, 2018, include the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$7,506,636 balance of the deferred inflow of resources at September 30, 2019, and the \$7,103,400 balance at September 30, 2018, will be recognized as revenues and decrease unrestricted net deficit over the next 4 years.

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Financial Statements

**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 12, 2020 (the date the financial statements were available to be issued), and determined that there were no subsequent events requiring disclosures in the notes to financial statements, except for the event in the following paragraph.

On March 11, 2020, the World Health Organization declared the COVID-19 virus outbreak to be a pandemic. Management has evaluated the potential impact of the pandemic on its business operations. Elective services have been postponed until the situation improves, which will decrease the facility's revenues significantly. This pandemic has also caused a disruption in the supply chain and management is exhausting every available option to procure essential supplies. While the facility expects the COVID-19 crisis to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

NORTH SUNFLOWER MEDICAL CENTER  
Required Supplementary Information  
Schedule of the Hospital's Proportionate Share of the Net Pension Liability  
PERS

Last 10 Fiscal Years\*

	2019	2018	2017	2016	2015	2014
Hospital's proportion of net pension liability	\$ 62,202,930	\$ 62,632,617	\$ 65,111,008	\$ 59,670,207	\$ 47,909,375	35,291,848
Hospital's proportionate share of the net pension liability	0.353587%	0.376557%	0.391683%	0.334053%	0.309932%	0.290751%
Hospital's covered-employee payroll	\$ 23,368,527	\$ 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	266.18%	264.25%	263.30%	270.05%	243.01%	193.49%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	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, 2014, 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\*

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,680,543	\$ 3,733,087	\$ 3,894,813	\$ 3,480,120	\$ 3,105,125	2,872,807
Contribution in relation to the contractually required contribution	( 3,680,543)	( 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>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 23,368,527	\$ 23,702,108	\$ 24,728,971	\$ 22,096,000	\$ 19,715,079	18,240,044
Contributions as a percentage of covered-employee payroll	**17.40%	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, 2014, and, until a full 10-year trend is compiled, the hospital has only presented information for the years in which information is available.

\*\*Effective July 1, 2019, the employer contribution rate increased from 15.75% of covered payroll to 17.40%. The facility paid all required contributions at the legal rate.

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

NORTH SUNFLOWER MEDICAL CENTER  
Notes to Required Supplementary Information

**Pension Schedules**

*a. Changes in funding terms.*

- Effective July 1, 2019, the required employer contribution rate increased from 15.75% of covered payroll to 17.40% of covered payroll.

*b. Changes of assumptions.*

- 2019
  - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
    - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
    - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
    - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
  - The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
    - For males, 137% of male rates at all ages.
    - For females, 115% of female rates at all ages.
    - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
  - The price inflation assumption was reduced from 3.00% to 2.75%.
  - The wage inflation assumption was reduced from 3.25% to 3.00%.
  - Withdrawal rates, pre-retirement mortality 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 7% to 9%.

*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, 2017 valuation for the June 30, 2019 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	38.4 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 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, 2019, and 2018

	<u>2019</u>	<u>2018</u>
<b>Inpatient:</b>		
Nursing Services:		
Routine care	\$ 17,362,506	\$ 17,161,752
Other Nursing Services:		
Operating and recovery rooms	325,260	369,920
Observation room	16,695	6,415
Central service and supply	168,410	163,272
Emergency service	58,531	61,186
Total Nursing Services Revenue	<u>17,931,402</u>	<u>17,762,545</u>
Other Professional Services:		
Respiratory therapy	1,127,264	1,181,535
Laboratory	1,830,044	1,839,218
Blood bank	80,592	90,357
Electrocardiology	81,127	77,368
Radiology	301,072	294,466
CT scan/Nuclear medicine	370,314	355,501
Ultrasound/MRI	276,102	273,176
Pharmacy	3,236,517	2,786,655
IV therapy	399,749	398,052
Anesthesia	37,300	48,350
Physical therapy	2,336,347	2,340,711
Speech therapy	684,705	885,930
Occupational therapy	1,634,725	1,559,618
Psychiatric therapy	298,094	355,620
Hospital based physician	740,263	729,018
Total Other Professional Services Revenue	<u>13,434,215</u>	<u>13,215,575</u>
Total Inpatient Revenue	<u>\$ 31,365,617</u>	<u>\$ 30,978,120</u>

NORTH SUNFLOWER MEDICAL CENTER  
Detailed Schedules of Operating Revenues  
Years Ended September 30, 2019, and 2018

	<u>2019</u>	<u>2018</u>
<b>Outpatient:</b>		
Other Nursing Services:		
Operating and recovery rooms	\$ 9,431,299	\$ 10,754,098
Observation room	249,564	218,175
Central service and supply	40,720	36,141
Emergency service	2,113,939	2,056,879
Hospice	2,044,194	2,079,909
Total Nursing Services Revenue	<u>13,879,716</u>	<u>15,145,202</u>
Other Professional Services:		
Respiratory therapy	89,345	72,808
Laboratory	10,939,876	10,319,995
Blood	122,657	85,230
Electrocardiology	422,078	392,939
Radiology	2,330,291	2,512,350
Cardiology	360,772	342,204
CT scan/Nuclear Medicine	5,694,632	5,629,336
Ultrasound/MRI	2,960,982	3,148,900
Pharmacy	4,670,782	4,255,324
IV therapy	251,576	311,711
Anesthesia	1,461,675	1,703,375
Physical therapy	2,621,817	2,446,643
Speech therapy	407,154	381,036
Occupational therapy	882,204	808,928
Psychiatric therapy	5,185,577	5,421,807
Wound care	348,074	399,702
DME	2,154,801	1,848,658
Eye Station	127,464	349,270
Diagnostic Center	795,909	611,234
Dental clinic	-	280,228
TRINA Health	-	218,495
NSMC Pharmacy	7,156,304	6,385,138
Simply Sunflower	211,577	203,533
Wellness center	96,817	95,875
Infusion therapy	388,538	453,601
Sleep lab	1,495,280	1,555,470
RHC Screen Team	13,514	175,423
Clinic	4,745,635	4,788,895
Total Other Professional Services Revenue	<u>55,935,331</u>	<u>55,198,108</u>
Total Outpatient Revenue	<u>\$ 69,815,047</u>	<u>\$ 70,343,310</u>



NORTH SUNFLOWER MEDICAL CENTER  
Detailed Schedules of Operating Revenues  
Years Ended September 30, 2019, and 2018

	<u>2019</u>	<u>2018</u>
<b>Total Patient Service Revenue</b>	\$ <u>101,180,664</u>	\$ <u>101,321,430</u>
<b>Deductions from Patient Service Revenue:</b>		
Contractual Adjustments and Allowances:		
Medicare	17,191,276	14,885,461
Medicaid	167,234	426,600
Medicaid Mississippi hospital access payments and Medicaid upper payment limit payments	( 660,943)	( 744,672)
Blue Cross	5,694,652	5,642,723
Administrative adjustments and other	<u>16,413,198</u>	<u>16,125,040</u>
Total Deductions from Patient Service Revenue	<u>38,805,417</u>	<u>36,335,152</u>
<b>Provision for Uncollectible Accounts</b>	<u>1,556,903</u>	<u>3,945,148</u>
<b>Net Patient Service Revenue</b>	<u>60,818,344</u>	<u>61,041,130</u>
<b>Other Revenue:</b>		
Medical records transcripts	29,988	17,804
Employee and other meals	40,065	50,086
Miscellaneous revenue	<u>1,856,131</u>	<u>1,519,325</u>
Total Other Revenue	<u>1,926,184</u>	<u>1,587,215</u>
<b>Electronic Health Records Incentive</b>	<u>-</u>	<u>93,501</u>
<b>Total Revenue</b>	\$ <u><u>62,744,528</u></u>	\$ <u><u>62,721,846</u></u>

NORTH SUNFLOWER MEDICAL CENTER  
Detailed Schedules of Operating Expenses  
Years Ended September 30, 2019, and 2018

	2019			2018		
	Salaries and Benefits	Supplies and Drugs	Other	Salaries and Benefits	Supplies and Drugs	Other
<b>Nursing Services:</b>						
Routine services	\$ 1,807,093	90,450	614,428	\$ 1,686,996	104,215	616,863
Senior care	1,544,623	137,228	658,064	1,576,272	134,459	676,147
Operating and recovery rooms	1,850,637	761,083	1,233,522	1,343,797	855,187	1,756,085
Emergency room	632,543	79,262	262,393	555,780	82,541	287,447
Skilled nursing facility	1,986,814	729,536	955,101	1,973,812	735,335	1,139,260
Hospice	728,482	151,167	901,469	713,428	125,579	944,475
Swingbed	2,003,769	40,875	604,239	2,005,929	93,052	637,682
Nursing administration	240,664	1,472	196,709	151,976	2,716	345,440
<b>Other Professional Services:</b>						
Laboratory	1,036,062	677,263	309,225	997,321	800,758	267,774
Radiology	605,690	61,746	1,153,851	623,258	35,127	1,243,155
Mammography	202	-	-	-	-	-
Cardiology	-	2,389	410,812	-	2,438	388,057
Respiratory	305,949	25,228	13,481	281,719	23,822	15,381
Therapy	1,383,859	4,623	658,116	1,403,127	17,062	645,954
Cardiac Rehab	-	1,675	30,998	-	306	29,426
Central supply	38,518	57	-	38,027	-	-
Pharmacy	575,402	1,792,047	7,387	575,650	1,720,379	14,199
Nuclear Medicine	114,498	152,563	63,463	110,996	110,343	54,738
Infusion therapy	146,675	24,185	10,804	172,059	22,773	14,866
Sleep lab	229,740	31,164	204,296	255,952	42,364	223,031
Wound Care	97,044	731	147,946	55,025	720	206,585
Social service	38,532	-	76,740	42,164	148	81,783
Health information services	1,905,496	32,938	785,727	2,058,970	25,625	1,003,964
Medical records	195,372	7,358	95,979	206,963	5,043	115,101
DME	712,392	773,442	230,413	661,973	672,677	237,543
Eye Station	53,978	18,250	65,453	134,538	50,139	75,351
Diagnostic Center	121,193	62,250	183,381	113,447	64,155	139,028
Dental clinic	1,168	-	-	173,786	26,007	27,936
IOP Indianola	-	-	1,682	-	-	3,209
TRINA Health	-	-	628	36,235	9,705	20,817
NSMC Pharmacy	894,777	4,153,972	1,665,856	873,708	3,564,946	1,489,923
Simply Sunflower	64,511	136,952	35,498	63,288	125,860	43,605
Wellness center	156,393	5,201	46,733	245,354	7,641	44,933
RHC Screen Team	9	-	-	99,632	5,894	181,633
Clinic	2,885,582	408,487	988,419	2,976,178	361,335	792,425
<b>General Services:</b>						
Dietary	570,898	138,826	115,393	605,206	136,206	147,796
Maintenance	238,497	3,117	489,389	255,096	1,485	577,648
Housekeeping	932,681	7,612	188,286	1,029,784	25,036	216,835
Laundry	75,247	18,170	94,179	116,595	20,045	91,020
Inservice/Infection control	91,266	4,686	1,858	88,030	4,010	10,687
<b>Administrative and Fiscal Services:</b>						
Administrative	1,718,497	39,958	2,030,740	2,195,088	49,815	2,515,596
Fiscal	89,556	47,357	44,483	110,897	8,570	52,477
Information technology	430,244	2,514	624,094	404,780	7,779	609,081
Employee benefits	4,518,703	-	-	4,162,490	-	-
Pension expense	7,541,570	-	-	9,618,969	-	-
<b>Total Operating Expenses</b>	<b>\$ 38,564,826</b>	<b>10,625,834</b>	<b>16,201,235</b>	<b>\$ 40,794,295</b>	<b>10,081,297</b>	<b>17,984,956</b>

NORTH SUNFLOWER MEDICAL CENTER  
Schedule of Surety Bonds for Officials and Employees  
September 30, 2019

<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	Edward A. Maxwell, 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, 2019, and 2018, 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 12, 2020.

#### **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 2019-001, 2019-002, and 2019-003, 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 no 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 responses to the findings identified in our audit are 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 12, 2020

*Watkins Ward and Stafford, P.C.*



**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  
Edward A. Maxwell, 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, 2019, and 2018, and have issued our report thereon dated May 12, 2020.

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. 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.

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 12, 2020

*Watkins Ward and Stafford, PLLC*

NORTH SUNFLOWER MEDICAL CENTER  
Schedule of Findings and Responses  
Year Ended September 30, 2019

**2019-001**      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:* An effective system of internal control over the hospital's bank accounts should ensure that there are no accounts operated by other corporations under the federal identification number of the hospital.

*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.

**2019-002**      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:* An effective system of internal control over the financial record of the hospital should include monthly review and reconciliation of certain accounting and financial information.

*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.

Significant Deficiency

*Condition:* Numerous credit card transactions lacked supporting detail and/or itemized receipts. In addition, multiple instances of incorrectly charged sales tax were noted.

*Criteria:* Supporting detail and itemized receipts should be provided and maintained to ensure all purchases are in compliance with state purchasing laws and are hospital related. The hospital is a tax-exempt entity and should not be charged sales tax.

*Cause:* The facility failed to collect and maintain all supporting documentation for credit card transactions and failed to ensure sales tax was not paid by the hospital.

*Effect:* The purchase of items not allowed under state purchasing laws, or not hospital related, could have occurred. Sales tax was paid despite the hospital's tax-exempt status.

*Recommendation:* Supporting detail and itemized receipts for credit card transactions should be provided and maintained. At the time of purchase, individuals with authority to make credit card purchases should have documentation to prove the hospital's tax-exempt status and should verify no sales tax was charged.

*Response:* Management will implement a more thorough system to reconcile monthly credit card statements with the receipts obtained from credit card purchases.