

**NORTH SUNFLOWER MEDICAL CENTER
RULEVILLE, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
SEPTEMBER 30, 2022**

NORTH SUNFLOWER MEDICAL CENTER
September 30, 2022

Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	15
Required Supplementary Information	
Schedule of the Hospital's Proportionate Share of the Net Pension Liability	37
Schedule of Hospital Contributions	38
Notes to Required Supplementary Information	39
Other Information	
Detailed Schedules of Operating Revenues	42
Detailed Schedules of Operating Expenses	45
Supplementary Information	
Schedule of Surety Bonds for Officials and Employees	46
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 <i>Government Auditing Standards</i>	47
Independent Auditors' Report on Compliance with State Laws and Regulations	49
Schedule of Findings and Responses	50

Independent Auditors' Report

The Board of Trustees
North Sunflower Medical Center
Ruleville, Mississippi

Report on the Financial Statements

Opinion

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, 2022, and 2021, and the related notes to financial statements, which collectively comprise North Sunflower Medical Center's basic financial statements as listed in the contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Sunflower Medical Center, as of September 30, 2022, and 2021, 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, 2022, and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Sunflower Medical Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Sunflower Medical Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4 to 9), the Schedule of the Hospital's Proportionate Share of the Net Pension Liability (page 37), the Schedule of Hospital Contributions (page 38), and Notes to Required Supplementary Information (page 39) 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Surety Bonds for Officials and Employees (page 46) is presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Surety Bonds for Officials and Employees is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Detailed Schedules of Operating Revenues (pages 42 to 44) and Detailed Schedules of Operating Expenses (page 45) for the years ended September 30, 2022, and 2021, but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, 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
December 11, 2023

**North Sunflower Medical Center
Management's Discussion and Analysis
Years Ended September 30, 2022, and 2021**

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, 2022, and 2021. 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 \$2,787,975, or 9.85%, from 2021 to 2022, and decreased by \$8,274,052, or 22.62%, from 2020 to 2021.
- ◆ The facility reported an operating loss of \$3,003,293 in 2022, and an operating loss of \$1,519,970 in 2021.
- ◆ Nonoperating revenues decreased by \$9,918,859, or 95.97%, in 2022 compared to 2021. Nonoperating revenues increased by \$8,624,895, or 504.18%, in 2021 compared to 2020.

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, 2022, and 2021**

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 \$2,787,975, or 9.85%, from 2021 to 2022, and decreased by \$8,274,052, or 22.62%, from 2020 to 2021.

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

	2022	2021 (As Restated)
Assets:		
Current assets	\$ 34,133,663	\$ 35,462,993
Capital assets, net	9,319,452	10,031,352
Lease assets, net	148,289	163,734
Other noncurrent assets	346,009	413,495
Total Assets	<u>43,947,413</u>	<u>46,071,574</u>
Deferred Outflows of Resources	<u>27,417,580</u>	<u>15,035,438</u>
Total Assets and Deferred Outflows	<u>\$ 71,364,993</u>	<u>\$ 61,107,012</u>
Liabilities:		
Current liabilities	\$ 8,153,387	\$ 8,669,322
Long-term debt outstanding	78,073,819	59,080,883
Total Liabilities	<u>86,227,206</u>	<u>67,750,205</u>
Deferred Inflows of Resources	<u>16,234,224</u>	<u>21,665,269</u>
Net Deficit:		
Invested in capital assets, net of related debt	5,295,514	5,464,690
Unrestricted	(36,391,951)	(33,773,152)
Total Net Deficit	<u>(31,096,437)</u>	<u>(28,308,462)</u>
Total Liabilities, Deferred Inflows, and Net Deficit	<u>\$ 71,364,993</u>	<u>\$ 61,107,012</u>

**North Sunflower Medical Center
Management's Discussion and Analysis
Years Ended September 30, 2022, and 2021**

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:

	2022	2021 (As Restated)
Total unrestricted net deficit	\$ (36,391,951)	\$ (33,773,152)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	67,454,506	63,203,872
Unrestricted net position, exclusive of the net pension liability effect	\$ 31,062,555	\$ 29,430,720

The change in the facility's net deficit is due to several factors. The facility's cash balance decreased by \$1,841,739, or 9.08%, compared to 2021. Patient accounts receivable net of estimated uncollectibles and allowances decreased by \$152,049, or 1.58%, compared to 2021. Receivable from third-party payors increased by \$216,585, or 20.48%, compared to 2021. The facility acquired capital assets in the amounts of \$469,498, and \$634,254, for the years 2022, and 2021, respectively. The facility incurred new debt of \$0, and \$1,873,136, in 2022, and 2021, respectively. Depreciation and amortization expenses amounted to \$1,309,319, and \$1,338,079, for the years 2022, and 2021, respectively.

**North Sunflower Medical Center
Management's Discussion and Analysis
Years Ended September 30, 2022, and 2021**

OPERATING RESULTS AND CHANGES IN THE FACILITY'S NET DEFICIT

Table 2: Operating Results

	<u>2022</u>	<u>2021</u> (As Restated)
Operating Revenues:		
Net patient service revenue	\$ 53,632,365	\$ 51,875,070
Other revenues	19,477,117	18,573,379
Total Operating Revenues	<u>73,109,482</u>	<u>70,448,449</u>
Operating Expenses:		
Salaries and benefits	41,183,362	36,322,296
Supplies and drugs	16,229,022	17,310,992
Other operating expenses	16,638,136	16,267,822
Insurance	752,936	729,230
Depreciation and amortization	1,309,319	1,338,079
Total Operating Expenses	<u>76,112,775</u>	<u>71,968,419</u>
Operating Loss	<u>(3,003,293)</u>	<u>(1,519,970)</u>
Nonoperating Revenues (Expenses):		
Interest and investment income	122,974	97,795
Interest expense	(201,390)	(281,231)
Loss on sale of assets	-	(260,314)
Grants	293,734	151,332
Provider Relief Funds	-	5,743,558
Forgiveness of debt - Payroll Protection Program	-	4,342,882
Total Nonoperating Revenues (Expenses)	<u>215,318</u>	<u>9,794,022</u>
Excess of Revenues Over (Under) Expenses	<u>(2,787,975)</u>	8,274,052
Net Deficit Beginning of Year	<u>(28,308,462)</u>	<u>(36,582,514)</u>
Net Deficit End of Year	<u><u>\$ (31,096,437)</u></u>	<u><u>\$ (28,308,462)</u></u>

**North Sunflower Medical Center
Management's Discussion and Analysis
Years Ended September 30, 2022, and 2021**

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 2022 increased by \$1,483,323, or 97.59%, compared to the operating loss reported in 2021. The operating loss in 2021 decreased by \$4,222,197, or 73.53%, compared to the operating loss reported in 2020.

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

- ◆ An increase in net patient service revenues of \$1,757,295, or 3.39%, in 2022 compared to 2021, and an increase of \$4,128,028, or 8.65%, in 2021 compared to 2020. Medicaid Mississippi hospital access payments, a component of net patient revenue, totaled \$964,846 in 2022, and \$775,689 in 2021.
- ◆ An increase in other revenue of \$903,738, or 4.87%, in 2022 compared to 2021, and an increase of \$3,124,250, or 20.22%, in 2021 compared to 2020.
- ◆ An increase in salaries and benefits of \$4,861,066, or 13.38%, in 2022 compared to 2021, and a decrease of \$843,436, or 2.27%, in 2021 compared to 2020. This is mainly due to a pension expense balance of \$1,760,153 in 2022, and a negative \$2,490,481 in 2021.
- ◆ A decrease in supplies and drugs, other operating expenses, and insurance of \$687,950, or 2.01%, in 2022 compared to 2021, and an increase of \$4,067,387, or 13.45%, in 2021 compared to 2020.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of interest income, net investment earnings, grants and contributions, Provider Relief Funds, and forgiveness of Payroll Protection Program debt. The facility had interest income, primarily from checking accounts, of \$122,974 for the year ended September 30, 2022, and \$97,795 for the year ended September 30, 2021. The facility received grants and contributions of \$293,734 for the year ended September 30, 2022, and \$151,332 for the year ended September 30, 2021. The facility reported Provider Relief Funds of \$0 for the year ended September 30, 2022, and \$5,743,558 for the year ended September 30, 2021. The facility received forgiveness of Payroll Protection Program debt of \$4,342,882 for the year ended September 30, 2021.

Nonoperating expenses consist primarily of interest expense and loss on sale of assets. The facility had interest expense in the amount of \$201,390 for the year ended September 30, 2022, and \$281,231 for the year ended September 30, 2021. The facility did not have a gain or loss on sale of assets for the year ended September 30, 2022, and a loss on sale of assets of \$260,314 for the year ended September 30, 2021.

**North Sunflower Medical Center
Management's Discussion and Analysis
Years Ended September 30, 2022, and 2021**

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 \$9,319,452 invested in capital assets net of accumulated depreciation at September 30, 2022, and \$10,031,352 at September 30, 2021. The facility had capital expenditures of \$469,498, and \$634,254 in 2022, and 2021, respectively. See Note 6 for a detailed analysis of capital assets.

Lease Assets

At September 30, 2022, the facility had \$148,289 invested in lease assets net of accumulated amortization. In 2022, the facility acquired new lease assets costing \$111,905. At the end of 2021, the facility had \$163,734 invested in lease assets net of accumulated amortization. In 2021, the facility acquired new lease assets costing \$244,718. See Note 7 for a detailed analysis of lease assets.

Lease Liabilities

At September 30, 2022, the facility had \$152,830 of lease liabilities payable, including current portion. The facility incurred new lease liabilities in 2022 of \$111,905 while making \$126,131 in principal payments. At the end of 2021, the facility had \$167,056 of lease liability payables, including current portion. The facility incurred new lease liabilities in 2021 of \$244,718 and made \$77,662 in principal payments. See note 8 for a detailed analysis of lease liabilities.

Debt

At September 30, 2022, the facility had \$4,023,938 in long-term debt outstanding, including the current portion. The facility incurred no new debt in 2022 while making \$542,725 in principal payments. In 2021, the facility had \$4,566,662 in long-term debt outstanding, including the current portion. The facility incurred new debt of \$1,873,136 in 2021 while making \$2,232,218 in principal payments. The facility also received forgiveness for their PPP Loan in the amount of \$4,300,000 in 2021. See Note 9 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, 2022, and 2021

	2022	2021 (As Restated)
Assets and Deferred Outflows of Resources		
Current Assets:		
Cash	\$ 18,445,535	\$ 20,287,274
Cash - nursing home residents' funds	90,546	131,168
Patient accounts receivable (Net of estimated uncollectibles and allowances of \$6,920,172 in 2022, and \$7,504,085 in 2021)	9,477,363	9,629,412
Estimated third-party payor settlements	1,273,895	1,057,310
Other receivables	2,104,116	1,839,021
Inventories	2,342,589	2,009,783
Prepaid expenses	362,448	441,191
Current portion of deferred expenses	37,171	67,834
Total Current Assets	34,133,663	35,462,993
Capital Assets:		
Property and equipment (Net of accumulated depreciation and amortization of \$26,694,264 in 2022, and \$25,512,866 in 2021)	9,319,452	10,031,352
Lease Assets:		
Lease assets (net of accumulated amortization of \$208,334 in 2022, and \$80,984 in 2021)	148,289	163,734
Other Assets:		
Investment in Healthcare Providers Insurance Company	98,490	98,490
Unemployment reserve funds	88,810	83,529
Deferred expenses	158,709	231,476
Total Other Assets	346,009	413,495
Total Assets	43,947,413	46,071,574
Deferred Outflows of Resources:		
Deferred outflows - pensions	25,825,580	13,443,438
Deferred outflows - hospice	100,000	100,000
Deferred outflows - drug center	1,492,000	1,492,000
Total Deferred Outflows of Resources	27,417,580	15,035,438
Total Assets and Deferred Outflows of Resources	\$ 71,364,993	\$ 61,107,012

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

NORTH SUNFLOWER MEDICAL CENTER
Statements of Net Position
September 30, 2022, and 2021

	2022	2021 (As Restated)
Liabilities, Deferred Inflows of Resources, and Net Deficit		
Current Liabilities:		
Accounts payable	\$ 1,948,879	\$ 1,971,726
Patient accounts receivable - credit balances	680,475	567,745
Current portion of notes payable	400,197	368,213
Current portion of bond payable	170,000	160,000
Current portion of lease liability obligations	88,133	106,663
Accrued expenses and payroll withholdings	4,775,157	5,363,807
Nursing home residents' funds	90,546	131,168
Total Current Liabilities	8,153,387	8,669,322
Long-Term Debt:		
Notes payable	2,190,391	2,592,478
Bond payable	1,263,350	1,445,971
Long-term lease obligations	64,697	60,393
Net pension liability	74,555,381	54,982,041
Total Long-Term Debt	78,073,819	59,080,883
Total Liabilities	86,227,206	67,750,205
Deferred Inflows of Resources:		
Deferred inflows - pensions	16,234,224	21,665,269
Net Deficit:		
Invested in capital assets, net of related debt	5,295,514	5,464,690
Unrestricted	(36,391,951)	(33,773,152)
Total Net Deficit	(31,096,437)	(28,308,462)
Total Liabilities, Deferred Inflows of Resources, and Net Deficit	\$ 71,364,993	\$ 61,107,012

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, 2022, and 2021

	2022	2021 (As Restated)
Operating Revenues:		
Net patient service revenue (Net of provision for uncollectible accounts of \$3,079,745 in 2022, and \$3,852,951 in 2021)	\$ 53,632,365	\$ 51,875,070
Other revenue	19,477,117	18,573,379
Total Operating Revenues	73,109,482	70,448,449
Operating Expenses:		
Salaries and benefits	41,183,362	36,322,296
Supplies and drugs	16,229,022	17,310,992
Other operating expenses	16,638,136	16,267,822
Insurance	752,936	729,230
Depreciation and amortization	1,309,319	1,338,079
Total Operating Expenses	76,112,775	71,968,419
Operating Loss	(3,003,293)	(1,519,970)
Nonoperating Revenues (Expenses):		
Interest income	122,974	97,795
Interest expense	(201,390)	(281,231)
Loss on sale of assets	-	(260,314)
Grants	293,734	151,332
Provider Relief Funds	-	5,743,558
Forgiveness of debt - Payroll Protection Program	-	4,342,882
Total Nonoperating Revenues (Expenses)	215,318	9,794,022
Excess of Revenues Over (Under) Expenses	(2,787,975)	8,274,052
Net Deficit Beginning of Year	(28,308,462)	(36,582,514)
Net Deficit End of Year	\$ (31,096,437)	\$ (28,308,462)

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, 2022, and 2021

	<u>2022</u>	<u>2021</u> (As Restated)
Cash Flows From Operating Activities:		
Receipts from and on behalf of patients	\$ 53,680,559	\$ 54,148,420
Payments to suppliers and contractors	(34,062,315)	(34,993,010)
Payments to and on behalf of employees	(40,009,532)	(38,645,155)
Receipts from other than patients	19,436,495	18,622,387
Net Cash Used by Operating Activities	<u>(954,793)</u>	<u>(867,358)</u>
Cash Flows From Noncapital Financing Activities:		
Grants and donations	293,734	-
Provider Relief Funds	-	332,646
Net Cash Provided by Noncapital Financing Activities	<u>293,734</u>	<u>332,646</u>
Cash Flows From Capital and Related Financing Activities:		
Principal payments on bond payable	(160,000)	(1,885,000)
Principal payments on notes payable	(370,103)	(291,714)
Principal payments on lease obligations	(126,131)	(77,662)
Purchase of property and equipment	(470,069)	(425,748)
Proceeds from refunding of bonds	-	1,788,593
Proceeds from sale of assets	-	31,758
Interest paid on long-term debt	(217,973)	(314,180)
Net Cash Used by Capital and Related Financing Activities	<u>(1,344,276)</u>	<u>(1,173,953)</u>
Cash Flows From Investing Activities:		
Interest and investment income	122,974	97,795
Net Cash Provided by Investing Activities	<u>122,974</u>	<u>97,795</u>
Net Decrease in Cash and Cash Equivalents	(1,882,361)	(1,610,870)
Cash and Cash Equivalents at Beginning of Year	<u>20,418,442</u>	<u>22,029,312</u>
Cash and Cash Equivalents at End of Year	<u>\$ 18,536,081</u>	<u>\$ 20,418,442</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, 2022, and 2021

	2022	2021 (As Restated)
Reconciliation of Operating Loss to Net Cash Used		
by Operating Activities:		
Operating loss	\$ (3,003,293)	\$ (1,519,970)
Adjustment to Reconcile Operating Loss to Net Cash Flows Used by Operating Activities:		
Depreciation and amortization	1,309,319	1,338,079
Pension expense adjustment	1,760,153	(2,490,481)
HPIC equity credit	(128,194)	(130,532)
Deferred expenses	103,430	(36,146)
Changes in:		
Patient accounts receivable	47,881	(506,675)
Supplies and other current assets	(179,347)	296,899
Accounts payable, accrued expenses, and other current liabilities	(648,157)	(572,815)
Estimated third-party payor payments	(216,585)	2,754,283
Net Cash Used by Operating Activities	\$ (954,793)	\$ (867,358)

Capital and Financing Activities:

The facility did not enter into any new financed purchase notes payable in 2022. The facility entered into financed purchase notes payable of \$84,543 during the year ended September 30, 2021. The financed purchase notes payable were considered capital leases prior to the implementation of GASB 87.

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, depreciation expense, and deferred inflows and outflows related to pensions.

c. Basis of Accounting and Presentation – The facility prepares their financial statements as business-type activities in conformity with applicable pronouncement of Governmental Accounting Standards Board (“GASB”) using the economic resources measurement and focus. The financial statements of the facility have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and county contributions, if any) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county contributions), investment income and interest on capital asset-related debt are included in nonoperating revenue and expenses. The facility first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

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:

	2022	2021	
Cash	\$ 18,445,535	\$ 20,287,274	
Cash - nursing home residents' funds	90,546	131,168	
	\$ 18,536,081	\$ 20,418,442	

Cash includes unrestricted cash used for operating purposes only.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

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

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 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

f. Lease Assets – Lease assets are initially recorded at the initial measurement period of the lease liability obligation, plus lease payments made at or before the commencement of the lease term, less any lease incentive received from the lessor at or before commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Leases that were in effect prior to the implementation date are recognized in the year of transition based on the present value of the remaining payments at the implementation date. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

g. Lease Liability Obligations – The facility is a lessee for noncancellable leases. The facility recognizes a lease liability obligation and an intangible right-to-use lease asset (lease asset) in the financial statements. At the commencement of a lease, the facility initially measures the lease liability obligation at the present value of payments expected to be made during the lease term. Leases that were in effect prior to the implementation date are recognized in the year of transition based on the present value of the remaining payments at the implementation date. Subsequently, the lease liability obligation is reduced by the principal portion of lease payments. The lease asset is initially measured as the initial amount of the lease liability obligation, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The facility monitors changes in circumstances that would require a measurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability obligation.

h. Deferred Outflows and Deferred Inflows of Resources – In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The facility has incurred deferred outflows which are presented as deferred outflows related to pensions and goodwill in the hospice and drug center acquisitions.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The facility has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 12 for further details.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

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

i. 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.

j. 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.

k. 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.

l. 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*.

m. 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.

n. 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.

o. 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.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

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

p. 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, 2022; therefore, no liability has been accrued at this time.

q. 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.

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

s. Excess of Revenues Over (Under) Expenses – The statements of revenues, expenses, and changes in net position includes excess of revenues over (under) expenses. Changes in net deficit which are excluded from excess of revenues over (under) expenses, 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).

Note 2: Change in Accounting Principle

On October 1, 2021 (the effective date), the facility adopted GASB Statement No. 87, *Leases*, using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented which was September 30, 2021. The statement requires lessees to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible asset. The 2021 financial statements and disclosures were restated to reflect the impact of this adoption.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 2: Change in Accounting Principle (Continued)

During the fiscal year ended September 30, 2022, North Sunflower Medical Center changed its accounting policy in relation to what is considered net patient service revenue. Under the new policy, revenues and accounts receivable related to the facility's outside entities are no longer considered patient service revenues and receivables but have been reclassified as other revenues and receivables. This change was made retrospectively to the beginning of the earliest period presented in the financial statements, October 1, 2020.

The effect of the changes made to the accompanying statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows as of and for the year ended September 30, 2021 are as follows:

	<u>2021</u> <u>(As Previously</u> <u>Reported)</u>	<u>Effect of</u> <u>Adoption</u>	<u>2021</u> <u>(As Restated)</u>
Statement of Net Position			
Current Assets:			
Patient accounts receivable	\$ 11,279,282	\$ (1,649,870)	\$ 9,629,412
Other receivables	<u>189,151</u>	<u>1,649,870</u>	<u>1,839,021</u>
Lease Assets:			
Lease assets, Net	<u>-</u>	<u>163,734</u>	<u>163,734</u>
Total Assets	<u>\$ 60,943,278</u>	<u>\$ 163,734</u>	<u>\$ 61,107,012</u>
Current Liabilities:			
Current portion of lease liabilities	\$ -	\$ 106,663	\$ 106,663
Total Current Liabilities	<u>8,562,659</u>	<u>106,663</u>	<u>8,669,322</u>
Long-Term Liabilities			
Long-term lease liabilities	<u>-</u>	<u>60,393</u>	<u>60,393</u>
Total Long-Term Liabilities	<u>59,020,490</u>	<u>60,393</u>	<u>59,080,883</u>
Total Liabilities	<u>67,583,149</u>	<u>167,056</u>	<u>67,750,205</u>
Net Position:			
Unrestricted	<u>(33,769,830)</u>	<u>(3,322)</u>	<u>(33,773,152)</u>
Total Net Position	<u>(28,305,140)</u>	<u>(3,322)</u>	<u>(28,308,462)</u>
Total Liabilities and Net Position	<u>\$ 60,943,278</u>	<u>\$ 163,734</u>	<u>\$ 61,107,012</u>

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 2: Change in Accounting Principle (Continued)

	2021 (As Previously Reported)	Effect of Adoption	2021 (As Restated)
Statement of Revenues, Expenses and Changes in Net Position			
Operating Revenues:			
Net patient service revenue	\$ 68,243,280	\$ (16,368,210)	\$ 51,875,070
Other revenue	<u>2,205,169</u>	<u>16,368,210</u>	<u>18,573,379</u>
Operating Expenses:			
Other operating expenses	16,353,242	(85,420)	16,267,822
Depreciation and amortization	<u>1,257,095</u>	<u>80,984</u>	<u>1,338,079</u>
Total Operating Expenses	<u>71,972,855</u>	<u>(4,436)</u>	<u>71,968,419</u>
Operating Loss	<u>(1,524,406)</u>	<u>4,436</u>	<u>(1,519,970)</u>
Nonoperating Revenues (Expenses)			
Interest expense	<u>(273,473)</u>	<u>(7,758)</u>	<u>(281,231)</u>
Total Nonoperating Revenues (Expenses)	<u>9,801,780</u>	<u>(7,758)</u>	<u>9,794,022</u>
Excess of Revenues Over (Under) Expenses	8,277,374	(3,322)	8,274,052
Net Position End of the Year	<u>\$ (28,305,140)</u>	<u>\$ (3,322)</u>	<u>\$ (28,308,462)</u>
Statement of Cash Flows			
Cash Flows From Operating Activities:			
Receipts from and on behalf of patients	\$ 70,516,630	\$ (16,368,210)	\$ 54,148,420
Payments to suppliers and contractors	(35,078,430)	85,420	(34,993,010)
Receipts from other than patients	<u>2,254,177</u>	<u>16,368,210</u>	<u>18,622,387</u>
Net Cash Used by Operating Activities	<u>(952,778)</u>	<u>85,420</u>	<u>(867,358)</u>
Cash Flows From Capital and Related Financing Activities:			
Principal payments on lease obligations	-	(77,662)	(77,662)
Interest paid on long-term debt	<u>(306,422)</u>	<u>(7,758)</u>	<u>(314,180)</u>
Net Cash Used by Noncapital Financing Activities	<u>(1,088,533)</u>	<u>(85,420)</u>	<u>(1,173,953)</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating Loss	(1,524,406)	4,436	(1,519,970)
Depreciation and amortization	<u>1,257,095</u>	<u>80,984</u>	<u>1,338,079</u>
Net Cash Used by Operating Activities	<u>\$ (952,778)</u>	<u>\$ 85,420</u>	<u>\$ (867,358)</u>

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 3: Cash and Other Deposits

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

The collateral for public entities' deposits in financial institutions is required to be held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under the program, an entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. All of the facility's funds eligible to be included in the state's collateral pool program were properly included and were fully collateralized as of September 30, 2022, and 2021.

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, 2022, and 2021, 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 4: 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 2022, and 2021, approximated \$73,000, and \$107,000, respectively.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 5: Patient Accounts Receivable – Estimated Uncollectibles and Allowances

The balance in the estimated uncollectibles and allowances accounts at September 30, 2022, and 2021, is comprised of the following:

	2022	As Restated
Provision for uncollectible accounts	\$ 4,686,511	\$ 4,622,154
Allowance for Medicare/Medicaid adjustment	2,233,661	2,881,931
Allowance for DME adjustment	300,000	124,150
Allowance for other adjustments	(300,000)	(124,150)
	<u>\$ 6,920,172</u>	<u>\$ 7,504,085</u>

Note 6: Capital Assets

	Balance September 30, 2021	Additions and Transfers	Retirements and Transfers	Balance September 30 2022
Land	\$ 43,355	-	-	\$ 43,355
Land improvements	995,965	-	-	995,965
Buildings and improvements	15,054,626	27,442	288,099	15,370,167
Fixed equipment	2,141,231	-	-	2,141,231
Major movable equipment				
Under capital lease	892,198	-	-	892,198
Other	15,497,936	442,056	-	15,939,992
Automobiles	630,808	-	-	630,808
	<u>35,256,119</u>	<u>469,498</u>	<u>288,099</u>	<u>36,013,716</u>
Total Historical Cost				
Less: Accumulated Depreciation and Amortization for:				
Land improvements	(634,335)	(59,548)	-	(693,883)
Buildings and improvements	(7,216,946)	(489,284)	-	(7,706,230)
Fixed equipment	(1,940,518)	(19,951)	-	(1,960,469)
Major movable equipment				
Under capital lease	(511,729)	-	-	(511,729)
Other	(14,592,380)	(609,423)	-	(15,201,803)
Automobiles	(616,958)	(3,192)	-	(620,150)
	<u>(25,512,866)</u>	<u>(1,181,398)</u>	<u>-</u>	<u>(26,694,264)</u>
Total Accumulated Depreciation and Amortization				
Construction in Progress	288,099	-	(288,099)	-
Capital Assets, Net	<u>\$ 10,031,352</u>	<u>(711,900)</u>	<u>-</u>	<u>\$ 9,319,452</u>

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 6: Capital Assets (Continued)

	Balance September 30, 2020	Additions and Transfers	Retirements and Transfers	Balance September 30 2021
Land	\$ 43,355	-	-	\$ 43,355
Land improvements	995,965	-	-	995,965
Buildings and improvements	14,991,426	63,200	-	15,054,626
Fixed equipment	2,141,231	-	-	2,141,231
Major movable equipment				
Under capital lease	777,655	114,543	-	892,198
Other	15,370,391	346,504	(218,959)	15,497,936
Automobiles	630,808	-	-	630,808
	<u>34,950,831</u>	<u>524,247</u>	<u>(218,959)</u>	<u>35,256,119</u>
Total Historical Cost				
Less: Accumulated Depreciation and Amortization for:				
Land improvements	(571,622)	(62,713)	-	(634,335)
Buildings and improvements	(6,727,040)	(489,906)	-	(7,216,946)
Fixed equipment	(1,913,139)	(27,379)	-	(1,940,518)
Major movable equipment				
Under capital lease	(357,891)	(153,838)	-	(511,729)
Other	(14,225,087)	(494,299)	127,006	(14,592,380)
Automobiles	(587,998)	(28,960)	-	(616,958)
	<u>(24,382,777)</u>	<u>(1,257,095)</u>	<u>127,006</u>	<u>(25,512,866)</u>
Total Accumulated Depreciation and Amortization				
Construction in Progress	<u>302,055</u>	<u>110,007</u>	<u>(123,963)</u>	<u>288,099</u>
Capital Assets, Net	<u>\$ 10,870,109</u>	<u>(622,841)</u>	<u>(215,916)</u>	<u>\$ 10,031,352</u>

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 7: Lease Assets

Lease additions, terminations, and balances for the years ended September 30, 2022, and 2021, are as follows:

	Balance September 30, 2021 <u>(As Restated)</u>	<u>Additions</u>	<u>Terminations</u>	Balance September 30, 2022
Lease Assets Being Amortized Equipment and building	\$ 244,718	111,905	-	\$ 356,623
Less: Accumulated Amortization Equipment and Building	<u>(80,984)</u>	<u>(127,350)</u>	<u>-</u>	<u>(208,334)</u>
Lease Assets, Net	<u>\$ 163,734</u>	<u>(15,445)</u>	<u>-</u>	<u>\$ 148,289</u>

	Balance September 30, 2020	<u>Additions</u>	<u>Terminations</u>	Balance September 30, 2021 <u>(As Restated)</u>
Lease Assets Being Amortized Equipment and building	\$ -	244,718	-	\$ 244,718
Less: Accumulated Amortization Equipment and Building	<u>-</u>	<u>(80,984)</u>	<u>-</u>	<u>(80,984)</u>
Lease Assets, Net	<u>\$ -</u>	<u>163,734</u>	<u>-</u>	<u>\$ 163,734</u>

Note 8: Lease Liability Obligations

The facility is a lessee for various noncancellable leases of equipment, the terms of which expire in various years through 2026. For leases that have a maximum possible term of 12 months or less at commencement, the facility recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the facility recognizes a lease liability obligation and an intangible right-to-use lease asset.

The lease term includes the noncancelable period of the lease plus any additional periods covered by either a facility or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be extended. Periods in which both the facility and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

The facility uses its incremental borrowing rate as the discount rate to calculate the present value of lease payments when the rate implicit in the lease is not known.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 8: Lease Liability Obligations (Continued)

Variable payments based upon the use of the underlying assets are not included in the lease liability obligations because they are not fixed in substance. None of the facility's lease agreements contain any material residual value guarantees or material restrictive covenants.

A schedule of changes in the facility's lease liabilities for 2022, and 2021 follows:

	Balance September 30, 2021 (As Restated)	Additions	Reductions	Balance September 30, 2022	Amounts Due Within One Year
Lease liability obligations \$	167,056	111,905	(126,131)	152,830	88,133

	Balance September 30, 2020	Additions	Reductions	Balance September 30, 2021 (As Restated)	Amounts Due Within One Year
Lease liability obligations \$	-	244,718	(77,662)	167,056	106,663

The following is a schedule by year of payments for leases as of September 30, 2022:

Years ending September 30,	Total to be			
	Paid	Principal	Interest	
2023	\$ 93,322	\$ 88,133	\$	5,189
2024	46,225	44,171		2,054
2025	18,198	17,571		627
2026	2,980	2,955		25
2027	-	-		-
Thereafter	-	-		-
	<u>\$ 160,725</u>	<u>\$ 152,830</u>	<u>\$</u>	<u>7,895</u>

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 9: Long-Term Debt

A schedule of changes in the facility's long-term debt for September 30, 2022, and 2021, follows:

	Balance 09/30/2021	Additions	Reductions	Balance 09/30/2022	Amounts Due Within One Year
Notes payable	\$ 2,960,691	-	(370,103)	\$ 2,590,588	\$ 400,197
Bonds payable	1,605,971	-	(172,621)	1,433,350	170,000
Total Long-Term Debt	<u>\$ 4,566,662</u>	<u>-</u>	<u>(542,724)</u>	<u>\$ 4,023,938</u>	<u>\$ 570,197</u>

	Balance 09/30/2020	Additions	Reductions	Balance 09/30/2021	Amounts Due Within One Year
Notes payable	\$ 7,510,744	84,543	(4,634,596)	\$ 2,960,691	\$ 368,213
Bonds payable	1,715,000	1,788,593	(1,897,622)	1,605,971	160,000
Total Long-Term Debt	<u>\$ 9,225,744</u>	<u>1,873,136</u>	<u>(6,532,218)</u>	<u>\$ 4,566,662</u>	<u>\$ 528,213</u>

A detail of long-term debt, including capital lease obligations, at September 30, 2022, and 2021, follows:

Notes Payable

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

2022	2021
\$ 2,200,284	\$ 2,290,352

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.

63,276	126,489
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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.

5,040	10,080
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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.

4,410	8,190
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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.

4,725	8,505
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NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 9: Long-Term Debt (Continued)

Notes Payable (Continued)

	2022	2021
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.	\$ 162,364	\$ 250,316
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.	8,359	27,653
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.	84,789	161,407
First American with an interest rate of 4.804% due in monthly installments of \$1,905 for 1 month, \$1,971 for the remaining 47 months with final installment due May 31, 2025. Collateralized by a FlexENT Cart and Accessories.	57,341	77,699
Total Notes Payable	\$ 2,590,588	\$ 2,960,691

Bonds Payable

	2022	2021
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.	\$ 1,433,350	\$ 1,605,971
Total Bonds Payable	\$ 1,433,350	\$ 1,605,971

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 9: Long-Term Debt (Continued)

Scheduled principal and interest repayments on long-term debt 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>
2023	\$ 170,000	\$ 40,650	\$ 400,197	\$ 121,800
2024	180,000	35,250	165,685	86,145
2025	185,000	29,850	117,006	78,818
2026	195,000	24,300	105,658	74,402
2027	200,000	18,450	109,963	70,097
Thereafter	503,350	18,750	1,692,079	448,709
Total	<u>\$ 1,433,350</u>	<u>\$ 167,250</u>	<u>\$ 2,590,588</u>	<u>\$ 879,971</u>

Note 10: 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.

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 \$964,846 and \$775,689, for the years ended September 30, 2022, and 2021, 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.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 10: Net Patient Service Revenue (Continued)

d. Medicaid Upper Payment Limit Payments – The facility received Medicaid upper payment limit payments of \$228,398 and \$189,151, for the years ended September 30, 2022, and 2021, respectively. The Medicaid upper payment limit program is a program whereby the facility qualifies for upper payment limit funds in addition to regular funds. The Mississippi Division of Medicaid is currently administering the upper payment limit program and the continuation of the program rests with the federal government.

Note 11: 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, 2022, and 2021, amounted to \$2,373,273, and \$2,138,307, 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, 2022, and 2021, was provided in the amount of \$1,980,534, and \$2,443,158, respectively.

Note 12: 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.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 12: Defined Benefit Pension Plan (Continued)

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, 2022 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, 2022, and 2021, were \$4,509,534, and \$4,355,609, respectively, which equaled the required contributions for each year.

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

At September 30, 2022, and 2021, the facility reported a liability of \$74,555,381, and \$54,982,041, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and 2021, 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, 2022, the facility's proportion was 0.362207 percent, and at June 30, 2021, the facility's proportion was 0.371992 percent.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 12: Defined Benefit Pension Plan (Continued)

For the years ended September 30, 2022, and 2021, the facility recognized pension expense of \$6,269,688, and \$1,865,127, 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, 2022, and 2021.

	2022	2021
Pension Expense - prior to GASB 68 adjustments	\$ 4,509,534	\$ 4,355,608
Current year pension expense includes deferred outflows and deferred inflows	8,623,239	2,490,903
Contributions made subsequent to the measurement date of June 30, 2022, and 2021	(1,187,851)	(1,017,088)
Amortize change in proportional share	(397,957)	1,441,198
Reverse contributions from beginning of fiscal year through June 30, 2022, and 2021	(3,321,683)	(3,338,520)
Amortize prior year deferred outflows	4,561,875	1,609,015
Amortize prior year deferred inflows	<u>(6,517,469)</u>	<u>(3,675,989)</u>
Pension Expense - after GASB 68 adjustments	<u>\$ 6,269,688</u>	<u>\$ 1,865,127</u>

At September 30, 2022, and 2021, the facility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources <u>09/30/2022</u>	Deferred Inflows of Resources <u>09/30/2022</u>
Differences between expected and actual experience	\$ 1,056,439	\$ -
Net difference between projected and actual earnings on pension plan investments	18,223,595	(14,802,803)
Changes of assumptions	2,648,242	-
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	2,709,453	(1,431,421)
Hospital contributions subsequent to the measurement date	<u>1,187,851</u>	<u>-</u>
Total	<u>\$ 25,825,580</u>	<u>\$ (16,234,224)</u>

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 12: Defined Benefit Pension Plan (Continued)

	Deferred Outflows of Resources <u>09/30/2021</u>	Deferred Inflows of Resources <u>09/30/2021</u>
Differences between expected and actual experience	\$ 849,559	\$ -
Net difference between projected and actual earnings on pension plan investments	3,203,910	(20,018,733)
Changes of assumptions	4,222,231	-
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	4,150,651	(1,646,536)
Hospital contributions subsequent to the measurement date	1,017,087	-
Total	<u>\$ 13,443,438</u>	<u>\$ (21,665,269)</u>

\$1,187,851 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, 2022. 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>	
2023	\$ 2,909,854
2024	2,469,255
2025	(1,021,184)
2026	4,045,580
2027	-
Thereafter	-

Actuarial assumptions. The collective total pension liability was determined by an actuarial valuation prepared as of June 30, 2021, and by an actual valuation prepared as of June 30, 2021, and by the investment experience for the fiscal year ending June 30, 2022. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40%	
Salary increases	2.65-17.90%, including inflation	
Investment rate of return	7.55%, net of pension plan investment expense, including inflation	

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scales to account for future improvements in life expectancy.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 12: Defined Benefit Pension Plan (Continued)

The actuarial assumptions used for the purposes of determining the collective total pension liability were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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	25.00 %	4.60 %
International Equity	20.00	4.50
Global Equity	12.00	4.85
Fixed Income	18.00	1.40
Real Estate	10.00	3.65
Private Equity	10.00	6.00
Private Infrastructure	2.00	4.00
Private Credit	2.00	4.00
Cash Equivalents	1.00	(0.10)
Total	100.00 %	

Discount Rate. The discount rate used to measure the total pension liability was 7.55%. 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.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 12: Defined Benefit Pension Plan (Continued)

The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.55%, 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 (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Hospital's proportionate share of the net pension liability	\$ 97,302,387	\$ 74,555,381	\$ 55,801,632

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 13: 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, 2022, and 2021, was as follows:

	2022	2021
Medicare	22%	23%
Medicaid	7%	12%
Patients and other third-party payors	71%	65%
	100%	100%

Note 14: 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.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 14: Commitments and Contingencies (Continued)

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 a dispute with Medicaid related to both paid and unpaid claims for nursing home residents, early and periodic screening diagnostic patients, and treatment program participants. These claims would not be 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 15: Effect of Deferred Amounts on Net Deficit

The unrestricted net deficit amount of \$36,391,951 at September 30, 2022, and \$33,773,152 at September 30, 2021, include the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$25,825,580 balance of the deferred outflow of resources at September 30, 2022, and the \$13,443,438 balance at September 30, 2021, will be recognized as expenses and increase unrestricted net deficit over the next 3 years.

The unrestricted net deficit amount of \$36,391,951 at September 30, 2022, and \$33,773,152 at September 30, 2021, include the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$16,234,224 balance of the deferred inflow of resources at September 30, 2022, and the \$21,665,269 balance at September 30, 2021, will be recognized as revenues and decrease unrestricted net deficit over the next 4 years.

Note 16: Provider Relief Funds

The facility reported Provider Relief Funds of \$0, and \$5,743,558, during the years ended September 30, 2022, and September 30, 2021. 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.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Financial Statements

Note 16: Provider Relief Funds (Continued)

North Sunflower Medical Center completed their Provide Relief Funds portal reporting for reporting period two in March 2022. The facility reported total healthcare related expenses attributable to COVID-19 not reimbursed by other sources of \$160,770 and reported no lost revenues for reporting period two. The facility reported that all Provider Relief Funds received for reporting period two were used and none would be returned.

Note 17: 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 December 11, 2023 (the date the financial statements were available to be issued), and determined that there were no subsequent events requiring disclosures in the notes to financial statements.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Hospital's proportion of net pension liability	\$ 74,555,381	\$ 54,982,041	\$ 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	0.362207%	0.371992%	0.342906%	35.358700%	37.655700%	0.391683%	0.334053%	0.309932%	0.290751%
Hospital's covered-employee payroll	\$ 25,916,862	\$ 25,077,903	\$ 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	287.67%	219.24%	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	59.93%	70.44%	58.97%	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*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 4,509,534	\$ 4,355,608	\$ 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	(4,509,534)	(4,355,608)	(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>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 25,916,862	\$ 25,077,903	\$ 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%	17.37%	**17.40%	15.75%	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.

- 2021
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The expectation of disable mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments.
 - For males, 97% of males rates at all ages.
 - For females, 110% of females rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 2.75% to 2.40%.
 - The wage inflation assumption was reduced from 3.00% to 2.65%.
 - The investment rate of return assumption was changed from 7.75% to 7.55%.
 - The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement dates were also adjusted to reflect actual experience more closely.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
 - The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Required Supplementary Information

Pension Schedules (Continued)

- 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 line of duty was increased from 7% to 9%.
- 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

NORTH SUNFLOWER MEDICAL CENTER
Notes to Required Supplementary Information

Pension Schedules (Continued)

- 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

c. Changes in benefit provisions.

- 2016
 - Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

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, 2019 valuation for the June 30, 2021 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	27.7 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 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, 2022, and 2021

	<u>2022</u>	<u>2021</u> <u>As Restated</u>
Inpatient:		
Nursing Services:		
Routine care	\$ 17,414,640	\$ 16,698,663
Other Nursing Services:		
Operating and recovery rooms	401,540	312,660
Observation room	14,796	20,217
Central service and supply	112,895	178,986
Emergency service	132,180	133,960
Total Nursing Services Revenue	<u>18,076,051</u>	<u>17,344,486</u>
Other Professional Services:		
Respiratory therapy	829,502	1,327,632
Laboratory	1,884,162	2,460,112
Blood bank	44,963	100,441
Electrocardiology	63,766	62,575
Radiology	242,458	277,862
CT scan/Nuclear medicine	432,326	420,192
Ultrasound/MRI	199,480	243,657
Pharmacy	2,793,783	3,796,914
IV therapy	356,868	407,579
Anesthesia	50,575	42,675
Physical therapy	1,903,470	2,277,988
Speech therapy	557,441	678,180
Occupational therapy	1,280,004	1,539,003
Sleep lab	(49)	-
Psychiatric therapy	99,437	50,856
Hospital based physician	418,552	552,494
Total Other Professional Services Revenue	<u>11,156,738</u>	<u>14,238,160</u>
Total Inpatient Revenue	<u>\$ 29,232,789</u>	<u>\$ 31,582,646</u>

NORTH SUNFLOWER MEDICAL CENTER
Detailed Schedules of Operating Revenues
Years Ended September 30, 2022, and 2021

	<u>2022</u>	<u>2021</u> As Restated
Outpatient:		
Other Nursing Services:		
Operating and recovery rooms	\$ 8,612,113	\$ 7,297,695
Observation room	431,534	401,645
Central service and supply	18,945	27,701
Emergency service	<u>2,503,306</u>	<u>2,297,929</u>
Total Nursing Services Revenue	<u>11,565,898</u>	<u>10,024,970</u>
Other Professional Services:		
Respiratory therapy	878,181	88,691
Laboratory	12,908,767	14,565,365
Blood	147,067	171,587
Electrocardiology	462,483	458,447
Radiology	2,498,462	2,374,953
Cardiology	400,846	356,427
Pulmonology	542,012	52,642
CT scan/Nuclear Medicine	4,984,834	4,899,756
Ultrasound/MRI	3,254,258	2,858,669
Pharmacy	8,960,627	8,219,078
IV therapy	337,905	287,274
Anesthesia	1,409,675	1,224,425
Physical therapy	2,631,132	2,594,723
Speech therapy	298,519	327,546
Occupational therapy	983,543	903,386
Psychiatric therapy	3,135,162	2,948,712
Wound care	651,934	557,657
Wellness center	79,564	77,131
Infusion therapy	487,500	543,553
Sleep lab	1,997,430	2,030,410
RHC Screen Team	70	750
Clinic	<u>5,657,531</u>	<u>5,429,273</u>
Total Other Professional Services Revenue	<u>52,707,502</u>	<u>50,970,455</u>
 Total Outpatient Revenue	 <u>\$ 64,273,400</u>	 <u>\$ 60,995,425</u>

NORTH SUNFLOWER MEDICAL CENTER
Detailed Schedules of Operating Revenues
Years Ended September 30, 2022, and 2021

	2022	2021 As Restated
Total Patient Service Revenue	\$ 93,506,189	\$ 92,578,071
Deductions from Patient Service Revenue:		
Contractual Adjustments and Allowances:		
Medicare	11,540,973	12,680,800
Medicaid	339,357	832,455
Medicaid Mississippi hospital access payments and Medicaid upper payment limit payments	(1,193,244)	(775,689)
Blue Cross	6,096,446	5,977,360
Administrative adjustments and other	20,010,547	18,135,124
Total Deductions from Patient Service Revenue	36,794,079	36,850,050
Provision for Uncollectible Accounts	3,079,745	3,852,951
Net Patient Service Revenue	53,632,365	51,875,070
Other Revenue:		
Medical records transcripts	11,903	19,973
Employee and other meals	25,350	23,368
Hospice	1,627,525	1,856,209
DME	1,881,729	2,158,254
Diagnostic Center (Net of provision for uncollectible accounts of \$0 in 2022, and \$133,807 in 2021)	588,236	483,670
Haire Drug Center	4,198,238	3,943,190
NSMC Pharmacy (Net of provision for uncollectible accounts of \$0 in 2022, and \$11,058 in 2021.	8,029,575	7,739,066
Simply Sunflower	224,779	187,821
Miscellaneous revenue	2,889,782	2,161,828
Total Other Revenue	19,477,117	18,573,379
Total Revenue	\$ 73,109,482	\$ 70,448,449

NORTH SUNFLOWER MEDICAL CENTER
Detailed Schedules of Operating Expenses
Years Ended September 30, 2022, and 2021

	2022			2021 As Restated		
	Salaries and Benefits	Supplies and Drugs	Other	Salaries and Benefits	Supplies and Drugs	Other
Nursing Services:						
Routine services	\$ 2,183,720	108,792	496,499	\$ 2,268,438	116,228	423,383
Senior care	1,563,259	120,024	370,397	1,483,019	113,932	376,102
Operating and recovery rooms	1,914,383	772,255	786,938	1,928,588	685,999	670,564
Emergency room	632,549	89,638	304,850	602,157	82,041	292,381
Skilled nursing facility	1,672,560	662,925	1,705,799	1,604,959	695,555	1,420,278
Hospice	831,310	190,722	501,329	873,796	244,490	507,489
Swingbed	2,561,004	93,305	413,730	2,339,019	95,923	870,495
Nursing administration	282,263	2,719	7,520	286,447	1,017	62,416
Other Professional Services:						
Laboratory	1,044,829	727,667	370,189	1,083,696	633,411	476,147
Radiology	679,005	52,776	1,242,684	689,269	47,541	1,185,737
Mammography	-	-	-	347	-	-
Cardiology	-	3,292	448,042	-	4,025	426,887
Pulmonology	-	11,113	82,846	-	3,534	37,616
Respiratory	337,942	44,149	24,051	272,568	44,133	23,317
Therapy	1,439,141	24,197	685,605	1,517,928	10,402	670,962
Cardiac Rehab	-	-	21,131	-	78	29,175
Central supply	19,313	-	-	5,610	-	-
Pharmacy	627,609	4,126,444	10,916	612,749	4,019,758	16,036
Nuclear Medicine	146,415	90,929	44,545	114,390	107,469	52,111
Infusion therapy	166,168	27,069	2,400	160,265	23,188	394
Sleep lab	842,004	18,502	83,476	336,797	15,379	197,330
Wound Care	45,003	-	100,937	90,837	733	110,725
Social service	46,003	-	78,248	39,950	-	74,636
Health information services	2,109,267	21,607	900,160	2,173,233	22,434	930,672
Medical records	207,888	15,387	110,464	215,527	15,383	108,016
DME	714,655	794,312	237,821	763,448	814,672	236,439
Diagnostic Center	170,077	80,711	184,166	157,476	68,328	197,402
IOP Indianola	-	-	4,887	-	-	3,870
NSMC Pharmacy	980,418	3,945,694	2,401,805	943,828	4,123,792	1,951,318
Simply Sunflower	55,551	141,353	28,075	60,320	103,557	27,486
Wellness center	127,356	4,481	24,700	120,793	6,053	22,572
Clinic	3,661,792	440,163	842,342	3,641,769	363,424	781,784
Haire Drug Center	453,443	3,076,558	103,657	318,036	2,962,115	264,460
General Services:						
Dietary	539,362	192,123	178,197	531,001	187,975	134,925
Maintenance	237,574	5,830	515,763	242,459	2,482	549,751
Housekeeping	868,940	48,915	218,746	956,112	32,847	186,924
Laundry	86,394	7,513	69,825	76,071	41,201	77,326
Inservice/Infection control	154,403	236,371	617	91,600	1,590,925	2,991
Administrative and Fiscal Services:						
Administrative	2,350,171	40,270	2,038,259	2,007,578	45,236	1,915,118
Fiscal	95,748	(1,893)	44,525	102,797	(17,828)	48,761
Information technology	350,514	13,109	951,995	476,409	3,560	903,826
Employee benefits	9,225,176	-	-	9,623,491	-	-
Pension expense	1,760,153	-	-	(2,490,481)	-	-
Total Operating Expenses	\$ 41,183,362	16,229,022	16,638,136	\$ 36,322,296	17,310,992	16,267,822

NORTH SUNFLOWER MEDICAL CENTER
 Schedule of Surety Bonds for Officials and Employees
 September 30, 2022

Name	Position	Company	Amount of Bond
Billy Marlow	Executive Director	Nationwide Mutual Insurance Company	\$ 10,000
Daniel Ceja	CEO	Nationwide Mutual Insurance Company	\$ 10,000
Jennifer Baughman	Accounting Director	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

**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 year ended September 30, 2022, 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 December 11, 2023.

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 2022-001 and 2022-002, 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
December 11, 2023

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, 2022, and 2021, and have issued our report thereon dated December 11, 2023.

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
December 11, 2023

NORTH SUNFLOWER MEDICAL CENTER
Schedule of Findings and Responses
For the Year Ended September 30, 2022

2022-001 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.

Views of Responsible Officials: Administration has stated that the account will be removed from their federal identification number.

2022-002 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 decisions can be made.