

**Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County**

Independent Auditor's Reports and Financial Statements

September 30, 2018 and 2017

Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County
September 30, 2018 and 2017

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Independent Auditor's Report

Board of Trustees
Sharkey-Issaquena Community Hospital
Rolling Fork, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Sharkey-Issaquena Community Hospital (the Hospital), a component unit of Sharkey County, as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sharkey-Issaquena Community Hospital as of September 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Surety Bonds for Officials and Employees, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2019, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
July 12, 2019

Sharkey-Issaquena Community Hospital

A Component Unit of Sharkey County

Management's Discussion and Analysis

Years Ended September 30, 2018 and 2017

Introduction

This management's discussion and analysis of the financial performance of Sharkey-Issaquena Community Hospital (the Hospital) provides an overview of the Hospital's financial activities for the years ended September 30, 2018 and 2017. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

2018 Highlights

- Cash, temporary cash investments and certificate of deposit decreased by \$630,359, or 22%, from 2017 to 2018, due primarily to the decrease in the financial position of the Hospital.
- The Hospital reported an operating loss of \$2,181,301 for 2018 and a decrease in net position of \$1,542,864. The decrease in net position was driven by discontinuance of the Texas and Louisiana laboratories in 2018.
- Total operating expenses for 2018 decreased by \$8,094,527, or 39%, over the prior year. This was due primarily to the discontinuance of the Texas and Louisiana laboratories which had \$8,505,354 in expense in 2017.

2017 Highlights

- In order to extend the longevity of the nursing home in the area and complement hospital operations, the Hospital entered a nine-year lease for the neighboring nursing home facility in January 2016. Therefore, 2017 was the first full year of operations. It is the goal of the Hospital to improve operations and, therefore, enhance the financial strength of the nursing home, which, in turn, benefits the citizenry of Sharkey and Issaquena Counties.
- Cash and temporary cash investments increased by \$532,605, or 23%, from 2017 to 2016, due primarily to the addition of the Texas and Louisiana clinical toxicology and blood testing laboratories.
- The Hospital reported operating income of \$24,255 for 2017 and, ultimately, an increase in net position of \$1,550,653. The increase in earnings was driven by the addition of the Texas and Louisiana clinical toxicology and blood testing laboratories, which provided a net benefit of \$2,326,971. Due to litigation, the Texas and Louisiana laboratories were discontinued.

Sharkey-Issaquena Community Hospital

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Management's Discussion and Analysis

Years Ended September 30, 2018 and 2017

- Total operating expenses for 2017 increased by \$9,383,653, or 83%, over the prior year. This was due primarily to the addition of the Texas and Louisiana labs which added \$8,505,354 in additional expense. Additionally, 2017 was the first full year of nursing home operations.

Using this Annual Report

The Hospital's financial statements consist of three statements – a balance sheet, a statement of revenues, expenses and changes in net position and a statement of cash flows. These statements provide information about the activities of the Hospital. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any hospital's finances is "Is the hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that 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 Hospital's net position and changes in them. The Hospital's total net position – the difference between assets and liabilities – is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of 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 and cash equivalents during the reporting period.

Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County
Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheet. The Hospital's net position decreased by \$1,542,864 in 2018 over 2017, and increased by \$1,550,653 in 2017 over 2016, as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	2018	2017	2016
Assets			
Current assets	\$ 2,331,471	\$ 4,443,659	\$ 4,174,115
Capital assets, net	1,507,691	1,465,780	818,056
Other assets	2,154,916	78,756	78,756
	<u>5,994,078</u>	<u>5,988,195</u>	<u>5,070,927</u>
Total assets	\$ 5,994,078	\$ 5,988,195	\$ 5,070,927
Liabilities			
Current liabilities	\$ 2,940,826	\$ 1,439,991	\$ 1,999,579
Long-term debt	136,224	88,312	162,109
	<u>3,077,050</u>	<u>1,528,303</u>	<u>2,161,688</u>
Total liabilities	3,077,050	1,528,303	2,161,688
Net Position			
Net investment in capital assets	1,262,570	1,305,080	567,261
Restricted - expendable	6,100	43,441	18,292
Unrestricted	1,648,358	3,111,371	2,323,686
	<u>2,917,028</u>	<u>4,459,892</u>	<u>2,909,239</u>
Total net position	2,917,028	4,459,892	2,909,239
Total liabilities and net position	\$ 5,994,078	\$ 5,988,195	\$ 5,070,927

2018 Highlights

- Current assets decreased \$2,112,188 compared to 2017. The main component was a decrease of \$2,040,522 in temporary cash investments due to purchase of a 24-month certificate of deposit. Patient accounts receivable at year-end increased \$385,638 over 2017, primarily due to improvement in nursing home operations.

Sharkey-Issaquena Community Hospital
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Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017

- In 2018, current liabilities increased \$1,500,835 due to draw down of \$1,187,394 on available line of credit.

2017 Highlights

- Current assets remained steady with a \$269,544 increase, or 6% over 2016. The main component was an increase of \$519,428 in cash and cash equivalents, driven mainly by the addition of the Texas and Louisiana laboratories. Patient accounts receivable at year-end remained consistent with 2016.
- In 2017, capital assets increased a net of \$647,724, or 79%. The Hospital began renovations in 2017, which were funded by Sharkey and Issaquena Counties and the Foundation. At year-end, the amount of construction in progress totaled \$747,434, resulting in the increase in capital assets as compared to 2016.

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Years Ended September 30, 2018 and 2017

Operating Results and Changes in the Hospital's Net Position

In 2018, the Hospital's net position decreased by \$1,542,864, as shown in Table 2, compared to an increase in net position in the prior year of \$1,550,653.

Table 2: Operating Results and Changes in Net Position

	2018	2017	2016
Operating Revenues			
Net patient service revenue	\$ 10,387,174	\$ 20,656,078	\$ 9,413,028
Other	35,600	66,779	43,562
Total operating revenues	<u>10,422,774</u>	<u>20,722,857</u>	<u>9,456,590</u>
Operating Expenses			
Salaries, wages and employee benefits	6,420,592	6,231,312	5,322,854
Supplies and other	5,955,789	14,235,280	5,730,372
Depreciation	227,694	232,010	261,723
Total operating expenses	<u>12,604,075</u>	<u>20,698,602</u>	<u>11,314,949</u>
Operating Income (Loss)	<u>(2,181,301)</u>	<u>24,255</u>	<u>(1,858,359)</u>
Net Nonoperating Revenues (Expenses)	<u>616,829</u>	<u>739,870</u>	<u>581,029</u>
Capital Grants	<u>21,608</u>	<u>786,528</u>	<u>50,032</u>
Increase (Decrease) in Net Position	<u>\$ (1,542,864)</u>	<u>\$ 1,550,653</u>	<u>\$ (1,227,298)</u>

Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income or loss – and generally, the difference between net patient service revenue and other operating revenues and the expenses incurred to perform those services. In fiscal year 2018, the Hospital reported an operating loss of \$2,181,301, compared to a reported operating income of \$24,255 for fiscal year 2017.

Sharkey-Issaquena Community Hospital
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Management's Discussion and Analysis
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2018 Financial Highlights

- Revenues for the nursing home, net of contractual adjustments, was approximately \$3,592,000 and \$2,520,000 for 2018 and 2017, respectively.
- The Hospital experienced significant changes in total operating revenues and expenses, which decreased by \$10,300,083 and \$8,094,527, or 50% and 39%, respectively, over the prior year. This was due primarily to the discontinuance of the Texas and Louisiana laboratories.
- Acute patient days increased to 1,194 in 2018, compared to 957 in 2017. Swing bed days decreased to 981 in 2018 from 991 in 2017.

2017 Financial Highlights

- Revenues for the nursing home, net of contractual adjustments, was approximately \$2,520,000 and \$2,140,000 for 2017 and 2016, respectively.
- The Hospital experienced significant changes in total operating expenses which increased by \$9,383,653, or 83%, over the prior year. This was due primarily to the addition of the Texas and Louisiana laboratories and the nursing home being in its first full year of operation. As noted earlier, the laboratories have been discontinued.
- Acute patient days decreased to 957 in 2017, compared to 991 in 2016. Swing bed days decreased to 991 in 2017 from 1,187 in 2016.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses), which consist primarily of county subsidies, interest income and noncapital grants, decreased by \$123,041, or 17%, in 2018, compared to 2017 and increased by \$158,841, or 27%, in 2017 compared to 2016.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses for 2018, 2017 and 2016. In 2017, a significant amount of cash provided by operations was used to pay down the line of credit.

Sharkey-Issaquena Community Hospital

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Management's Discussion and Analysis

Years Ended September 30, 2018 and 2017

Capital Assets

At the end of 2018, the Hospital had \$1,507,691 of net capital assets as detailed in *Note 6* to the financial statements. At the end of 2017, the Hospital had \$1,465,780 of net capital assets as detailed in *Note 6* to the financial statements. The increase in net capital assets was primarily the result of ongoing renovations, donated by member counties and the Foundation.

Debt

At September 30, 2018, the Hospital had \$1,432,515 in outstanding lines of credit and capital lease obligations. In 2018, the Hospital entered into new capital leases of \$171,848 and borrowed \$1,187,394 on an existing line of credit.

Economic Factors and Next Year's Budget

While the annual budget of the Hospital is not presented within these financial documents and analyses, the Board of Trustees and management considered many factors when setting the fiscal year 2019 budget. While the financial outlook for the Hospital is uncertain at this point, many factors must be considered for the future:

- The current economic conditions present the Hospital with challenges, including the increase of self-pay patients
- These economic conditions present Sharkey and Issaquena Counties with the same challenges as the Hospital, which could negatively impact emergency medical services operated by the Hospital on behalf of the counties
- Medicare/Medicaid reimbursement changes – The Hospital's percentage of net patient revenue is 42% Medicare and 41% Medicaid
- Significant legislative funding cuts for Medicare under the Affordable Care Act
- Population decreases in the Hospital's service area
- Shortage of licensed professional medical staff in the Hospital's geographic area

Contacting Hospital Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives.

**Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County
Management's Discussion and Analysis
Years Ended September 30, 2018 and 2017**

Questions about this report and requests for additional financial information should be directed to the Hospital Business Administration by contacting:

Administrator
Sharkey-Issaquena Community Hospital
Post Office Box 339
Rolling Fork, MS 39159-0339

Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County

Balance Sheets

September 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 107,229	\$ 773,226
Temporary cash investments	-	2,040,522
Patient accounts receivable, net of allowance for uncollectible accounts; 2018 - \$1,566,000, 2017 - \$1,311,000	1,712,978	1,327,340
Estimated amounts due from third-party payers	277,705	146,763
Supplies	179,506	143,215
Prepaid expenses and other	54,053	12,593
Total current assets	2,331,471	4,443,659
Capital Assets, Net	1,507,691	1,465,780
Certificate of Deposit	2,076,160	-
Investment in Insurance Providers	78,756	78,756
Total assets	\$ 5,994,078	\$ 5,988,195

	2018	2017
Liabilities and Net Position		
Current Liabilities		
Outstanding checks in excess of bank balance	\$ 125,729	\$ -
Line of credit	1,187,394	-
Current maturities of long-term debt	108,897	72,388
Accounts payable	1,049,643	866,853
Accrued expenses	469,163	500,750
	<u>2,940,826</u>	<u>1,439,991</u>
Long-term Debt	<u>136,224</u>	<u>88,312</u>
	<u>3,077,050</u>	<u>1,528,303</u>
Net Position		
Net investment in capital assets	1,262,570	1,305,080
Restricted - expendable	6,100	43,441
Unrestricted	1,648,358	3,111,371
	<u>2,917,028</u>	<u>4,459,892</u>
	<u>\$ 5,994,078</u>	<u>\$ 5,988,195</u>

Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2018 - \$973,000, 2017 - \$1,640,000	\$ 10,387,174	\$ 20,656,078
Other	35,600	66,779
	<u>10,422,774</u>	<u>20,722,857</u>
Operating Expenses		
Salaries and wages	5,194,538	4,956,126
Employee benefits	1,226,054	1,275,186
Supplies and other	5,955,789	14,235,280
Depreciation	227,694	232,010
	<u>12,604,075</u>	<u>20,698,602</u>
	<u>(2,181,301)</u>	<u>24,255</u>
Operating Income (Loss)		
Nonoperating Revenues (Expenses)		
County subsidies	494,833	498,668
Interest income	39,690	36,878
Noncapital grants	92,567	105,200
Interest expense	(37,079)	(22,060)
Other	26,818	121,184
	<u>616,829</u>	<u>739,870</u>
	<u>(1,564,472)</u>	<u>764,125</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Contributions		
	<u>21,608</u>	<u>786,528</u>
Capital Contributions		
	<u>(1,542,864)</u>	<u>1,550,653</u>
Increase (Decrease) in Net Position		
	<u>4,459,892</u>	<u>2,909,239</u>
Net Position, Beginning of Year		
	<u>\$ 2,917,028</u>	<u>\$ 4,459,892</u>
Net Position, End of Year		

Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County
Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017
Operating Activities		
Receipts from and on behalf of patients	\$ 9,870,594	\$ 20,688,399
Payments to suppliers and contractors	(5,850,750)	(14,246,928)
Payments to employees	(6,452,179)	(6,052,907)
Other cash receipts	35,600	209,572
Net cash provided by (used in) operating activities	(2,396,735)	598,136
Investing Activities		
Interest earned on short-term investments	39,690	36,878
Sales (purchases) of temporary cash investments, net	2,040,522	(13,177)
Purchase of long-term certificate of deposit	(2,076,160)	-
Net cash provided by investing activities	4,052	23,701
Noncapital Financing Activities		
Donations and other cash receipts	26,818	121,184
Increase in outstanding checks in excess of bank balance	125,729	-
Proceeds (payments) from line of credit, net	1,187,394	(622,100)
Noncapital grants	92,567	105,200
County subsidies	494,833	498,668
Net cash provided by noncapital financing activities	1,927,341	102,952
Capital and Related Financing Activities		
Purchase of capital assets	(97,757)	(132,300)
Principal payments on long-term debt	(87,427)	(90,095)
Capital grants	21,608	39,094
Interest paid on long-term debt	(37,079)	(22,060)
Net cash used in capital and related financing activities	(200,655)	(205,361)
Increase (Decrease) in Cash and Cash Equivalents	(665,997)	519,428
Cash and Cash Equivalents, Beginning of Year	773,226	253,798
Cash and Cash Equivalents, End of Year	\$ 107,229	\$ 773,226

Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County
Statements of Cash Flows (Continued)
Years Ended September 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Income (Loss) to Net Cash		
Used In Operating Activities		
Operating income (loss)	\$ (2,181,301)	\$ 24,255
Depreciation	227,694	232,010
Provision for uncollectible accounts	973,291	1,639,692
Changes in operating assets and liabilities		
Patient accounts receivable	(1,358,929)	(1,609,777)
Estimated amounts due from third-party payers	(130,942)	145,199
Supplies	(36,291)	(2,745)
Prepaid expenses and other assets	(41,460)	90,692
Accounts payable	182,790	(139,262)
Accrued expenses	(31,587)	218,072
	\$ (2,396,735)	\$ 598,136
 Supplemental Cash Flows Information		
Interest paid	\$ 37,079	\$ 22,060
Capital leases obligations incurred for capital assets	\$ 171,848	\$ -
Noncash capital contributions	\$ -	\$ 747,434
Noncash capital expenditures	\$ -	\$ (747,434)

Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County
Notes to Financial Statements
September 30, 2018 and 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Sharkey-Issaquena Community Hospital (the Hospital) is an acute care hospital located in Rolling Fork, Mississippi. It was created by the Boards of Supervisors of Sharkey and Issaquena Counties (the Counties) to operate, control and manage matters concerning the Counties' health care functions. The Boards of Supervisors appoint the Board of Trustees of the Hospital. The Hospital may not issue debt, including capital lease obligations, without the Counties' approval. Since the Sharkey County Board of Supervisors appoints three of the Hospital's five board members, the Hospital is considered a component unit of Sharkey County.

The Hospital leases and operates a 54-bed skilled nursing facility in Rolling Fork, Mississippi. The lease is for nine years and expires on August 31, 2024. The skilled nursing facility is operated as a department of the Hospital.

The Sharkey-Issaquena Medical Foundation (the Foundation) is a 501(c)3 nonprofit health organization, established in order to promote and support the Hospital in the provision of health care. The Foundation is a separate legal entity but is financially integrated with the Hospital and is reported as a blended component unit of the Hospital and does not issue separate financial statements.

Certain contributions and operating expenses are not eliminated when the Foundation is presented as a blended component unit of the Hospital due to differing fiscal year-ends. As such, \$27,941 and \$84,468 of contributions have been received by the Hospital in 2018 and 2017, respectively, that were not eliminated. In addition, Foundation transfers to the Hospital occurring within the Foundation's fiscal years ended 2017 and 2016 of \$78,268 and \$11,908, included within operating expenses, have not been eliminated from 2018 and 2017, respectively.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Sharkey-Issaquena Community Hospital
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Notes to Financial Statements
September 30, 2018 and 2017

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2018 and 2017, cash equivalents consisted primarily of money market mutual funds.

Temporary Cash Investments

The Hospital considers all certificates of deposits with original maturities from three months to one year to be temporary cash investments.

County Subsidies

The Hospital receives contributions from Sharkey and Issaquena Counties to subsidize operations and ambulance services.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Sharkey-Issaquena Community Hospital
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Notes to Financial Statements
September 30, 2018 and 2017

Supplies

Supplies inventories are stated at the lower of cost determined using the first-in, first-out method, or market.

Capital Assets

Capital assets are stated at cost at the date of acquisition or, if donated, at acquisition value at date of donation if acquired by gift. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	10 years
Buildings and leasehold improvements	9 - 33 years
Equipment	5 - 15 years

Capital Asset Impairment

The Hospital evaluated capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. No asset impairment was recognized during the years ended September 30, 2018 and 2017.

Compensated Absences

The Hospital policies permit most employees to accumulate paid time off (PTO) benefits that may be realized as PTO or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as PTO benefits when earned, whether the employee is expected to realize the benefit as time off or in cash. PTO liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted-expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital. Unrestricted net position is the remaining net position that does not meet the definition of investment in capital assets or restricted-expendable net position.

Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County
Notes to Financial Statements
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Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

Income Taxes

As an essential government function of the counties, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

Foundation

Sharkey Issaquena Medical Foundation was founded during 2010 as a legally separate, tax-exempt component unit of the Hospital. The Foundation's primary function is to raise and hold funds to support the Hospital and its programs and to promote community health. The board of the Foundation is self-perpetuating.

Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are held for the benefit of the Hospital. Because these resources held by the Foundation will be primarily used by, or for the benefit of, the Hospital, the Foundation is considered a component unit of the Hospital and is blended in the Hospital's financial statements.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. The reclassifications had no effect on the changes in financial position.

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Note 2: Revisions to County Subsidies

Revisions have been made to the 2017 financial statements to reclassify county subsidies of \$498,668 to nonoperating revenue, as such are nonexchange transactions. These revisions did not have a material impact on the financial statement line items impacted or impact changes in net position or total net position for 2017. The following financial statement line items for 2017 were affected by the revision.

	As Previously Reported	County Subsidies Change	Other Reclass- ifications	As Revised
Statements of Revenues, Expenses and Change in Net Position				
Operating Revenues				
Other	\$ 589,000	\$ (498,668)	\$ 23,553	\$ 66,779
Total operating revenues	21,245,078	(498,668)	24,053	20,722,357
Operating income (loss)	558,383	(498,668)	35,460	24,255
Nonoperating Revenues (Expenses)				
County subsidies	-	498,668	-	498,668
Net nonoperating revenues (expenses)	205,742	498,668	(35,460)	739,870
Statements of Cash Flows				
Operating Activities				
Other cash receipts	731,793	(498,668)	23,553	209,572
Net cash provided by operating activities	1,132,265	(498,668)	35,461	598,136
Noncapital Financing Activities				
County subsidies	-	498,668	-	498,668
Net cash provided by (used in) noncapital financing activities	(431,176)	498,668	(35,460)	102,952

Note 3: Net Patient Service Revenue

The Hospital is party to agreements with certain third-party payers that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payers. A summary of the basis of reimbursement with major third-party payers follows.

- Medicare - Inpatient acute care services, senior care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on

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clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patient acuity. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

- Medicaid - Inpatient services rendered to Medicaid program beneficiaries are generally paid based upon a prospective-payment system based on All Patient Refined Diagnosis Related Groups (APR-DRG). Outpatient services are also paid on a prospective-payment system using Ambulatory Payment Classifications (APC), similar to the Medicare payment model. The Hospital is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits by the State of Mississippi Medicaid Program. Long-term care services are reimbursed based on the Hospital's specific cost-based per diem rate adjusted by certain factors, including patient severity. Certain categories of costs are subject to reimbursement ceilings established based on statewide medians. Nursing home Medicaid cost reports are subject to audit, with final settlement determined after audit by Medicaid.

Beginning July 1, 2015, the Division of Medicaid (DOM) implemented the Mississippi Hospital Access Payment (MHAP) program. The program is administered by DOM through the Mississippi Coordinated Access Network (MSCAN) coordinated care organizations (CCO). The CCO subcontract with the hospitals throughout the state for distribution of MHAP for the purpose of protecting patient access to hospital care. The MHAP program began on December 1, 2015, retroactive to July 1, 2015. The Hospital also participates in a voluntary disproportionate share program (DSH) available to certain qualifying hospitals in the state Medicaid program. The Hospital recognized MHAP/DSH revenue of approximately \$400,000 and \$473,000 in 2018 and 2017, respectively.

There can be no assurances that the MHAP and DSH programs will remain in effect in future years, or that the Hospital will continue to participate in the programs at reimbursement levels experienced to date.

Approximately 81% and 76% of net patient service revenue was from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2018 and 2017, respectively. State laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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Note 4: Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the 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 (FDIC).

At September 30, 2018 and 2017, the Hospital's deposits were fully secured as follows:

	2018	2017
Amount insured by FDIC	\$ 354,477	\$ 268,292
Amount collateralized by securities held in collateral pool	<u>1,871,332</u>	<u>2,126,568</u>
Total depository balances	<u>\$ 2,225,809</u>	<u>\$ 2,394,860</u>
Carrying value	<u>\$ 2,183,389</u>	<u>\$ 2,813,748</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 107,229	\$ 773,226
Temporary cash investments	-	2,040,522
Certificate of deposit	<u>2,076,160</u>	<u>-</u>
	<u>\$ 2,183,389</u>	<u>\$ 2,813,748</u>

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Note 5: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30, 2018 and 2017, consisted of:

	2018	2017
Medicare	\$ 737,798	\$ 497,188
Medicaid	404,804	376,792
Other third-party payers	880,993	744,667
Patients	<u>1,255,053</u>	<u>1,020,130</u>
	3,278,648	2,638,777
Allowance for uncollectible accounts	<u>(1,565,670)</u>	<u>(1,311,437)</u>
	<u><u>\$ 1,712,978</u></u>	<u><u>\$ 1,327,340</u></u>

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Note 6: Capital Assets

Capital assets activity for the years ended September 30, 2018 and 2017, was:

	2018			
	Beginning Balance	Additions	Disposals/ Transfers	Ending Balance
Land	\$ 5,750	\$ -	\$ -	\$ 5,750
Land improvements	86,180	-	-	86,180
Buildings and leasehold improvements	1,713,677	764,575	-	2,478,252
Fixed equipment	913,814	-	-	913,814
Major moveable equipment	1,744,810	181,849	-	1,926,659
Minor equipment	208,863	72,255	-	281,118
EHR equipment	462,834	-	-	462,834
Construction in progress	749,074	-	(749,074)	-
	<u>5,885,002</u>	<u>1,018,679</u>	<u>(749,074)</u>	<u>6,154,607</u>
Less accumulated depreciation				
Land improvements	(61,345)	(7,692)	-	(69,037)
Buildings and leasehold improvements	(1,583,933)	(49,062)	-	(1,632,995)
Fixed equipment	(710,758)	(42,795)	-	(753,553)
Major moveable equipment	(1,556,230)	(63,503)	-	(1,619,733)
Minor equipment	(73,880)	(39,117)	-	(112,997)
EHR equipment	(433,076)	(25,525)	-	(458,601)
	<u>(4,419,222)</u>	<u>(227,694)</u>	<u>-</u>	<u>(4,646,916)</u>
Capital assets, net	<u>\$ 1,465,780</u>	<u>\$ 790,985</u>	<u>\$ (749,074)</u>	<u>\$ 1,507,691</u>

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	2017			
	Beginning Balance	Additions	Disposals/ Transfers	Ending Balance
Land	\$ 5,750	\$ -	\$ -	\$ 5,750
Land improvements	86,180	-	-	86,180
Buildings and leasehold improvements	1,699,927	13,750	-	1,713,677
Fixed equipment	914,034	-	(220)	913,814
Major moveable equipment	1,740,710	4,100	-	1,744,810
Minor equipment	94,413	114,450	-	208,863
EHR equipment	462,834	-	-	462,834
Construction in progress	1,640	747,434	-	749,074
	<u>5,005,488</u>	<u>879,734</u>	<u>(220)</u>	<u>5,885,002</u>
Less accumulated depreciation				
Land improvements	(53,653)	(7,692)	-	(61,345)
Buildings and leasehold improvements	(1,576,296)	(7,637)	-	(1,583,933)
Fixed equipment	(662,539)	(48,439)	220	(710,758)
Major moveable equipment	(1,473,823)	(82,407)	-	(1,556,230)
Minor equipment	(52,379)	(21,501)	-	(73,880)
EHR equipment	(368,742)	(64,334)	-	(433,076)
	<u>(4,187,432)</u>	<u>(232,010)</u>	<u>220</u>	<u>(4,419,222)</u>
Capital assets, net	<u>\$ 818,056</u>	<u>\$ 647,724</u>	<u>\$ -</u>	<u>\$ 1,465,780</u>

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Note 7: Long-term Debt

The following is a summary of long-term debt transactions for the Hospital for the years ended September 30, 2018 and 2017.

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2018					
Leases payable to finance companies	<u>\$ 160,700</u>	<u>\$ 171,848</u>	<u>\$ (87,427)</u>	<u>\$ 245,121</u>	<u>\$ 108,897</u>
2017					
Leases payable to finance companies	<u>\$ 250,795</u>	<u>\$ -</u>	<u>\$ (90,095)</u>	<u>\$ 160,700</u>	<u>\$ 72,388</u>

Leased equipment under capital leases at September 30, 2018 and 2017, includes the following:

	2018	2017
Capital assets	\$ 736,706	\$ 564,858
Less accumulated depreciation	<u>(441,553)</u>	<u>(381,538)</u>
	<u>\$ 295,153</u>	<u>\$ 183,320</u>

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The following is a schedule by year of future minimum lease payments under the capital leases, including interest at rates of 0.00% to 11.65%, maturing between 2019 and 2023, together with the present value of the future minimum lease payments as of September 30, 2018.

	Capital Lease Obligations
2019	\$ 122,565
2020	70,239
2021	34,597
2022	28,772
2023	16,644
	272,817
Less amount representing interest	(27,696)
Present value of future minimum lease payments	\$ 245,121

Note 8: Line of Credit

The Hospital periodically borrows funds from a bank to finance operations on an interim basis. The line of credit has a maximum balance of \$2,053,100 and bears interest at 1.65% for the years 2018 and 2017. The line of credit matures January 10, 2020. The line of credit is collateralized by the certificates of deposit included in temporary cash investments on the balance sheets. The following is a summary of line-of-credit transactions for the years ended September 30.

	2018	2017
Beginning balance	\$ -	\$ 622,100
Additions	2,376,539	-
Deductions	(1,189,145)	(622,100)
Ending balance	\$ 1,187,394	\$ -

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Note 9: Operating Lease

The Hospital leases a facility to operate a nursing home under a noncancelable lease. The lease term is for approximately nine years, beginning January 1, 2016 and ending August 31, 2024, with no option for renewal. The monthly rental amount is \$17,650 and is due at the beginning of each month.

Future minimum lease payments at September 30, 2018, were:

2019		\$	211,800
2020			211,800
2021			211,800
2022			211,800
2023			211,800
2024			194,150
			1,253,150
		\$	1,253,150

Lease expense totaled approximately \$211,800 for the year ended September 30, 2018.

Note 10: Significant Commitments

During the year ended December 31, 2015, the Hospital entered into a contract with TruBridge to manage its general ledger software and other business and managed IT services under a noncancelable commitment. The contract term was for seven years beginning June 2015. The monthly rental is 8.5% of certain cash collections as defined by the contract. The contract expense for 2018 and 2017 was \$381,000 and \$358,000, respectively.

Note 11: Malpractice Insurance

The Hospital's malpractice insurance coverage is a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible this estimate could change materially in the near term.

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Note 12: Employee Benefit Plan

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's contributions, which the board of trustees has the discretion to vary from year to year. The plan is administered by a board of trustees appointed by the Boards of Supervisors of Sharkey and Issaquena Counties. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the Plan Document and were established and can be amended by action of the Hospital's governing body. The Hospital matches 100% of the first 3% of employee contributions to the Plan. Contributions actually made by plan members and the Hospital aggregated approximately \$85,000 and \$68,000 during 2018 and \$73,000 and \$70,000 during 2017, respectively.

Note 13: Related Party Transactions

The Hospital maintains the majority of its bank accounts and certificates of deposit with a local bank through which it has also obtained a line of credit. A member of the Hospital's board of trustees is also a member of the board of directors with the bank.

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Note 14: Condensed Combining Information

The following tables include condensed combining balance sheet information for the Hospital and its blended component unit as of September 30, 2018 and 2017.

	2018			
	Sharkey-Issaquena Community Hospital	Sharkey-Issaquena Medical Foundation	Eliminations	Total
Assets				
Current assets	\$ 2,256,015	\$ 75,456	\$ -	\$ 2,331,471
Capital assets, net	1,507,691	-	-	1,507,691
Other assets	2,154,916	-	-	2,154,916
Total assets	<u>\$ 5,918,622</u>	<u>\$ 75,456</u>	<u>\$ -</u>	<u>\$ 5,994,078</u>
Liabilities				
Current liabilities	\$ 2,940,826	\$ -	\$ -	\$ 2,940,826
Long-term debt	136,224	-	-	136,224
Total liabilities	<u>3,077,050</u>	<u>-</u>	<u>-</u>	<u>3,077,050</u>
Net Position				
Net investment in capital assets	1,262,570	-	-	1,262,570
Restricted - expendable	6,100	-	-	6,100
Unrestricted	1,572,902	75,456	-	1,648,358
Total net position	<u>2,841,572</u>	<u>75,456</u>	<u>-</u>	<u>2,917,028</u>
Total liabilities and net position	<u>\$ 5,918,622</u>	<u>\$ 75,456</u>	<u>\$ -</u>	<u>\$ 5,994,078</u>

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	2017			
	Sharkey- Issaquena Community Hospital	Sharkey- Issaquena Medical Foundation	Eliminations	Total
Assets				
Current assets	\$ 4,254,408	\$ 189,251	\$ -	\$ 4,443,659
Capital assets, net	1,465,780	-	-	1,465,780
Other assets	78,756	-	-	78,756
Total assets	<u>\$ 5,798,944</u>	<u>\$ 189,251</u>	<u>\$ -</u>	<u>\$ 5,988,195</u>
Liabilities				
Current liabilities	\$ 1,439,991	\$ -	\$ -	\$ 1,439,991
Long-term debt	88,312	-	-	88,312
Total liabilities	<u>1,528,303</u>	<u>-</u>	<u>-</u>	<u>1,528,303</u>
Net Position				
Net investment in capital assets	1,305,080	-	-	1,305,080
Restricted - expendable	43,441	-	-	43,441
Unrestricted	2,922,120	189,251	-	3,111,371
Total net position	<u>4,270,641</u>	<u>189,251</u>	<u>-</u>	<u>4,459,892</u>
Total liabilities and net position	<u>\$ 5,798,944</u>	<u>\$ 189,251</u>	<u>\$ -</u>	<u>\$ 5,988,195</u>

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The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component unit for the years ended September 30, 2018 and 2017.

	Year Ended September 30, 2018			
	Sharkey-Issaquena Community Hospital	Sharkey-Issaquena Medical Foundation	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 10,387,174	\$ -	\$ -	\$ 10,387,174
Other	35,600	-	-	35,600
Total operating revenues	<u>10,422,774</u>	<u>-</u>	<u>-</u>	<u>10,422,774</u>
Operating Expenses				
Salaries, wages and employee benefits	6,420,592	-	-	6,420,592
Supplies and other	5,767,514	196,095	(7,820)	5,955,789
Depreciation	227,694	-	-	227,694
Total operating expenses	<u>12,415,800</u>	<u>196,095</u>	<u>(7,820)</u>	<u>12,604,075</u>
Operating Loss	<u>(1,993,026)</u>	<u>(196,095)</u>	<u>7,820</u>	<u>(2,181,301)</u>
Nonoperating Revenues (Expenses)				
County subsidies	494,833	-	-	494,833
Interest income	39,377	313	-	39,690
Noncapital grants	18,400	81,987	(7,820)	92,567
Interest expense	(37,079)	-	-	(37,079)
Other	26,818	-	-	26,818
Net nonoperating revenues (expenses)	<u>542,349</u>	<u>82,300</u>	<u>(7,820)</u>	<u>616,829</u>
Deficiency of Revenues Over Expenses Before Capital Contributions	(1,450,677)	(113,795)	-	(1,564,472)
Capital Contributions	<u>21,608</u>	<u>-</u>	<u>-</u>	<u>21,608</u>
Decrease in Net Position	<u>(1,429,069)</u>	<u>(113,795)</u>	<u>-</u>	<u>(1,542,864)</u>
Net Position, Beginning of Year	<u>4,270,641</u>	<u>189,251</u>	<u>-</u>	<u>4,459,892</u>
Net Position, End of Year	<u>\$ 2,841,572</u>	<u>\$ 75,456</u>	<u>\$ -</u>	<u>\$ 2,917,028</u>

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	Year Ended September 30, 2017			
	Sharkey-Issaquena Community Hospital	Sharkey-Issaquena Medical Foundation	Eliminations	Total
Operating Revenues				
Net patient service revenue	\$ 20,656,078	\$ -	\$ -	\$ 20,656,078
Other	66,779	-	-	66,779
Total operating revenues	<u>20,722,857</u>	<u>-</u>	<u>-</u>	<u>20,722,857</u>
Operating Expenses				
Salaries, wages and employee benefits	6,231,312	-	-	6,231,312
Supplies and other	14,223,372	11,908	-	14,235,280
Depreciation and amortization	232,010	-	-	232,010
Total operating expenses	<u>20,686,694</u>	<u>11,908</u>	<u>-</u>	<u>20,698,602</u>
Operating Income (Loss)	<u>36,163</u>	<u>(11,908)</u>	<u>-</u>	<u>24,255</u>
Nonoperating Revenues (Expenses)				
County subsidies	498,668	-	-	498,668
Interest income	36,638	240	-	36,878
Noncapital grants	-	105,200	-	105,200
Interest expense	(22,060)	-	-	(22,060)
Other	121,184	-	-	121,184
Net nonoperating revenues	<u>634,430</u>	<u>105,440</u>	<u>-</u>	<u>739,870</u>
Capital Contributions	<u>786,528</u>	<u>-</u>	<u>-</u>	<u>786,528</u>
Increase in Net Position	1,457,121	93,532	-	1,550,653
Net Position, Beginning of Year	<u>2,813,520</u>	<u>95,719</u>	<u>-</u>	<u>2,909,239</u>
Net Position, End of Year	<u>\$ 4,270,641</u>	<u>\$ 189,251</u>	<u>\$ -</u>	<u>\$ 4,459,892</u>

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The following tables include condensed combining statements of cash flows information for the Hospital and its blended component unit for the years ended September 30, 2018 and 2017.

	Year Ended September 30, 2018			
	Sharkey-Issaquena Community Hospital	Sharkey-Issaquena Medical Foundation	Eliminations	Total
Net Cash Used In Operating Activities	\$ (2,208,460)	\$ (196,095)	\$ 7,820	(2,396,735)
Net Cash Provided by Investing Activities	3,739	313	-	4,052
Net Cash Provided by Noncapital Financing Activities	1,853,174	81,987	(7,820)	1,927,341
Net Cash Used In Capital and Related Financing Activities	<u>(200,655)</u>	<u>-</u>	<u>-</u>	<u>(200,655)</u>
Decrease in Cash and Cash Equivalents	(552,202)	(113,795)	-	(665,997)
Cash and Cash Equivalents, Beginning of Year	<u>583,975</u>	<u>189,251</u>	<u>-</u>	<u>773,226</u>
Cash and Cash Equivalents, End of Year	<u>\$ 31,773</u>	<u>\$ 75,456</u>	<u>\$ -</u>	<u>\$ 107,229</u>

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	Year Ended September 30, 2017			
	Sharkey- Issaquena Community Hospital	Sharkey- Issaquena Medical Foundation	Eliminations	Total
Net Cash Provided by (Used in) Operating Activities	\$ 610,044	\$ (11,908)	\$ -	\$ 598,136
Net Cash Provided by Investing Activities	23,461	240	-	23,701
Net Cash Provided by (Used in) Noncapital Financing Activities	(2,248)	105,200	-	102,952
Net Cash Used in Capital and Related Financing Activities	(205,361)	-	-	(205,361)
Increase in Cash and Cash	425,896	93,532	-	519,428
Cash and Cash Equivalents, Beginning of Year	158,079	95,719	-	253,798
Cash and Cash Equivalents, End of Year	\$ 583,975	\$ 189,251	\$ -	\$ 773,226

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following.

Allowances for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1 and 3*.

Admitting Physicians

The Hospital is served by Jackson Rural Health Clinic consisting of two physicians whose patients comprised approximately 99% and 61% of the Hospital's admissions for the years ended September 30, 2018 and 2017, respectively.

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Investigation

The Hospital is the subject of an investigation regarding specific third-party payer program billing issues. Management believes the Hospital's medical records fully support the codes used and billings submitted and intends to vigorously defend the Hospital should any assertions to the contrary be made. No provision has been made in the financial statements for any adverse outcome that might ultimately result from this matter, as the amount of any such loss is not reasonably estimable. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Management has consulted with legal counsel and estimates that these matters will be resolved without a material impact on the operations or financial position of the Hospital. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

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

Independent Auditor's Report

Board of Trustees
Sharkey-Issaquena Community Hospital
Rolling Fork, Mississippi

We have audited, 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, the basic financial statements of Sharkey-Issaquena Community Hospital (the Hospital) which comprise the balance sheet as of September 30, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated July 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) 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 the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Hospital's Responses to Findings

The Hospital's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Hospital's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Hospital'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 Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
July 12, 2019

Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County
Schedule of Findings and Responses
Year Ended September 30, 2018

Reference Number	Finding
2018-001	<p>Criteria or Specific Requirement - Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition - Management does not have detailed, consistent month-end or year-end close processes to ensure the general ledger accounts are reconciled and financial statements are fairly stated.</p> <p>Effect</p> <ul style="list-style-type: none"> • The financial statements lack consistency from month to month and may not reflect the actual results of operations of the Hospital • The financial statements may contain errors which are not detected • Misappropriation of assets may occur and not be detected <p>Cause - The Hospital does not have a detailed, consistent month-end or year-end close process to:</p> <ul style="list-style-type: none"> • Review, analyze and value the collectability of patient accounts receivable • Ensure timely posting of charges and cash receipts • Reconciliation of general ledger accounts <p>Recommendation - We recommend the following:</p> <ul style="list-style-type: none"> • Management develop a valuation model that can be consistently applied that reflects and appropriately estimates cash collections of accounts receivable • Management establish procedures to ensure all revenues are recorded in the proper period • Management reconcile all general ledger accounts on a monthly basis • Management develop and review detail monthly and year-end close processes and checklist <p>Views of Responsible Officials and Planned Corrective Actions - Management is aware of this situation and will consider and add processes to analyze the valuation of accounts receivable and to reconcile account balances monthly.</p>
2018-002	<p>Criteria or Specific Requirement - Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition - The Hospital relies on its auditors to prepare the external financial statements and related notes to the financial statements. Under auditing standards generally accepted in the United States of America, auditors cannot be considered part</p>

Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County
Schedule of Findings and Responses
Year Ended September 30, 2018

Reference Number	Finding
	<p>of the Hospital's internal control structure and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures for the preparation of external financial statements.</p> <p><i>Effect</i> - Potentially material misstatements in the financial statements and related notes to the financial statements could occur and not be prevented or detected by the Hospital's internal control structure.</p> <p><i>Cause</i> - The Hospital has not designed internal control procedures for preparing external financial statements.</p> <p><i>Recommendation</i> - Management should continue to assess the cost versus the benefits of improving internal controls over financial reporting.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> - Management will continue to consider the costs versus benefits of improving controls over financial statement preparation.</p>

Other Information

Sharkey-Issaquena Community Hospital
A Component Unit of Sharkey County
Schedule of Surety Bonds for Officials and Employees
Year Ended September 30, 2018

Name	Position	Company	Amount
Steven Keever	Hospital Staff/Administration	Western Surety	\$ 100,000
Lynne Moses	Medical Foundation	Western Surety	100,000
Charles Darden, Jr.	Trustee	Western Surety	100,000
Clarence Hall	Trustee	Western Surety	100,000
Matthew Sharpe	Trustee	Western Surety	100,000
Ben Bryant	Trustee	Western Surety	100,000
Susie Evans	Trustee	Western Surety	100,000
Rebecca Coates	Hospital Staff/CFO	Western Surety	100,000