

**NORTH SUNFLOWER MEDICAL CENTER
RULEVILLE, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2020**

NORTH SUNFLOWER MEDICAL CENTER
September 30, 2020

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Certified Public Accountants

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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 and for the years ended September 30, 2020, and 2019, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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, 2020, and 2019, and the changes in its financial position and 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, 2020, and 2019, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Detailed Schedules of Operating Revenues (pages 36 to 38) and Detailed Schedules of Operating Expenses (page 39) for the years ended September 30, 2020, and 2019, and the Schedule of Surety Bonds for Officials and Employees (page 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, 2020, and 2019 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 August 26, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Sunflower Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Sunflower Medical Center's internal control over financial reporting and compliance.

Eupora, Mississippi
August 26, 2021

Watkins Ward and Stafford, P.C.

**North Sunflower Medical Center
Management's Discussion and Analysis
Years Ended September 30, 2020, and 2019**

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, 2020, and 2019. 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 \$4,346,862, or 13.48%, from 2019 to 2020, and increased by \$5,080,342, or 18.71%, from 2018 to 2019.
- ◆ The facility reported an operating loss of \$5,742,167 in 2020, and \$5,143,233 in 2019.
- ◆ Nonoperating revenues increased by \$1,302,485, or 325.05%, in 2020 compared to 2019. Nonoperating revenues increased by \$140,636, or 54.08%, in 2019 compared to 2018.

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, 2020, and 2019**

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 \$4,346,862, or 13.48%, from 2019 to 2020, and increased by \$5,080,342, or 18.71%, from 2018 to 2019.

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

	2020	2019
Assets:		
Current assets	\$ 39,307,361	\$ 32,903,094
Capital assets, net	10,870,109	11,778,247
Other noncurrent assets	298,490	298,490
Total Assets	<u>50,475,960</u>	<u>44,979,831</u>
Deferred Outflows of Resources	<u>8,080,941</u>	<u>5,303,649</u>
Total Assets and Deferred Outflows	<u>\$ 58,556,901</u>	<u>\$ 50,283,480</u>
Liabilities:		
Current liabilities	\$ 16,532,247	\$ 7,883,875
Long-term debt outstanding	73,002,981	67,128,621
Total Liabilities	<u>89,535,228</u>	<u>75,012,496</u>
Deferred Inflows of Resources	<u>5,604,187</u>	<u>7,506,636</u>
Net Deficit:		
Invested in capital assets, net of related debt	5,944,365	6,418,377
Unrestricted	(42,526,879)	(38,654,029)
Total Net Deficit	<u>(36,582,514)</u>	<u>(32,235,652)</u>
Total Liabilities, Deferred Inflows, and Net Deficit	<u>\$ 58,556,901</u>	<u>\$ 50,283,480</u>

**North Sunflower Medical Center
Management's Discussion and Analysis
Years Ended September 30, 2020, and 2019**

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>2020</u>	<u>2019</u>
Total unrestricted net deficit	\$ (42,526,879)	\$ (38,654,029)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	<u>65,694,353</u>	<u>64,712,169</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 23,167,474</u>	<u>\$ 26,058,140</u>

The change in the facility's net deficit is due to several factors. The facility's cash balance increased by \$4,429,780, or 25.29%, compared to 2019. Patient accounts receivable net of estimated uncollectibles and allowances decreased by \$2,084,500, or 16.55%, compared to 2019. Receivable from third-party payors increased by \$3,764,825, or 8050.00%, compared to 2019. The facility acquired capital assets in the amounts of \$623,812, and \$191,388, for the years 2020, and 2019, respectively. The facility had deferred revenue of \$5,562,244, and \$0, as of September 30, 2020, and 2019, respectively. In 2020, the facility also acquired goodwill in the drug center in the amount of \$1,492,000. The facility incurred new debt of \$4,300,000 in 2020. Depreciation and amortization expenses amounted to \$1,531,950, and \$1,931,998, for the years 2020, and 2019, respectively.

**North Sunflower Medical Center
Management's Discussion and Analysis
Years Ended September 30, 2020, and 2019**

OPERATING RESULTS AND CHANGES IN THE FACILITY'S NET DEFICIT

Table 2: Operating Results

	2020	2019
Operating Revenues:		
Net patient service revenue	\$ 60,294,989	\$ 60,818,344
Other revenues	<u>2,901,183</u>	<u>1,926,184</u>
Total Operating Revenues	<u>63,196,172</u>	<u>62,744,528</u>
Operating Expenses:		
Salaries and benefits	37,165,732	38,564,826
Supplies and drugs	13,115,089	10,625,834
Other operating expenses	16,464,041	16,201,235
Insurance	661,527	563,868
Depreciation and amortization	<u>1,531,950</u>	<u>1,931,998</u>
Total Operating Expenses	<u>68,938,339</u>	<u>67,887,761</u>
Operating Loss	<u>(5,742,167)</u>	<u>(5,143,233)</u>
Nonoperating Revenues (Expenses):		
Interest and investment income	194,459	240,785
Interest expense	(323,991)	(329,378)
Gain on sale of assets	7,489	-
Loss on disposal of Eye Station	-	(8,429)
Grants	107,697	159,913
Provider Relief Funds	<u>1,401,027</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>1,386,681</u>	<u>62,891</u>
Excess of Expenses Over Revenues	(4,355,486)	(5,080,342)
Net Deficit Beginning of Year	(32,235,652)	(27,155,310)
Contributed Capital	<u>8,624</u>	<u>-</u>
Net Deficit End of Year	<u><u>\$ (36,582,514)</u></u>	<u><u>\$ (32,235,652)</u></u>

**North Sunflower Medical Center
Management's Discussion and Analysis
Years Ended September 30, 2020, and 2019**

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 2020 increased by \$598,934, or 11.65%, compared to the operating loss reported in 2019. The operating loss in 2019 decreased by \$3,441,416, or 40.09%, compared to the operating loss reported in 2018.

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

- ◆ A decrease in net patient service revenues of \$523,355, or 0.86%, in 2020 compared to 2019, and a decrease of \$222,786, or 0.36%, in 2019 compared to 2018. Medicaid Mississippi hospital access payments, a component of net patient revenue, totaled \$889,644 in 2020, and 660,943 in 2019.
- ◆ An increase in other revenue of \$974,999, or 50.62%, in 2020 compared to 2019, and an increase of \$338,969, or 21.36%, in 2019 compared to 2018. The facility received a ZPIC settlement, a component of other revenue, of \$526,673 in 2020 and \$0 in 2019.
- ◆ A decrease in salaries and benefits of \$1,399,094, or 3.63%, in 2020 compared to 2019, and a decrease of \$2,229,469, or 5.47%, in 2019 compared to 2018. This is mainly due to a pension expense balance of \$5,016,344 in 2020, and \$7,541,570 in 2019.
- ◆ An increase in supplies and drugs, other operating expenses, and insurance of \$2,849,720, or 10.40%, in 2020 compared to 2019, and a decrease of \$1,175,099, or 4.11%, in 2019 compared to 2018.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of interest income, net investment earnings, grants and contributions, and Provider Relief Funds. The facility had interest income, primarily from checking accounts, of \$194,459 for the year ended September 30, 2020, and \$240,785 for the year ended September 30, 2019. The facility received grants and contributions of \$107,697 for the year ended September 30, 2020, and \$159,913 for the year ended September 30, 2019. The facility received Provider Relief Funds of \$1,401,027 for the year ended September 30, 2020, and \$0 for the year ended September 30, 2019.

Nonoperating expenses consist primarily of interest expense and gain (loss) on sale of assets. The facility had interest expense in the amount of \$323,991 for the year ended September 30, 2020, and \$329,378 for the year ended September 30, 2019. The facility had a gain on sale of assets of \$7,489 for the year ended September 30, 2020, and a loss on disposal of Eye Station of \$8,429 for the year ended September 30, 2019.

**North Sunflower Medical Center
Management's Discussion and Analysis
Years Ended September 30, 2020, and 2019**

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 \$10,870,109 invested in capital assets net of accumulated depreciation at September 30, 2020, and \$11,778,247 at September 30, 2019. The facility had capital expenditures of \$623,812, and \$191,388 in 2020, and 2019, respectively. See Note 5 for a detailed analysis of capital assets.

Long-Term Debt

At September 30, 2020, the facility had \$9,225,744 in long-term debt outstanding, including the current portion. The facility incurred new debt of \$4,300,000 in 2020 while making \$434,126 in principal payments. In 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. 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, 2020, and 2019

Assets and Deferred Outflows of Resources

	2020	2019
Current Assets:		
Cash	\$ 21,947,152	\$ 17,517,372
Cash - nursing home residents' funds	82,160	45,559
Patient accounts receivable (Net of estimated uncollectibles and allowances of \$7,086,607 in 2020, and \$10,185,325 in 2019)	10,509,763	12,594,263
Estimated third-party payor settlements	3,811,593	46,768
Other receivables	670,427	425,283
Inventories	1,966,537	1,755,114
Prepaid expenses	253,057	341,192
Current portion of deferred recruitment incentives	66,672	177,543
Total Current Assets	<u>39,307,361</u>	<u>32,903,094</u>
Capital Assets:		
Property and equipment (Net of accumulated depreciation and amortization of \$24,382,777 in 2020, and \$22,892,238 in 2019)	<u>10,870,109</u>	<u>11,778,247</u>
Other Assets:		
Investment in Healthcare Providers Insurance Company	98,490	98,490
Investment in TRINA Health	200,000	200,000
Total Other Assets	<u>298,490</u>	<u>298,490</u>
Total Assets	<u>50,475,960</u>	<u>44,979,831</u>
Deferred Outflows of Resources:		
Deferred outflows - pensions	6,292,449	4,997,397
Deferred outflows - recruitment incentives	196,492	206,252
Deferred outflows - hospice	100,000	100,000
Deferred outflows - drug center	1,492,000	-
Total Deferred Outflows of Resources	<u>8,080,941</u>	<u>5,303,649</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 58,556,901</u>	<u>\$ 50,283,480</u>

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

NORTH SUNFLOWER MEDICAL CENTER
Statements of Net Position
September 30, 2020, and 2019

Liabilities, Deferred Inflows of Resources, and Net Deficit

	2020	2019
Current Liabilities:		
Accounts payable	\$ 2,678,894	\$ 1,572,829
Patient accounts receivable - credit balances	304,901	939,099
Estimated third-party payor settlements	-	344,064
Current portion of notes payable	2,216,975	82,894
Current portion of bond payable	155,000	145,000
Current portion of capitalized lease obligation	233,403	206,285
Accrued expenses and payroll withholdings	5,298,670	4,548,145
Nursing home residents' funds	82,160	45,559
Deferred revenue	5,562,244	-
Total Current Liabilities	<u>16,532,247</u>	<u>7,883,875</u>
Long-Term Debt:		
Notes payable	4,460,575	2,377,550
Bond payable	1,560,000	1,715,000
Capitalized lease obligation	599,791	833,141
Net pension liability	66,382,615	62,202,930
Total Long-Term Debt	<u>73,002,981</u>	<u>67,128,621</u>
Total Liabilities	<u>89,535,228</u>	<u>75,012,496</u>
Deferred Inflows of Resources:		
Deferred inflows - pensions	<u>5,604,187</u>	<u>7,506,636</u>
Net Deficit:		
Invested in capital assets, net of related debt	5,944,365	6,418,377
Unrestricted	(42,526,879)	(38,654,029)
Total Net Deficit	<u>(36,582,514)</u>	<u>(32,235,652)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Deficit	<u>\$ 58,556,901</u>	<u>\$ 50,283,480</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, 2020, and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Net patient service revenue (Net of provision for uncollectible accounts of \$3,987,605 in 2020, and \$1,556,903 in 2019)	\$ 60,294,989	\$ 60,818,344
Other revenue	<u>2,901,183</u>	<u>1,926,184</u>
Total Operating Revenues	<u>63,196,172</u>	<u>62,744,528</u>
Operating Expenses:		
Salaries and benefits	37,165,732	38,564,826
Supplies and drugs	13,115,089	10,625,834
Other operating expenses	16,464,041	16,201,235
Insurance	661,527	563,868
Depreciation and amortization	<u>1,531,950</u>	<u>1,931,998</u>
Total Operating Expenses	<u>68,938,339</u>	<u>67,887,761</u>
Operating Loss	<u>(5,742,167)</u>	<u>(5,143,233)</u>
Nonoperating Revenues (Expenses):		
Interest income	194,459	240,785
Interest expense	(323,991)	(329,378)
Gain on sale of assets	7,489	-
Loss on disposal of Eye Station	-	(8,429)
Grants	107,697	159,913
Provider Relief Funds	<u>1,401,027</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>1,386,681</u>	<u>62,891</u>
Excess of Expenses Over Revenues	(4,355,486)	(5,080,342)
Net Deficit Beginning of Year	(32,235,652)	(27,155,310)
Contributed Capital	<u>8,624</u>	<u>-</u>
Net Deficit End of Year	<u>\$ (36,582,514)</u>	<u>\$ (32,235,652)</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, 2020, and 2019

	2020	2019
Cash Flows From Operating Activities:		
Receipts from and on behalf of patients	\$ 58,144,295	\$ 65,216,177
Payments to suppliers and contractors	(29,335,337)	(26,878,658)
Payments to and on behalf of employees	(35,471,805)	(34,640,498)
Receipts from other than patients	2,411,111	1,919,609
Net Cash Provided (Used) by Operating Activities	<u>(4,251,736)</u>	<u>5,616,630</u>
Cash Flows From Noncapital Financing Activities:		
Grants and donations	107,697	(340,087)
Provider Relief Funds	6,963,271	-
Proceeds from issuance of long-term debt	4,300,000	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>11,370,968</u>	<u>(340,087)</u>
Cash Flows From Capital and Related Financing Activities:		
Principal payments on bond payable	(145,000)	(126,000)
Principal payments on notes payable	(82,894)	(79,909)
Principal payments on capitalized lease obligation	(206,232)	(123,867)
Purchase of property and equipment	(623,812)	(191,388)
Proceeds from sale of assets	7,489	-
Capital contributions	8,624	-
Interest paid on long-term debt	(313,485)	(347,492)
Net Cash Used by Capital and Related Financing Activities	<u>(1,355,310)</u>	<u>(868,656)</u>
Cash Flows From Investing Activities:		
Interest and investment income	194,459	240,785
Purchase of drug center goodwill	(1,492,000)	-
Disposal of Eye Station	-	(183)
Net Cash Provided (Used) by Investing Activities	<u>(1,297,541)</u>	<u>240,602</u>
Net Increase in Cash and Cash Equivalents	4,466,381	4,648,489
Cash and Cash Equivalents at Beginning of Year	<u>17,562,931</u>	<u>12,914,442</u>
Cash and Cash Equivalents at End of Year	<u>\$ 22,029,312</u>	<u>\$ 17,562,931</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, 2020, and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Operating loss	\$ (5,742,167)	\$ (5,143,233)
Adjustment to Reconcile Operating Loss to Net Cash Flows Provided (Used) by Operating Activities:		
Depreciation and amortization	1,531,950	1,931,998
Pension expense adjustment	982,184	3,861,027
HPIC equity credit	(175,391)	(135,743)
Deferred outflows - recruitment incentives	120,631	(47,412)
Changes in:		
Patient accounts receivable	1,450,302	371,307
Supplies and other current assets	(193,041)	998,232
Accounts payable, accrued expenses, and other current liabilities	1,882,685	(251,423)
Estimated third-party payor payments	(4,108,889)	4,031,877
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (4,251,736)</u></u>	<u><u>\$ 5,616,630</u></u>

Capital and Financing Activities:

The facility did not enter into any new capital lease obligations during the years ended September 30, 2020 and 2019.

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 - For purposes of the statements of cash flows, cash and cash equivalents include all cash on hand and checking accounts of the facility. The following table provides a reconciliation of cash and cash equivalents reported within the statements of net position that sum to the total of the same such amounts shown in the statements of cash flows:

	2020	2019
Cash	\$ 21,947,152	\$ 17,517,372
Cash - nursing home residents' funds	82,160	45,559
	<u>\$ 22,029,312</u>	<u>\$ 17,562,931</u>

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 facility has incurred deferred outflows which are presented as deferred outflows related to pensions, recruitment incentives, and goodwill in the hospice and drug center acquisitions.

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 facility 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. Restricted Resources - When the facility has both restricted and unrestricted resources available to finance a particular program, the facility's policy is to use restricted resources before unrestricted resources.

j. 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*.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

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

k. Operating Revenues and Expenses - The facility'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.

l. 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. 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.

m. 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.

n. 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, 2020; therefore, no liability has been accrued at this time.

o. 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.

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

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

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

q. 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).

r. Reclassification - In March 2017, the GASB issued Statement 85, Omnibus 2017, to address practice issues identified during implementation and application of certain GASB Statements, including Statement 69 Government Combinations and Disposals of Government Operations. The standard became effective for fiscal years beginning after June 15, 2017. Prior to Statement 69, excess consideration paid in an acquisition was labeled goodwill. Statement 69, originally to be applied prospectively, requires excess consideration paid in an acquisition be reported as a deferred outflow of resources. Statement No. 85 concludes that goodwill existing as of the effective date of Statement 69 should be reclassified as a deferred outflow of resources.

The current classification resulted in a decrease of \$100,000 in other assets and an increase of \$100,000 in deferred outflows of resources on the Statements of Net Position as of September 30, 2019.

s. Financial Statement Presentation - On November 18, 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) *Restricted Cash*. The standard became effective for governmental entities for fiscal years beginning after December 15, 2018. North Sunflower Medical Center has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period as of and for the year ended September 30, 2019. The new standard requires changes in the facility's restricted cash to be classified as either operating activities, investing activities, or financing activities in the Statements of Cash Flows, depending on the nature of the activities that gave rise to the restriction.

The current presentation reduced the increase in cash and cash equivalents by \$6,575 as presented on the Statements of Cash Flows for the year ended September 30, 2019.

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.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 2: Cash and Other Deposits (Continued)

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, 2020, and 2019.

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, 2020, and 2019, none of the facility's bank balance was exposed to custodial credit risk.

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

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

Note 3: Charity Care

The facility provides care to patients who meet certain criteria under its charity care policy. Because the facility does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The cost of charity care provided in 2020, and 2019, approximated \$139,000, and \$127,100, respectively.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 4: Patient Accounts Receivable – Estimated Uncollectibles and Allowances

The balance in the estimated uncollectibles and allowances accounts at September 30, 2020, and 2019, is comprised of the following:

	2020	2019
Provision for uncollectible accounts	\$ 4,316,030	\$ 5,264,697
Allowance for Medicare/Medicaid adjustment	2,533,745	3,743,138
Allowance for DME adjustment	114,102	164,561
Allowance for other adjustments	122,730	1,012,929
	<u>\$ 7,086,607</u>	<u>\$ 10,185,325</u>

Note 5: Capital Assets

	Balance September 30, 2019	Additions and Transfers	Retirements and Transfers	Balance September 30 2020
Land	\$ 43,355	-	-	\$ 43,355
Land improvements	801,537	12,000	-	813,537
Buildings and improvements	15,142,417	-	31,437	15,173,854
Fixed equipment	2,141,231	-	-	2,141,231
Major movable equipment				
Under capital lease	777,655	-	-	777,655
Other	14,591,438	400,203	378,750	15,370,391
Automobiles	672,219	-	(41,411)	630,808
Construction in Progress	500,633	211,609	(410,187)	302,055
Total Historical Cost	<u>34,670,485</u>	<u>623,812</u>	<u>(41,411)</u>	<u>35,252,886</u>
Less: Accumulated Depreciation and Amortization for:				
Land improvements	(441,761)	(44,166)	-	(485,927)
Buildings and improvements	(6,187,774)	(624,960)	-	(6,812,734)
Fixed equipment	(1,871,157)	(35,483)	-	(1,906,640)
Major movable equipment				
Under capital lease	(216,325)	(141,566)	-	(357,891)
Other	(13,583,064)	(642,024)	-	(14,225,088)
Automobiles	(592,157)	(43,751)	41,411	(594,497)
Total Accumulated Depreciation and Amortization	<u>(22,892,238)</u>	<u>(1,531,950)</u>	<u>41,411</u>	<u>(24,382,777)</u>
Capital Assets, Net	<u>\$ 11,778,247</u>	<u>(908,138)</u>	<u>-</u>	<u>\$ 10,870,109</u>

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 5: Capital Assets (Continued)

	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	(398,262)	(43,499)	-	(441,761)
Buildings and improvements	(5,564,046)	(623,728)	-	(6,187,774)
Fixed equipment	(1,836,985)	(34,172)	-	(1,871,157)
Major movable equipment				
Under capital lease	(74,759)	(141,566)	-	(216,325)
Other	(12,596,709)	(999,323)	12,968	(13,583,064)
Automobiles	(502,447)	(89,710)	-	(592,157)
	<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 6: Long-Term Debt

A schedule of changes in the facility's long-term debt for September 30, 2020, and 2019, follows:

	Balance 09/30/2019	Additions	Reductions	Balance 09/30/2020	Amounts Due Within One Year
Notes payable	\$ 2,460,444	4,300,000	(82,894)	\$ 6,677,550	\$ 2,216,975
Bond payable	1,860,000	-	(145,000)	1,715,000	155,000
Capital lease obligations	1,039,426	-	(206,232)	833,194	233,403
Total Long-Term Debt	\$ 5,359,870	4,300,000	(434,126)	\$ 9,225,744	\$ 2,605,378

	Balance 09/30/2018	Additions	Reductions	Balance 09/30/2019	Amounts Due Within One Year
Notes 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	\$ 5,689,646	-	(329,776)	\$ 5,359,870	\$ 434,179

A detail of long-term debt, including capital lease obligations, at September 30, 2020, and 2019, follows:

Notes Payable

	2020	2019
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.	\$ 2,377,550	\$ 2,460,444
Small Business Administration Paycheck Protection Program Loan with an interest rate of 1.000%. Due in monthly installments of \$241,986 for 18 months with final installment due June 10, 2022.	4,300,000	-
Total Notes Payable	\$ 6,677,550	\$ 2,460,444

Bond Payable

Series 2009 Revenue Bond with varying interest rates, interest due semiannually and principal due in varying annual installments with final installment due in the year 2029. Secured by facility revenue.	\$ 1,715,000	\$ 1,860,000
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NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 6: Long-Term Debt (Continued)

Capital Lease Obligations	<u>2020</u>	<u>2019</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.	\$ 189,640	\$ 252,728
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.	15,120	20,160
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.	11,970	15,750
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.	12,285	16,065
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.	333,932	395,511
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.	45,910	63,187
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>224,337</u>	<u>276,025</u>
Total Capital Lease Obligations	<u>\$ 833,194</u>	<u>\$ 1,039,426</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>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 155,000	\$ 76,369	\$ 2,216,975	\$ 140,954
2022	160,000	69,975	2,259,635	99,145
2023	170,000	63,175	93,738	86,322
2024	180,000	55,950	97,325	82,735
2025	190,000	48,075	101,522	78,538
Thereafter	860,000	101,500	1,908,355	578,897
Total	<u>\$ 1,715,000</u>	<u>\$ 415,044</u>	<u>\$ 6,677,550</u>	<u>\$ 1,066,591</u>

<u>Year Ended September 30,</u>	<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 233,403	\$ 106,981
2022	266,672	73,711
2023	286,920	33,104
2024	46,199	2,081
Total	<u>\$ 833,194</u>	<u>\$ 215,877</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, 2018.

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 facility received Medicaid Mississippi hospital access payments of \$889,644 and \$660,943, for the years ended September 30, 2020, and 2019, respectively. The Medicaid Mississippi hospital access program is a program whereby the facility 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, 2020, and 2019, amounted to \$1,495,206, and \$2,346,562, 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, 2020, and 2019, was provided in the amount of \$1,717,021, and \$2,086,187, 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>	
2021	\$ 36,901
2022	36,901
2023	36,300
2024	36,000
2025	36,000

Rental expense under all operating leases for the years ended September 30, 2020, and 2019, was, \$444,441, and \$474,490, respectively.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 10: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The facility 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 school districts, and other public employees whose employers have elected to participate. 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 facility is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2020 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The facility's contributions to PERS for the fiscal years ending September 30, 2020, 2019, and 2018, were \$4,034,159, \$3,680,543, and \$3,733,087, respectively, which equaled the required contributions for each year.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 10: Defined Benefit Pension Plan (Continued)

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

At September 30, 2020, and 2019, the facility reported a liability of \$66,382,615, and \$62,202,930, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and 2019, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The facility's proportion of the net pension liability was based on a projection of the facility's long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined.

At June 30, 2020, the facility's proportion was 0.342906 percent, and at June 30, 2019, the facility's proportion was 0.353587 percent.

For the years ended September 30, 2020, and 2019, the facility recognized pension expense of \$5,016,344, and \$7,541,570, 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, 2020, and 2019.

	<u>2020</u>	<u>2019</u>
Pension Expense - prior to GASB 68 adjustments	\$ 4,034,160	\$ 3,680,543
Current year pension expense includes deferred outflows and deferred inflows	5,991,951	5,313,937
Contributions made subsequent to the measurement date of June 30, 2020, and 2019	(965,137)	(903,973)
Amortize change in proportional share	(522,720)	(1,024,761)
Reverse contributions from beginning of fiscal year through June 30, 2020, and 2019	(3,069,022)	(2,776,570)
Amortize prior year deferred outflows	2,839,997	5,677,499
Amortize prior year deferred inflows	<u>(3,292,885)</u>	<u>(2,425,105)</u>
Pension Expense - after GASB 68 adjustments	<u>\$ 5,016,344</u>	<u>\$ 7,541,570</u>

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 10: Defined Benefit Pension Plan (Continued)

At September 30, 2020, and 2019, the facility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources 09/30/2020	Deferred Inflows of Resources 09/30/2020
Differences between expected and actual experience	\$ 577,860	\$ -
Net difference between projected and actual earnings on pension plan investments	4,366,541	(1,821,042)
Changes of assumptions	382,912	-
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	-	(3,783,145)
Hospital contributions subsequent to the measurement date	965,136	-
Total	<u>\$ 6,292,449</u>	<u>\$ (5,604,187)</u>
	Deferred Outflows of Resources 09/30/2019	Deferred Inflows of Resources 09/30/2019
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>

\$965,136 reported as deferred outflows of resources related to pensions resulting from facility contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020. 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>	
2021	\$ (2,066,974)
2022	(44,957)
2023	956,410
2024	878,646
2025	-
Thereafter	-

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 10: Defined Benefit Pension Plan (Continued)

Actuarial assumptions. The collective total pension liability was determined by an actuarial valuation as of June 30, 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 from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	0.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.00
Total	<u>100.00 %</u>	

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 10: Defined Benefit Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%). 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	\$ 85,924,141	\$ 66,382,615	\$ 50,253,008

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, 2020, and 2019, was as follows:

	2020	2019
Medicare	28%	26%
Medicaid	10%	14%
Patients and other third-party payors	62%	60%
	<u>100%</u>	<u>100%</u>

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 12: Commitments and Contingencies

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.

d. Impact of COVID-19 Pandemic – Since the onset of the COVID-19 pandemic in March 2020, the facility has maintained relative operating normalcy. The extent of the impact of the pandemic on the facility's operational and financial performance depends on the duration and spread of the outbreak and the related impact on its patients, employees, suppliers, and costs related to testing for the virus. At this point, the extent to which the pandemic may impact the facility's financial condition or results of operations remains uncertain.

Note 13: Effect of Deferred Amounts on Net Deficit

The unrestricted net deficit amount of \$42,526,879 at September 30, 2020, and \$38,654,029 at September 30, 2019, include the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$6,292,449 balance of the deferred outflow of resources at September 30, 2020, and the \$4,997,397 balance at September 30, 2019, will be recognized as expenses and increase unrestricted net deficit over the next 3 years.

The unrestricted net deficit amount of \$42,526,879 at September 30, 2020, and \$38,654,029 at September 30, 2019, include the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$5,604,187 balance of the deferred inflow of resources at September 30, 2020, and the \$7,506,636 balance at September 30, 2019, 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: Provider Relief Funds

The facility received Provider Relief Funds of \$6,963,271 during the year ended September 30, 2020. These funds were disbursed by the Health Resources and Services Administration (HRSA) in accordance with the CARES Act of 2020. The CARES Act appropriated the Provider Relief Funds to reimburse eligible healthcare providers for healthcare related expenses or lost revenues attributable to COVID-19. The facility's acceptance of these funds requires compliance with reporting requirements as specified by the Secretary of Health and Human Services. The reporting requirements include submitting healthcare related expenses attributable to COVID-19 and lost revenue calculations to HRSA for review and eligibility approval.

The facility has identified healthcare related expenses attributable to COVID-19 not reimbursed by other sources of \$175,774 and calculated lost revenues of \$1,225,253 for a total \$1,401,027 recognized as nonoperating revenue for the year ended September 30, 2020. The remaining \$5,562,244 is recognized as deferred revenue for the year ended September 30, 2020. Per the current HRSA guidelines, the facility has until June 30, 2021 to expend the remaining Provider Relief Funds; however, the HRSA continues to revise and clarify current guidelines.

The *Addendum to the 2020 Compliance Supplement* released by the Office of Management and Budget provides guidance on the reporting of Provider Relief Funds subject to the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Provider Relief Funds expended as of September 30, 2020 will not be reported on a Schedule of Expenditures of Federal Awards in the current year, nor will the compliance testing required under the *Addendum to the 2020 Compliance Supplement* be performed. However, the facility will be subject to audit requirements of the Uniform Guidance in the subsequent year. The compliance testing and the reporting of the Provider Relief Funds expended for the years ended September 30, 2021 and 2020 will be reported on a Schedule of Expenditures of Federal Awards for the year ended September 30, 2021.

Note 15: 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 facility through, August 26, 2021 (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.

The facility applied for forgiveness of the Paycheck Protection Program (PPP) loan initially entered into on June 1, 2020 in connection with the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The facility submitted documentation establishing compliance with the forgiveness criteria set forth by the CARES Act and the Small Business Administration (SBA). On June 10, 2021, the SBA approved the forgiveness of the entire principal amount of \$4,300,000 to be recorded as nonoperating revenue for the year ended September 30, 2021.

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

Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
Hospital's proportion of net pension liability	\$ 66,382,615	\$ 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	0.342906%	0.353587%	0.376557%	0.391683%	0.334053%	0.309932%	0.290751%
Hospital's covered-employee payroll	\$ 23,184,822	\$ 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	286.32%	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%	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*

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 4,034,159	\$ 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	(4,034,159)	(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>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 23,184,822	\$ 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%	**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, 2018 valuation for the June 30, 2020 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	30.9 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, 2020, and 2019

	<u>2020</u>	<u>2019</u>
Inpatient:		
Nursing Services:		
Routine care	\$ 16,479,900	\$ 17,362,506
Other Nursing Services:		
Operating and recovery rooms	380,625	325,260
Observation room	15,284	16,695
Central service and supply	210,751	168,410
Emergency service	102,308	58,531
Total Nursing Services Revenue	<u>17,188,868</u>	<u>17,931,402</u>
Other Professional Services:		
Respiratory therapy	1,121,378	1,127,264
Laboratory	1,876,208	1,830,044
Blood bank	61,856	80,592
Electrocardiology	65,378	81,127
Radiology	261,266	301,072
CT scan/Nuclear medicine	433,450	370,314
Ultrasound/MRI	193,608	276,102
Pharmacy	2,939,034	3,236,517
IV therapy	374,721	399,749
Anesthesia	45,225	37,300
Physical therapy	2,337,182	2,336,347
Speech therapy	613,673	684,705
Occupational therapy	1,482,583	1,634,725
Psychiatric therapy	143,684	298,094
Hospital based physician	582,237	740,263
Total Other Professional Services Revenue	<u>12,531,483</u>	<u>13,434,215</u>
Total Inpatient Revenue	<u>\$ 29,720,351</u>	<u>\$ 31,365,617</u>

NORTH SUNFLOWER MEDICAL CENTER
Detailed Schedules of Operating Revenues
Years Ended September 30, 2020, and 2019

	2020	2019
Outpatient:		
Other Nursing Services:		
Operating and recovery rooms	\$ 5,315,458	\$ 9,431,299
Observation room	362,808	249,564
Central service and supply	28,894	40,720
Emergency service	2,053,415	2,113,939
Hospice	2,008,122	2,044,194
Total Nursing Services Revenue	<u>9,768,697</u>	<u>13,879,716</u>
Other Professional Services:		
Respiratory therapy	84,129	89,345
Laboratory	11,509,308	10,939,876
Blood	92,877	122,657
Electrocardiology	389,303	422,078
Radiology	2,043,113	2,330,291
Cardiology	318,266	360,772
CT scan/Nuclear Medicine	4,651,393	5,694,632
Ultrasound/MRI	2,830,726	2,960,982
Pharmacy	6,263,797	4,670,782
IV therapy	224,115	251,576
Anesthesia	856,610	1,461,675
Physical therapy	2,317,126	2,621,817
Speech therapy	316,915	407,154
Occupational therapy	781,946	882,204
Psychiatric therapy	2,961,620	5,185,577
Wound care	468,787	348,074
DME	2,009,486	2,154,801
Eye Station	-	127,464
Diagnostic Center	892,375	795,909
Haire Drug Center	804,381	-
NSMC Pharmacy	6,984,096	7,156,304
Simply Sunflower	150,409	211,577
Wellness center	62,942	96,817
Infusion therapy	255,320	388,538
Sleep lab	1,938,930	1,495,280
RHC Screen Team	7,573	13,514
Clinic	4,292,867	4,745,635
Total Other Professional Services Revenue	<u>53,508,410</u>	<u>55,935,331</u>
Total Outpatient Revenue	<u>\$ 63,277,107</u>	<u>\$ 69,815,047</u>

NORTH SUNFLOWER MEDICAL CENTER
Detailed Schedules of Operating Revenues
Years Ended September 30, 2020, and 2019

	<u>2020</u>	<u>2019</u>
Total Patient Service Revenue	\$ <u>92,997,458</u>	\$ <u>101,180,664</u>
Deductions from Patient Service Revenue:		
Contractual Adjustments and Allowances:		
Medicare	9,199,986	17,191,276
Medicaid	690,641	167,234
Medicaid Mississippi hospital access payments and Medicaid upper payment limit payments	(889,644)	(660,943)
Blue Cross	5,023,599	5,694,652
Administrative adjustments and other	14,690,282	16,413,198
Total Deductions from Patient Service Revenue	<u>28,714,864</u>	<u>38,805,417</u>
Provision for Uncollectible Accounts	<u>3,987,605</u>	<u>1,556,903</u>
Net Patient Service Revenue	<u>60,294,989</u>	<u>60,818,344</u>
Other Revenue:		
Medical records transcripts	11,558	29,988
Employee and other meals	28,837	40,065
ZPIC settlement	526,673	-
Miscellaneous revenue	2,334,115	1,856,131
Total Other Revenue	<u>2,901,183</u>	<u>1,926,184</u>
Total Revenue	\$ <u><u>63,196,172</u></u>	\$ <u><u>62,744,528</u></u>

NORTH SUNFLOWER MEDICAL CENTER
Detailed Schedules of Operating Expenses
Years Ended September 30, 2020, and 2019

	2020			2019		
	Salaries and Benefits	Supplies and Drugs	Other	Salaries and Benefits	Supplies and Drugs	Other
Nursing Services:						
Routine services	\$ 2,204,579	137,258	584,667	\$ 1,807,093	90,450	614,428
Senior care	1,113,451	107,058	518,706	1,544,623	137,228	658,064
Operating and recovery rooms	1,770,646	531,753	784,931	1,850,637	761,083	1,233,522
Emergency room	630,481	64,133	282,116	632,543	79,262	262,393
Skilled nursing facility	1,805,145	674,407	1,282,333	1,986,814	729,536	955,101
Hospice	862,401	199,567	561,248	728,482	151,167	901,469
Swingbed	2,153,401	84,170	570,063	2,003,769	40,875	604,239
Nursing administration	248,334	2,867	168,235	240,664	1,472	196,709
Other Professional Services:						
Laboratory	1,068,495	925,861	388,581	1,036,062	677,263	309,225
Radiology	564,925	47,400	1,134,410	605,690	61,746	1,153,851
Mammography	199	-	-	202	-	-
Cardiology	-	553	416,113	-	2,389	410,812
Respiratory	262,170	24,307	9,490	305,949	25,228	13,481
Therapy	1,393,081	8,024	615,513	1,383,859	4,623	658,116
Cardiac Rehab	-	480	32,877	-	1,675	30,998
Central supply	34,044	-	-	38,518	57	-
Pharmacy	594,071	2,578,184	25,978	575,402	1,792,047	7,387
Nuclear Medicine	115,746	94,113	61,707	114,498	152,563	63,463
Infusion therapy	150,638	14,849	7,249	146,675	24,185	10,804
Sleep lab	196,542	31,725	228,350	229,740	31,164	204,296
Wound Care	99,714	664	101,086	97,044	731	147,946
Social service	38,603	-	74,093	38,532	-	76,740
Health information services	2,085,727	25,398	1,104,358	1,905,496	32,938	785,727
Medical records	203,890	10,330	91,649	195,372	7,358	95,979
DME	721,075	756,013	222,129	712,392	773,442	230,413
Eye Station	-	-	-	53,978	18,250	65,453
Diagnostic Center	136,463	64,488	197,658	121,193	62,250	183,381
Dental clinic	-	-	-	1,168	-	-
IOP Indianola	-	-	2,542	-	-	1,682
TRINA Health	-	-	89	-	-	628
NSMC Pharmacy	942,189	4,181,757	2,143,838	894,777	4,153,972	1,665,856
Simply Sunflower	50,624	79,482	26,075	64,511	136,952	35,498
Wellness center	124,768	4,169	26,088	156,393	5,201	46,733
RHC Screen Team	-	-	-	9	-	-
Clinic	3,371,430	353,128	899,461	2,885,582	408,487	988,419
Haire Drug Center	74,110	436,984	93,611	-	-	-
General Services:						
Dietary	542,700	155,219	120,380	570,898	138,826	115,393
Maintenance	240,351	3,343	495,415	238,497	3,117	489,389
Housekeeping	943,259	7,293	216,259	932,681	7,612	188,286
Laundry	60,755	45,177	76,042	75,247	18,170	94,179
Inservice/Infection control	71,266	1,416,142	50	91,266	4,686	1,858
Administrative and Fiscal Services:						
Administrative	2,179,769	45,244	2,077,021	1,718,497	39,958	2,030,740
Fiscal	103,287	-	51,157	89,556	47,357	44,483
Information technology	475,289	3,549	772,473	430,244	2,514	624,094
Employee benefits	4,515,770	-	-	4,518,703	-	-
Pension expense	5,016,344	-	-	7,541,570	-	-
Total Operating Expenses	\$ 37,165,732	13,115,089	16,464,041	\$ 38,564,826	10,625,834	16,201,235

NORTH SUNFLOWER MEDICAL CENTER
Schedule of Surety Bonds for Officials and Employees
September 30, 2020

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount of Bond</u>
Billy Marlow	Executive Director	Nationwide Mutual Insurance Company	\$ 10,000
Daniel Ceja	CEO	Nationwide Mutual Insurance Company	\$ 10,000
Jennifer Baughman	Interim CFO	Nationwide Mutual Insurance Company	\$ 10,000
Sam Miller	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
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, 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 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, 2020, and 2019, 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 August 26, 2021.

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 2020-001, 2020-002, and 2020-003, 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 response 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
August 26, 2021

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD
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Certified Public Accountants

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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, 2020, and 2019, and have issued our report thereon dated August 26, 2021.

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. However, this report is a matter of public record and its distribution is not limited.

Eupora, Mississippi
August 26, 2021

Watkins Ward and Stafford, P.C.

NORTH SUNFLOWER MEDICAL CENTER
Schedule of Findings and Responses
Year Ended September 30, 2020

2020-001 Significant Deficiency

Condition: The facility 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 facility's bank accounts should ensure that there are no accounts operated by other corporations under the federal identification number of the facility.

Cause: The facility 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 facility's federal identification number and these funds did not belong to the facility.

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.

2020-002 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 facility 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.

2020-003

Significant Deficiency

Condition: Multiple instances of incorrectly charged sales tax were noted.

Criteria: The facility is a tax-exempt entity and should not be charged sales tax.

Cause: The facility failed to ensure sales tax was not paid by the facility.

Effect: Sales tax was paid despite the facility's tax-exempt status.

Recommendation: At the time of purchase, individuals with authority to make credit card purchases should have documentation to prove the facility'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.