

**South Sunflower County Hospital
Indianola, Mississippi
(A Component Unit of Sunflower County)**

FINANCIAL STATEMENTS

September 30, 2022 and 2021



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REPORT





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INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Sunflower County Hospital
Indianola, Mississippi

Opinion

We have audited the accompanying financial statements of South Sunflower County Hospital (the Hospital) as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital, as of September 30, 2022 and 2021, and the respective changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the Hospital'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 auditors' 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 the Hospital'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 the Hospital'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

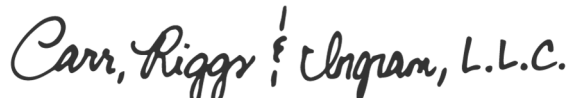
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of proportionate share of net pension liability, and the schedules of employer contributions information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The schedule of surety bonds for officers and employees is presented for purposes of additional analysis and is not a required part 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 schedule of surety bonds for officers and employees is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report April 13, 2023, on our consideration of the Hospital'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 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.



CARR, RIGGS & INGRAM, L.L.C.

Metairie, Louisiana
April 13, 2023



MANAGEMENT'S DISCUSSION ANALYSIS



South Sunflower County Hospital
Indianola, Mississippi
Management's Discussion and Analysis
September 30, 2022 and 2021

This section of South Sunflower County Hospital's (the Hospital) annual financial report presents background information and our analysis of the Hospital's financial performance during the fiscal years that ended on September 30, 2022 and 2021. Please read it in conjunction with the financial statements in this report. The amounts contained within this section are rounded to the nearest thousand.

2022

FINANCIAL HIGHLIGHTS

Fiscal Year Ended September 30, 2022

The Hospital's total net position increased by \$609,761 or approximately 6 percent, from the prior year. This increase results from the recognition of CARES Act funding.

At the end of the 2022 fiscal year, the assets and deferred outflows of the Hospital exceeded liabilities and deferred inflows by \$10,647,050. Of this amount, \$2,141,759 represents an unrestricted deficit net position, \$9,908,210 is invested in capital assets and \$2,880,599 is designated for use in the Hospital's self-insurance programs. The Hospital established a self-insurance fund in accordance with the requirements of the Mississippi Tort Claims Board.

Net patient service revenue decreased by \$2,978,054, or 10.6 percent, from the prior year. This is due to a decrease in inpatient utilization. During this same period, operating expenses decreased by \$1,760,963 or 6.2 percent from the prior year. This decrease is due to a decrease in professional fees and supplies and maintenance. These variances will be further discussed in the Operating and Financial Performance section of this analysis.

Fiscal Year Ended September 30, 2021

The Hospital's total net position increased by \$4,963,179 or approximately 97 percent, from the prior year. This increase results from approximately \$1 million from operating income and the remaining from the recognition of unearned revenues from CARES act funding and gain on extinguishment of PPP loan.

At the end of the 2021 fiscal year, the assets and deferred outflows of the Hospital exceeded liabilities and deferred inflows by \$10,037,289. Of this amount, \$3,482,413 represents an unrestricted deficit net position, \$10,338,152 is invested in capital assets and \$3,181,550 is designated for use in the Hospital's self-insurance programs. The Hospital established a self-insurance fund in accordance with the requirements of the Mississippi Tort Claims Board.

Net patient service revenue increased by \$1,428,921, or 5.3 percent, from the prior year. This is due to an increase in outpatient and inpatient utilization. During this same period, operating expenses increased by \$849,799 or 3.0 percent from the prior year. This increase is due to an increase in salaries and wages. These increases will be further discussed in the Operating and Financial Performance section of this analysis.

South Sunflower County Hospital
Indianola, Mississippi
Management's Discussion and Analysis
September 30, 2022 and 2021

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four components - the Management's Discussion and Analysis of Financial Condition and Operating Results (this section), the Independent Auditors' Report, the Financial Statements and Supplementary Information.

The financial statements of the Hospital report the financial position of the Hospital and the results of its operations and its cash flows. The financial statements are prepared on the accrual basis of accounting. These statements offer short-term and long-term financial information about the Hospital's activities.

The statements of net position include all of the Hospital's assets, deferred outflows, liabilities and deferred inflows and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities) for both the current year and the prior year. It also provide the basis for evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses and changes in net position. These statements measure the performance of the Hospital's operations over the past year and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

The primary purpose of the statements of cash flows is to provide information about the Hospital's cash from operations, investment, and capital and related financial activities. The statements of cash flows outline where the cash comes from, what the cash is used for and the changes in the cash balance during the reporting period.

The annual report also includes notes to the financial statements that are essential to gain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Following the notes to the financial statements is a section containing supplementary information further explains and supports the information reported in the financial statements.

FINANCIAL ANALYSIS OF THE HOSPITAL

The statements of net position and the statements of revenues, expenses and changes in net position report information about the Hospital's activities. Increases or improvements, as well as decreases or declines in the net position, are one indicator of the financial state of the Hospital. Other non-financial factors that should also be considered include changes in economic conditions, population growth (including uninsured and working poor) and new or changed government legislation.

**South Sunflower County Hospital
Indianola, Mississippi
Management's Discussion and Analysis
September 30, 2022 and 2021**

Net Position

A summary of the Hospital's statements of net position is presented in the following table:

<i>September 30,</i>	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020
		<i>(Restated)</i>	
Current and other assets	\$ 29,185,368	\$ 38,767,207	\$ 38,036,298
Capital assets	10,244,823	11,058,952	10,692,080
Total assets	39,430,191	49,826,159	48,728,378
Deferred outflows of resources	3,024,295	2,559,296	2,300,614
Long-term debt outstanding	86,363	336,603	285,692
Other liabilities	5,769,028	16,891,227	20,907,301
Net pension liability	24,291,575	19,172,147	24,761,889
Total liabilities	30,146,966	36,399,977	45,954,882
Deferred inflows of resources	1,660,470	5,948,189	-
Net invested in capital assets	9,908,210	10,338,152	10,406,388
Restricted	2,880,599	3,181,550	3,207,759
Unrestricted	(2,141,759)	(3,482,413)	(8,540,037)
Total net position	\$ 10,647,050	\$ 10,037,289	\$ 5,074,110

Fiscal Year Ended September 30, 2022

Total assets decreased by \$10,395,968 in 2022. The most significant component in the change in the Hospital's assets for 2022 relates to the decrease in patient accounts receivable and cash and cash equivalents.

Total liabilities decreased \$6,253,011 in 2022, which is primarily attributable to the decrease unearned revenue from CARES Act funding offset by the increase in net pension liability.

Fiscal Year Ended September 30, 2021

Total assets increased by \$1,097,781 in 2021. The most significant component in the change in the Hospital's assets for 2021 relates to an increase in patient accounts receivable.

Total liabilities decreased \$9,554,905 in 2021, which is primarily attributable to the decrease in net pension liability and unearned revenue from CARES Act funding.

South Sunflower County Hospital
Indianola, Mississippi
Management's Discussion and Analysis
September 30, 2022 and 2021

Summary of Revenue and Expenses

The following table presents a summary of the Hospital's historical revenues and expenses and changes in net position for each of the fiscal years ended September 30, 2022, 2021, and 2020:

<i>For The Years Ended September 30,</i>	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020
		<i>(Restated)</i>	
Net patient service revenue	\$ 25,053,767	\$ 28,031,821	\$ 26,602,900
Other operating revenue	1,566,164	994,340	496,121
Total operating revenue	26,619,931	29,026,161	27,099,021
Salaries and benefits	14,879,895	15,131,152	16,356,899
Depreciation and amortization	1,202,018	1,174,583	819,959
Professional fees, supplies, and maintenance	10,576,759	12,113,900	10,392,978
Total operating expenses	26,658,672	28,419,635	27,569,836
Income (loss) from operations	(38,741)	606,526	(470,815)
Nonoperating revenues (expenses)			
Investment income (loss)	(945,366)	(56,323)	525,266
CARES Act funding	1,614,810	2,304,655	200,000
Gain on extinguishment of PPP loan	-	2,144,200	-
Loss on sale of assets	-	-	(53,400)
Interest expense	(20,942)	(35,879)	(7,534)
Increase (decrease) in net position	\$ 609,761	\$ 4,963,179	\$ 193,517

Operating Revenue

Fiscal Year Ended September 30, 2022

The Hospital derived 94.0 percent of its total operating revenues from net patient service revenues. Such revenues include revenues from the Medicare and Medicaid programs, patients or their third-party carriers who pay for care in the Hospital's facilities.

Fiscal Year Ended September 30, 2021

The Hospital derived 97.0 percent of its total operating revenues from net patient service revenues. Such revenues include revenues from the Medicare and Medicaid programs, patients or their third-party carriers who pay for care in the Hospital's facilities.

**South Sunflower County Hospital
Indianola, Mississippi
Management's Discussion and Analysis
September 30, 2022 and 2021**

The following table represents the Hospital's relative percentage of gross charges billed for patient services by payor for the fiscal years ended September 30, 2022, 2021, and 2020:

<i>For The Years Ended September 30,</i>	Fiscal Year 2022	Fiscal Year 2021	Fiscal Year 2020
Medicare	45%	45%	46%
Medicaid	24%	25%	23%
Commercial	21%	21%	17%
Other	10%	10%	14%
	100%	101%	100%

OPERATING AND FINANCIAL PERFORMANCE

The following summarizes changes in the Hospital's statements of revenues, expenses and changes in net position for 2022 as compared to 2021:

Fiscal Year Ended September 30, 2022

- Total admissions decreased from previous year, and there was a decrease in total patient days. The Hospital patient days and admissions are 4,501 and 750, respectively. This is a decrease of 11.7 percent and decrease of 10.6 percent, respectively, from 2021.
- Net patient service revenues decreased as stated in the financial highlights. Operating expenses decreased as a result of a decrease in professional fees. Gross patient service revenue decreased to \$46,989,465 from \$48,877,540 in the prior year.
- Salaries and wages and employee benefits expense decreased \$251,257 or 1.7 percent from the prior year.
- Investment income decreased \$889,043 from prior year due to decreases in the market values.

Fiscal Year Ended September 30, 2021

- Total admissions decreased from previous year, and there was a decrease in total patient days. The Hospital patient days and admissions are 5,010 and 839, respectively. This is a decrease of 7.4 percent and decrease of 8 percent, respectively, from 2020.
- Net patient service revenues increased as stated in the financial highlights. Operating expenses increased as a result of an increase in professional fees. Gross patient service revenue increased to \$48,877,540 from \$47,877,872 in the prior year.
- Salaries and wages and employee benefits expense decreased \$1,225,747 or 7.6 percent from the prior year.
- Investment income decreased \$587,580 from prior year due to decreases in the market values.

South Sunflower County Hospital
Indianola, Mississippi
Management's Discussion and Analysis
September 30, 2022 and 2021

CASH FLOWS

Changes in the Hospital's cash flows are consistent with changes in operating income losses and changes in net position discussed earlier.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

While the annual budget of the Hospital is not presented within these financial statements, the Hospital's Board and management considered many factors when setting the fiscal year 2022 budget. While the financial outlook for the Hospital is stable, of primary importance in setting the 2023 budget is the status of the economy and the healthcare environment, which takes into account market forces and environmental factors such as:

- Medicare reimbursement changes,
- Increased number of uninsured and working poor,
- Ongoing competition for services,
- Workforce shortages primarily in nursing and other clinically skilled positions,
- Cost of supplies, including pharmaceuticals,
- Impact of Healthcare Reform as it relates to reimbursement and employee health insurance coverage, and potential repeals or replacements due to political changes.

IMPACT OF COVID-19

South Sunflower County Hospital, as have all of the healthcare facilities in the United States, has been and continues to be significantly impacted by the spread of the Coronavirus Disease 2019 (Covid- 19) pandemic. Since the Public Health Emergency declaration by the President of the United States on March 13, 2020, the Hospital has experienced and continues to experience a significant reduction in services provided in our hospital, physician clinics, home care agencies and nursing homes. Elective surgeries were suspended for a period of time and have yet achieved the service levels of the prior fiscal year. Health care professionals have raised concerns that patients are forgoing important care, such as chronic disease management, which can further jeopardize their health and as an additional consequence, reductions in revenue for health systems are anticipated in the future until the pandemic subsides.

The Hospital received under the CARES Act \$11.6 million in relief funds and \$3.4 million in Medicare accelerated payments. As of September 30, 2022, the Hospital repaid the \$3.4 million of Medicare accelerated payments, and returned \$7.2 million of the \$11.6 million of the CARES Act funding. The amount outstanding is recorded as revenue or as a unearned revenue in the financial statements.

For more detail on the Covid-19 pandemic, see the notes to the financial statements.

CONTACTING THE HOSPITAL FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances. If you have any questions about this report or need additional financial information, please contact the Hospital's Business office at South Sunflower County Hospital, 121 Baker Street, Indianola, MS 38751.



FINANCIAL STATEMENTS



South Sunflower County Hospital
Indianola, Mississippi
Statements of Net Position

<i>September 30,</i>	2022	2021 <i>(Restated)</i>
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 12,882,918	\$ 20,164,347
Patient accounts receivable, net of allowance for doubtful accounts of \$8,471,900 in 2022 and \$6,901,009 in 2021	4,629,969	5,188,493
Estimated third-party payor settlements	259,761	1,159,551
Inventories	500,140	457,744
Prepaid expenses	213,732	159,170
Current portion of notes receivable	270,278	109,801
Current portion of lease receivable	48,141	46,837
Other current assets	626,806	444,782
Total current assets	19,431,745	27,730,725
Noncurrent investments:		
Internally designated by Board for capital improvements	6,683,625	7,353,547
Restricted for self-insurance claims	2,880,599	3,181,550
Total noncurrent cash and investments	9,564,224	10,535,097
Capital assets, net	10,244,823	11,058,952
Lease receivable, net of current portion	83,232	127,519
Long-term notes receivable	106,166	373,866
Total assets	39,430,190	49,826,159
Deferred outflows of resources	3,024,295	2,559,296
Total assets and deferred outflows of resources	\$ 42,454,485	\$ 52,385,455

Continued

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

South Sunflower County Hospital
Indianola, Mississippi
Statements of Net Position

<i>September 30,</i>	2022	2021
		<i>(Restated)</i>
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Current portion of leases payable	\$ 250,251	\$ 384,197
Accounts payable	1,394,424	1,327,039
Accrued salaries and compensated absences	1,280,062	2,275,421
Other accrued liabilities	399,154	199,678
Self-insurance claims	615,235	232,276
Total current liabilities	3,939,126	4,418,611
Leases payable, less current portion	86,362	336,603
Accrued self-insurance claims, less current portion	1,516,044	2,507,595
Unearned revenue from CARES Act funding	313,858	9,965,021
Net pension liability	24,291,575	19,172,147
Total liabilities	30,146,965	36,399,977
Deferred inflows of resources		
Pension	1,529,097	5,773,833
Leases	131,373	174,356
Total deferred inflows of resources	1,660,470	5,948,189
Net position (deficit):		
Net investment in capital assets	9,908,210	10,338,152
Restricted - expendable for self-insurance	2,880,599	3,181,550
Unrestricted deficit	(2,141,759)	(3,482,413)
Total net position	10,647,050	10,037,289
Total liabilities, deferred inflows of resources, and net position	\$ 42,454,485	\$ 52,385,455

Concluded

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

South Sunflower County Hospital
Indianola, Mississippi

Statements of Revenues, Expenses and Changes in Net Position

<i>For the years ended September 30,</i>	2022	2021
		<i>(Restated)</i>
Operating Revenue		
Net patient service revenue, net of provision for bad debts of \$4,033,230 in 2022 and \$4,055,102 in 2021	\$ 25,053,767	\$ 28,031,821
Other operating revenue	1,566,164	994,340
Total operating revenue	26,619,931	29,026,161
Operating Expenses		
Salaries and wages	11,646,729	12,425,423
Employee benefits	3,233,166	2,705,729
Professional fees	5,996,389	7,402,815
Supplies and other	3,488,767	3,655,228
Maintenance and utilities	1,091,603	1,055,857
Depreciation and amortization	1,202,018	1,174,583
Total operating expenses	26,658,672	28,419,635
Operating income (loss)	(38,741)	606,526
Nonoperating Revenue (Expenses)		
Investment income (loss)	(945,366)	(56,323)
CARES Act funding	1,614,810	2,304,655
Gain on extinguishment of PPP loan	-	2,144,200
Interest expense	(20,942)	(35,879)
Total nonoperating revenue	648,502	4,356,653
Increase in net position	609,761	4,963,179
Net Position - beginning of year	10,037,289	5,074,110
Net Position - end of year	\$ 10,647,050	\$ 10,037,289

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

South Sunflower County Hospital
Indianola, Mississippi
Statements of Cash Flows

<i>For the years ended September 30,</i>	2022	2021 <i>(Restated)</i>
Operating Activities		
Receipts from and on behalf of patients	\$ 24,262,144	\$ 26,725,360
Payments to suppliers and contractors	(11,090,248)	(11,066,544)
Payments to employees	(15,465,561)	(15,132,814)
Other receipts and payments, net	1,566,164	1,000,331
Net cash provided by (used in) operating activities	(727,501)	1,526,333
Noncapital Financing Activities		
Payments/Recoupments of CARES Act funding	(7,401,227)	(953,495)
Proceeds from CARES Act funding	1,614,810	347,709
Net cash provided by (used in) noncapital financing activities	(5,786,417)	(605,786)
Capital and Related Financing Activities		
Principal payments on leases payable	(384,187)	(399,006)
Interest paid on leases payable	(20,942)	(35,879)
Purchases of capital assets	(387,889)	(707,341)
Net cash provided by (used in) capital and related financing activities	(793,018)	(1,142,226)
Investing Activities		
Interest on investments	25,507	14,678
Net cash provided by (used in) investing activities	25,507	14,678
Net increase (decrease) in cash and cash equivalents	(7,281,429)	(207,001)
Cash and Cash Equivalents - beginning of year	20,164,347	20,371,348
Cash and Cash Equivalents - end of year	\$ 12,882,918	\$ 20,164,347

Continued

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

South Sunflower County Hospital
Indianola, Mississippi
Statements of Cash Flows

<i>For the years ended September 30,</i>	2022	2021
		<i>(Restated)</i>
Reconciliation of Income (loss) to Net		
Cash Provided by (Used In) Operating Activities:		
Income (loss) from operations	\$ (38,741)	\$ 612,517
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,202,018	1,174,583
Provision for bad debts	4,033,230	4,055,102
Changes in assets and liabilities:		
Patient accounts receivables	(3,474,706)	(4,736,124)
Inventories	(42,396)	22,877
Estimated third-party payor settlements	899,789	(625,439)
Prepays and other current assets	(129,362)	443,038
Accounts payable	67,385	179,552
Accrued salaries and compensated absences	(995,359)	72,929
Other accrued expenses	(409,116)	401,889
Deferred revenues	(2,249,936)	-
Net pension liability and related deferred inflows/outflows	409,693	(74,591)
Net cash provided by (used in) operating activities	\$ (727,501)	\$ 1,526,333
Noncash Investing, Capital and Financing Activities		
Gain on extinguishment of PPP loan	\$ -	\$ 2,144,200
		Concluded

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

**South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements**

Note 1: DESCRIPTION OF HOSPITAL

Nature of Operations and Reporting Entity

South Sunflower County Hospital (the "Hospital") is a public hospital created to serve the medical needs of Indianola, Mississippi, and the surrounding area established by Sunflower County ("the County") as a special purpose government entity under the laws of the State of Mississippi. The Hospital is owned by Sunflower County and is governed by a Board of Trustees pursuant to Sections 41-13-15 et. Seq. of Mississippi Code of 1972, as amended. Because of the relationship between the Hospital and Sunflower County, the Hospital has been defined as a component unit of the County.

The Hospital provides inpatient, outpatient and emergency care services primarily for residents of the County and the surrounding area. Admitting physicians are primarily practitioners in the same area. The Hospital is currently licensed to operate 49 inpatient beds and 30 swing beds.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Hospital prepares its financial statements as a business-type activity in conformity with the applicable pronouncements of the Governmental Accounting Standards Board (GASB). The accompanying financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenue, expenses, gains, losses, assets, 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 nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met.

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.

Estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payor settlements. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Hospital is self-funded for workers compensation, health, and general and professional liabilities.

The Hospital considers the need for recording a liability for malpractice claims. The provision for estimated malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Noncurrent Investments

The Hospital's investments consist of external investment pools and are reported at net asset value per share which approximates fair value. Interest, dividends and gains and losses on investments, both realized and unrealized, are included in nonoperating income when earned.

Noncurrent investments include assets set aside by the Board of Trustees for future capital improvements as well as assets externally restricted for use in its self-insurance program. The Board retains control of the funds set aside for future capital improvements and may, at its discretion, subsequently use them for other purposes.

Fair Value Measurements

The Hospital categorizes its fair value measurements, if any, within the fair value hierarchy established by generally accepted accounting principles. The guidance establishes a hierarchy of inputs to valuation techniques used to measure fair value into three levels.

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.
- Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable, Net

Patient accounts receivable are reduced by estimated contractual and other adjustments and estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debts. Management reviews data about these major payor sources of revenue on a monthly basis in evaluating the sufficiency of the allowances. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as 'self-pay'), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal years 2022 and 2021 and did not have significant write-offs from third-party payors related to collectability in fiscal years 2022 or 2021.

Inventories

Inventories, which consist primarily of medical supplies and drugs, are stated at the lower of cost (based on the first-in, first-out method), or market.

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Receivables

The Hospital is a lessor for noncancellable leases of Hospital property. The Hospital recognizes a lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. Under the lease agreements, the Tribe may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The Hospital uses the stated rate in the lease or its estimated incremental borrowing rate as the discount rate for the leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Hospital monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lease Payable

The Hospital is the lessee for one noncancellable lease of equipment. The Hospital recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements.

At the commencement of a lease, the Hospital initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, 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.

Key estimates and judgments related to leases include how the Hospital determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Hospital uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Hospital generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Hospital is reasonably certain to exercise.

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

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Payable (continued)

Lease assets are reported with other capital assets and lease liabilities are reported as current and long term liabilities on the Statement of Net Position.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift, except for intangible right to use lease assets. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under lease obligations and leasehold improvements are depreciated or amortized over the shorter of the lease term or their respective estimated useful lives. Depreciation on capital assets is calculated using the straight-line method over the estimated useful lives of the assets, as determined utilizing "Estimated Useful Lives of Depreciable Hospital Assets, Revised 2018 Edition" published by the American Medical Center Association.

Asset Class	Year
Land improvements	5 - 20
Buildings and improvements	5 - 40
Medical equipment	3 - 20
Furniture and fixtures	3 - 20
Right to use assets - equipment	5 - 7

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the statement of revenues, expenses and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs are charged to expense when incurred.

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the years ended September 30, 2022 and 2021.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Hospital employees can accumulate earned time off, which is vested with the employee and upon termination is payable under certain circumstances. All vested compensated absences are recorded as of the statements of net position date.

Pensions

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position have been determined on the same basis as reported by the respective defined benefit pension plans. The Hospital recognizes benefit payments when due and payable in accordance with benefit terms. Invested assets are reported at fair value.

Net Position

Net position of the Hospital is classified in three components, as follows:

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 net position – made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

Unrestricted net position – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Operating Revenue and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, which is the Hospital's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. 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 or as years are no longer subject to such audits, reviews, and investigations.

The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program, and in recent years there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor (“RAC”) and Medicaid Integrity Contractor (“MIC”) programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC’s have authority to pursue ‘improper’ (in their judgment) payments with a three year look back from the date the claim was paid.

Charity Care

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital’s charity care policy was approximately \$74,866 and \$57,991 for the years ended September 2022 and 2021, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$13,326 and \$10,322, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital’s cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

Grants and Contributions

From time to time, the Hospital receives grants from governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized as nonoperating revenues 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.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

The Hospital is required by statute of the State of Mississippi to prepare a non-appropriated annual budget. The budget is not subject to the appropriation and is, therefore, not required to be presented as supplementary information.

The Hospital monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payor industry

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may arise in the future, could have a material adverse impact on the Hospital's financial position and operating results.

Income Taxes

The Hospital is a governmental entity and, as such, is exempt from federal and state income taxes.

Pronouncements Recently Adopted

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). This statement provides guidance for lease contracts for nonfinancial assets – including vehicles, heavy equipment and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses). The lease definition now focuses on a contract that conveys control of the right to use another entity's nonfinancial assets, which is referred to in the new Statement as the underlying asset. Under GASB 87, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements. This Statement was adopted during the year ended September 30, 2022 on a retrospective basis (see Note 3).

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Recently Adopted (continued)

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement was adopted during the year ended September 30, 2022, and did not have a material effect on the Hospital's financial statements.

In January 2020, the GASB issued statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement was adopted during the year ended September 30, 2022, and did not have a material effect on the Hospital's financial statements.

In June 2020, the GASB issued statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. This Statement was adopted during the year ended September 30, 2022, and did not have a material effect on the Hospital's financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement was adopted during the year ended September 30, 2022, and did not have a material effect on the Hospital's financial statements.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Medical Center upon implementation. Management has not yet evaluated the effect of implementation of these standards.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This Statement is effective for fiscal years beginning after June 15, 2022.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 13, 2023 and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 3: RESTATEMENT DUE TO ADOPTION OF NEW ACCOUNTING PRINCIPLE

During the year ended September 30, 2022, the Hospital implemented GASB Statement No. 87, *Leases* (GASB 87), effective October 1, 2020. The lease definition now focuses on a contract that conveys control of the right to use another entity's nonfinancial assets, which is referred to in the new Statement as the underlying asset. Under GASB 87, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements. As it relates to lessee activities, the Hospital has recorded a right of use asset included in capital assets on the accompanying statements of net position, and a lease obligation on the accompanying statement of net position.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 3: RESTATEMENT DUE TO ADOPTION OF NEW ACCOUNTING PRINCIPLE (Continued)

The following changes have been made to the September 30, 2021 amounts reported prior to the adoption of GASB 87 on the accompanying financial statements:

	Restated after Adoption of GASB 87	As Originally Reported Prior to Adoption of GASB 87
<i><u>Statements of Net Position</u></i>		
Right of use assets, net	\$ 521,030	\$ -
Lease receivable	174,356	-
Lease obligation	521,030	-
Deferred inflows of resources, leases	174,356	-
<i><u>Statements of Revenues, Expenses and Changes in Net Position</u></i>		
Other operating revenue	\$ 994,340	\$ 1,000,331
Investment income (loss)	5,991	-
Supplies and Other	3,655,228	3,994,972
Depreciation and amortization	1,174,583	861,499
Interest expense	35,879	9,219
<i><u>Statements of Cash Flows</u></i>		
Payments to suppliers and contractors	\$ (11,066,544)	\$ (11,406,288)
Principal payments on lease obligations	(371,902)	(58,818)
Interest paid on lease obligations	(33,226)	(6,566)
Depreciation and amortization	1,174,583	861,499
Income (loss) from operations	1,213,249	1,186,589

Note 4: CASH DEPOSITS AND INVESTMENTS

As of September 30, 2022 and 2021, the deposits and investments of the Hospital consisted of the following:

<i>September 30,</i>	2022	2021
Petty cash and deposited cash	\$ 1,755	\$ 1,755
Cash deposits with financial institutions	12,881,163	20,162,592
MHA external investment pools	9,564,224	10,535,097
Total deposits and investments	\$ 22,447,142	\$ 30,699,444

**South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements**

Note 4: CASH DEPOSITS AND INVESTMENTS (Continued)

Deposits and investments are included in the following statement of net position captions:

<i>September 30,</i>	2022	2021
Cash and cash equivalents	\$ 12,882,918	\$ 20,164,347
Investments	9,564,224	10,535,097
Total deposits and investments	\$ 22,447,142	\$ 30,699,444

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits might not be recovered. The collateral for public entities' deposits in financial institutions are 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 Hospital'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 Depository Insurance Corporation ("FDIC"). All deposits with financial institutions must be collateralized in an amount equal to 105 percent of uninsured deposits and are therefore fully insured. The bank balance of the collateralized and insured balances was \$13,218,143 and \$21,331,282 at September 30, 2022 and 2021, respectively.

Investments

The statutes of the State of Mississippi restrict the authorized investments of the Hospital to obligations of the U. S. Treasury, agencies and instrumentalities of the United States and certain other types of investments. The Mississippi Hospital Association ("MHA") investment pool is the result of an amendment to the Mississippi Code of 1972 passed in the 1999 and 2000 sessions of the Mississippi Legislature. This law expanded the investment options and permits the pooling of hospital funds. All Mississippi hospitals are allowed to participate in these funds. Pooled funds are invested in authorized investments and are managed by approved investment advisors. The external investment pools do not have a credit rating on the overall pool and they are not insured.

Interest Rate Risk - The Hospital does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Hospital limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements.

Concentration of Credit Risk - The Hospital has not established asset allocation limits for their investment portfolio to reduce concentrations of credit risk. However, Mississippi Code 27- 105-365 limits the amount of investments in U.S. government agency and instrumentalities to 50% and the amount of investments in open-end and closed-end management-type investment companies and trusts to 20% for all monies invested with maturities of 30 days or longer.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 4: CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

Fair Value - Following is a description of the valuation methodologies used for investments measured at fair value.

- MHA Investment Pool – Valued at the net asset value of shares held by the investment pool.

Note 5: CAPITAL ASSETS

Depreciation and amortization expense for the years ended September 30, 2022 and 2021 totaled \$1,202,018 and \$1,174,583, respectively. Capital asset additions, retirements and balances for the year ended September 30, 2022, were as follows:

<i>September 30,</i>	Balance September 30, 2021	Additions	Reductions	Balance September 30, 2022
Capital assets not being depreciated				
Land	\$ 155,336	\$ 35,700	\$ -	\$ 191,036
Total capital assets not being depreciated	155,336	35,700	-	191,036
Capital assets being depreciated				
Land improvements	575,477	7,500	-	582,977
Buildings and improvements	16,652,920	-	-	16,652,920
Fixed equipment	280,384	-	-	280,384
Vehicles	33,611	-	-	33,611
Right of use assets - equipment	1,648,705	-	-	1,648,705
Construction in progress	-	-	-	-
Major moveable equipment	15,747,522	344,689	-	16,092,211
Total capital assets being depreciated	34,938,619	352,189	-	35,290,808
Less accumulated depreciation for				
Land improvements	(327,187)	(29,351)	-	(356,538)
Buildings and improvements	(9,111,099)	(344,471)	-	(9,455,570)
Fixed equipment	(197,040)	(180)	-	(197,220)
Right of use assets - equipment	(710,360)	(471,124)	-	(1,181,484)
Vehicles	(33,611)	-	-	(33,611)
Major moveable equipment	(13,655,706)	(356,892)	-	(14,012,598)
Total accumulated depreciation	(24,035,003)	(1,202,018)	-	(25,237,021)
Capital assets being depreciated, net	10,903,616	(849,829)	-	10,053,787
Capital assets, net	\$ 11,058,952	\$ (814,129)	\$ -	\$ 10,244,823

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 5: CAPITAL ASSETS (Continued)

Capital asset additions, retirements and balances for the year ended September 30, 2021, were as follows:

<u>September 30,</u>	<u>Balance</u> <u>September 30,</u> <u>2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>September 30,</u> <u>2021</u>
Capital assets not being depreciated				
Land	\$ 155,336	\$ -	\$ -	\$ 155,336
Total capital assets not being depreciated	155,336	-	-	155,336
Capital assets being depreciated				
Land improvements	575,477	-	-	575,477
Buildings and improvements	16,652,920	-	-	16,652,920
Fixed equipment	280,384	-	-	280,384
Right of use assets - equipment	1,648,705	-	-	1,648,705
Vehicles	33,611	-	-	33,611
Construction in progress	-	-	-	-
Major moveable equipment	15,040,181	707,341	-	15,747,522
Total capital assets being depreciated	34,231,278	707,341	-	34,938,619
Less accumulated depreciation for				
Land improvements	(298,086)	(29,101)	-	(327,187)
Buildings and improvements	(8,765,996)	(345,103)	-	(9,111,099)
Fixed equipment	(196,860)	(180)	-	(197,040)
Right of use assets - equipment	(313,562)	(396,798)	-	(710,360)
Vehicles	(33,611)	-	-	(33,611)
Major moveable equipment	(13,252,305)	(403,401)	-	(13,655,706)
Total accumulated depreciation	(22,860,420)	(1,174,583)	-	(24,035,003)
Capital assets being depreciated, net	11,370,858	(467,242)	-	10,903,616
Capital assets, net	\$ 11,526,194	\$ (467,242)	\$ -	\$ 11,058,952

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 6: OTHER CURRENT ASSETS

The composition of other current assets at September 30, 2022 and 2021 was as follows:

<i>September 30,</i>	2022	2021
Escrow deposit	\$ 18,750	\$ 18,750
Other receivables	585,344	403,320
Insurance subscriber savings	22,712	22,712
Total other current assets	\$ 626,806	\$ 444,782

Note 7: LONG-TERM LIABILITIES

The Hospital was obligated under two leases at September 30, 2022 at interest rate of 3.85 percent. A summary of leases payable, at September 30, 2022 and 2021 follows:

<i>September 30,</i>	2022	2021
Lease obligation, interest rate of 2.99%, monthly payments of \$2,054, matured October 2021, collateralized by leased equipment.	\$ -	\$ 2,049
Lease obligation, interest rate of 3.85%, monthly payments of \$4,936, maturing April 2025, collateralized by leased equipment.	140,951	197,721
Lease obligation, interest rate of 3.85%, monthly payments of \$28,312, maturing March 2023, collateralized by leased equipment	195,662	521,030
Total	336,613	720,800
Less: current portion	250,251	384,197
Lease obligations, less current maturities	\$ 86,362	\$ 336,603

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 7: LONG-TERM LIABILITIES (Continued)

Scheduled principal and interest payments on future minimum lease payments are as follows:

<i>Year ending September 30,</i>	Principal	Interest
2023	\$ 250,251	\$ 7,170
2024	56,731	2,507
2025	29,631	440
Total	\$ 336,613	\$ 10,117

A schedule of changes in the Hospital's long-term liabilities for the year ended September 30, 2022 and 2021 are as follows:

	Balance September 30, 2021	Additions	Retirements	Balance September 30, 2022	Due Within One Year
Leases payable	\$ 720,800	\$ -	\$ (384,187)	\$ 336,613	\$ 250,251
Compensated absences	325,078	287,924	(325,078)	287,924	287,924
Self-insurance claims	2,739,871	884,983	(1,493,574)	2,131,280	615,235
Total long-term debt	\$ 3,785,749	\$ 1,172,907	\$ (2,202,839)	\$ 2,755,817	\$ 1,153,410

	Balance September 30, 2020	Additions	Retirements	Balance September 30, 2021	Due Within One Year
Leases payable	\$ 1,119,806	\$ -	\$ (399,006)	\$ 720,800	\$ 384,197
Compensated absences	356,994	325,078	(356,994)	325,078	325,078
Self-insurance claims	2,391,436	1,861,848	(1,513,413)	2,739,871	232,276
Total long-term debt	\$ 3,868,236	\$ 2,186,926	\$ (2,269,413)	\$ 3,785,749	\$ 941,551

Note 8: PENSION PLAN

Plan Description

The Hospital contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS administers a cost-sharing, multiple employer defined benefit pension plan as defined in GASB 67, *Financial Reporting for Pensions*.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 8: PENSION PLAN (Continued)

Benefits Provided

For the cost-sharing plan, 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 2.00 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 2.50 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

Contributions

Hospital employees, as members of PERS, are required to contribute 9 percent of their annual covered salary, and the Hospital is required to contribute at an actuarially determined rate. The rate contributed by the Hospital was 17.40 percent of annual covered payroll as of September 30, 2022 and 2021, respectively. Combined contributions are expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Hospital's contributions to PERS for each of the years ended September 30, 2022 and 2021, were approximately \$1,393,086 and \$1,500,700, respectively, and were equal to the required contributions for each year.

Vesting Period

In 2007, the Mississippi Legislature amended PERS to change the vesting period from four to eight years for members who entered the system after July 1, 2007. Members who entered PERS prior to July 1, 2007 are still subject to the four year vesting period provided that those members do not subsequently withdraw their account balance.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2022 and 2021, the Hospital reported a liability for its proportionate shares of the net pension liabilities of PERS. The net pension liability was measured as of June 30, 2022 and 2021, for fiscal years ended September 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and 2020. The Hospital's proportion of the net pension liability was based on a projection of the Hospital's long-term share of contributions to the pension plan relative to the projected contributions of all participating PERS members, actuarially determined.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 8: PENSION PLAN (Continued)

Pension Liabilities and Pension Expense (continued)

<u>September 30,</u>	<u>2022</u>	<u>2021</u>
Net pension liability	\$ 24,291,575	\$ 19,172,147
Proportion at:		
Current measurement date	0.118014%	0.129713%
Prior measurement date	0.129713%	0.127910%
Pension expense	\$ 1,805,473	\$ 1,401,861

Deferred Outflows/Inflows of Resources Related to Pensions

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

<u>September 30,</u>	<u>2022</u>	<u>2021</u>
Deferred outflows of resources		
Net difference between projected and actual earnings on pension plan investments	\$ 1,275,912	\$ -
Difference between expected and actual experience	343,952	306,562
Changes of assumptions	840,152	1,475,287
Changes in proportionate share of net pension liability	197,117	389,716
Pension contributions subsequent to measurement date	367,162	387,731
Total deferred outflows of resources	\$ 3,024,295	\$ 2,559,296

<u>September 30,</u>	<u>2022</u>	<u>2021</u>
Deferred inflows of resources		
Difference between expected and actual experience	\$ -	\$ 5,773,833
Changes in proportionate share of net pension liability	1,529,097	-
Total deferred inflows of resources	\$ 1,529,097	\$ 5,773,833

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2023. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 8: PENSION PLAN (Continued)

Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Year ending September 30,

2023	\$ 332,488
2024	82,076
2025	(604,657)
2026	1,318,129
Total	\$ 1,128,036

Actuarial Assumptions

The net pension liability was measured as of June 30, 2022 and 2021 for fiscal years ended September 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and 2020. The individual entry age normal actuarial cost method was used for the plan along with the following significant actuarial assumptions:

<i>Year ending September 30,</i>	2022	2021
Inflation	2.40%	2.40%
Salary increase	2.65-17.90%	2.65-17.90%
Investment rate of return	7.55%	7.55%
Discount rate	7.55%	7.55%

Actuarial Assumptions for June 30, 2021 and 2020 Actuarial Valuation

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four year period July 1, 2017 to June 30, 2021.

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95 percent of male rates up to age 60, 110% for ages 61 to 75 and 101 percent for ages above 77. For females, 84 percent of the female rates up to age 72 and 100 percent for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree with some adjustments, such as, for males, 134 percent of male rates at all ages; for females, 121 percent of female rates at all ages; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75 percent to 2.40 percent, and
- The wage inflation assumption was reduced from 3.00 percent to 2.65 percent.
- The investment rate of return assumption was changed from 7.75 percent to 7.55 percent.

**South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements**

Note 8: PENSION PLAN (Continued)

Actuarial Assumptions for June 30, 2021 and 2020 Actuarial Valuation (continued)

- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9.00 percent to 12.00 percent.
- The percentage of active member deaths assumed to be in the line of duty was decrease from 6.00 percent to 4.00 percent.

There were no changes in actuarial assumptions from the June 30, 2020 valuation impacting the 2021 pension expense and the related deferred outflows.

Actuarial Assumptions

The differences between expected and actual pension experience and the changes in proportionate share of net pension liability and the change of assumptions is being amortized over a closed period of 3.73 and 3.66 for the years 2021 and 2022, respectively. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of five years.

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 returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	27%	4.60%
International equity	22%	4.50%
Global equity	12%	4.80%
Fixed income	20%	-0.25%
Real estate	10%	3.75%
Private equity	8%	6.00%
Cash	1%	-1.00%
Total	100%	

**South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements**

Note 8: PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability at September 30, 2022 and 2021 was 7.55%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate (9.00 percent) and that contributions from the Hospital will be made at contractually required rates (17.40 percent). 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.

Sensitivity Analysis

The following tables demonstrates the sensitivity of the net pension liability as of September 30, 2022 and 2021, respectively, to changes in the discount rate. The sensitivity analysis shows the impact to the Hospital's proportionate share of the net pension liability if the discount rate that was 1.00% higher or 1.00% lower than the current discount rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
<i>September 30, 2022</i>			
Hospital's proportionate share of the net pension liability	\$ 31,702,987	\$ 24,291,575	\$ 18,181,244

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
<i>September 30, 2021</i>			
Hospital's proportionate share of the net pension liability	\$ 27,152,257	\$ 19,172,147	\$ 12,595,904

Pension Plan Fiduciary Net Position

PERS issues a publicly available financial report that includes financial statements and required supplementary information. This information may be obtained by contacting PERS by mail at 429 Mississippi Street, Jackson, MS 39201, by phone at 1-800-444-7377 or by website at www.pers.ms.gov. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 9: NET INVESTMENT IN CAPITAL ASSETS

The Hospital's net investment in capital assets, as presented on the accompanying statements of net position is calculated as follows:

<i>September 30,</i>	2022	2021
Capital assets	\$ 35,481,844	\$ 35,093,955
Less accumulated depreciation	(25,237,021)	(24,035,003)
Less debt outstanding related to capital assets	(336,613)	(720,800)
Net investment in capital assets	\$ 9,908,210	\$ 10,338,152

Note 10: NET PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification system that is based on clinical, diagnostic and other factors. Outpatient services related to Medicare beneficiaries are reimbursed through a prospective payment system commonly known as Ambulatory Payment Classification (APC). Under the APC system, certain medical devices and drugs are reimbursed at cost or average wholesale price. Long-term care services are reimbursed under a prospective payment system that considers the Medicare beneficiaries severity of illness among other clinical factors. Inpatient nonacute services are paid based on a prospective payment system.

The Hospital is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission and review by the fiscal intermediary of annual cost reports.

Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective reimbursement methodology known as an APR-DRG system. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective reimbursement methodology known as an APC system.

Other - 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.

Mississippi Intergovernmental Transfer Program - The Hospital participates in the Mississippi Intergovernmental Transfer Program as a Medicaid Disproportionate Share Hospital (DSH), and in the Mississippi Hospital Access Payment (MHAP). Under these programs, the Hospital receives enhanced reimbursement through a matching mechanism.

**South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements**

Note 10: NET PATIENT SERVICE REVENUE (Continued)

The MHAP Program is administered by the Division of Medicaid (DOM) through the Mississippi CAN coordinated care organizations (CCO). The CCO's subcontract with Hospitals throughout the state for distribution of MHAP payments for the purpose of protecting patient access to hospital care. DSH and MHAP payments and the associated taxes are distributed and collected in equal monthly installments. MHAP amounts are shown as a reduction of contractual adjustments and are recorded net of related taxes paid.

<i>Years ended September 30,</i>	2022	2021
MHAP revenue, gross	\$ 3,436,030	\$ 4,126,013
MHAP assessment	(339,643)	(691,957)
MHAP revenue, net of assessment	\$ 3,096,387	\$ 3,434,056

Medicare and Medicaid Laws and Regulations - Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result of those interpretations, the 2022 and 2021 net patient service revenue increased approximately \$-0- and \$807,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated.

The composition of net patient service revenue was as follows:

<i>Years ended September 30,</i>	2022	2021
Gross patient service revenue	\$ 46,989,465	\$ 48,877,540
Less provisions for		
Contractual adjustments under the third-party reimbursement programs and other deductions	17,902,468	16,790,617
Provision for bad debts	4,033,230	4,055,102
Net patient service revenue	\$ 25,053,767	\$ 28,031,821

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 10: NET PATIENT SERVICE REVENUE (Continued)

Nonoperating Income

Additional funding for the Public Health and Social Services Emergency Fund (“Relief Fund”) was among the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which was signed into law on March 27, 2020, and other legislation. In the year ended September 30, 2022 and 2021, the Hospital received cash payments and recognized nonoperating income of \$1,614,810 and \$4,395,855 due to grants from the Relief Fund and state grant programs, which is reported as nonoperating income in the Hospital’s accompanying statement of revenues, expenses, and changes in net position at September 30, 2022 and 2021. The Hospital has deferred \$313,858 million and \$9,965,021 of payments, which is recorded in unearned revenue on the statement of net position at September 30, 2022 and 2021, respectively. Payments from the Relief Fund are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost operating revenues and COVID-related costs, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider. The Hospital recognizes grant payments as income when there is reasonable assurance of compliance with the conditions associated with the grant. Hospital’s estimates could change materially in the future based on Hospital’s operating performance or COVID-19 activities at individual locations, as well as the evolving grant compliance guidance provided by the government.

The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation

The CARES Act and the Paycheck Protection Program and Health Care Enhancement Act (“Paycheck Protection Program”), which was signed into law on April 24, 2020, authorized up to \$2 trillion in government spending to mitigate the economic effects of the COVID-19 pandemic. Below is a brief overview of certain provisions of the CARES Act and related legislation that have impacted and are expected to continue to impact the Hospital’s business. Please note that this summary is not exhaustive, and additional legislative action and regulatory developments may evolve rapidly. There is no assurance that the Hospital will continue to receive or remain eligible for funding or assistance under the CARES Act or similar measures.

Public Health and Social Services Emergency Fund - To address the fiscal burdens on healthcare providers created by the COVID-19 public health emergency, the CARES Act and the Paycheck Protection Program authorized \$175 billion for the Relief Fund. During the year ended September 30, 2020, HHS commenced distribution of Relief Fund monies, later increased by subsequent legislation.

Medicare and Medicaid Payment Policy Changes - The CARES Act and subsequent legislation also alleviates some of the financial strain on hospitals, physicians, and other healthcare providers and states through a series Medicare and Medicaid payment policies that temporarily increase Medicare and Medicaid reimbursement and allow for added flexibility, as described below.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 10: NET PATIENT SERVICE REVENUE (Continued)

The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation (continued)

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act suspended the sequestration payment adjustment percentage of 2% applied to all Medicare Fee-for-Service (FFS) claims from May 1 through December 31, 2020. The Consolidated Appropriations Act, 2021, extended the suspension period to March 31, 2021. An Act to prevent across-the-board direct spending cuts, and for other purposes, signed into law on April 14, 2021, extended the suspension period to December 31, 2021. The Protecting Medicare and American Farmers from Sequester Cuts Act extended the suspension period through March 31, 2022, and adjusted the sequester to 1% between April 1, 2022 and June 30, 2022. Subsequent to July 1, 2022 the 2% cut was effective.
- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency (set to expire on May 11, 2023) as declared by the Secretary of HHS.
- The scheduled reduction of \$4 billion in federal Medicaid DSH allotments in FFY 2020, as mandated by the Affordable Care Act, is suspended until October 1, 2024. Also, the federal DSH allotment reduction for FFY 2024 is set at \$8 billion for each year through termination in FFY 2027.
- The CARES Act expanded the Medicare Accelerated and Advance payments program, which provides prepayment of claims to providers in certain circumstances, such as national emergencies or natural disasters. Under this measure, providers could request accelerated and advance payments for Medicare Part A and Part B suppliers. Under the Continuing Appropriations Act, 2021 and Other Extensions Act, repayment began one year from the issuance date of each provider or supplier's accelerated or advance payment. After the first 12 months, Medicare will automatically recoup 25 percent of Medicare payments otherwise owed to the provider or supplier for eleven months. At the end of the eleven-month period, recoupment will increase to 50 percent for another six months. If the provider or supplier is unable to repay the total amount of the accelerated or advance payment during this time-period (a total of 29 months), CMS will issue demand letters requiring repayment of any outstanding balance, subject to an interest rate of four percent consistent with the Continuing Appropriations Act, 2021. As of September 30, 2022, the Hospital has repaid all of the accelerated and advanced payments. As of September 30, 2021, the Hospital had repaid \$561,000 in accelerated and advance payments with a balance of \$2.8 million remaining in unearned revenue on the statements of net position.
- A 6.2% increase in the Federal Medical Assistance Percentage ("FMAP") matching funds was instituted to help states respond to the COVID-19 pandemic. The additional funds are available to states from January 1, 2020 through the quarter in which the public health emergency period ends, provided that states meet certain conditions. An increase in states' FMAP leverages Medicaid's existing financing structure, which allows federal funds to be provided to states more quickly and efficiently than establishing a new program or allocating money from a new funding stream. Increased federal matching funds support states in responding to the increased need for services, such as testing and treatment during the COVID-19 public health emergency, as well as increased enrollment as more people lose income and qualify for Medicaid during the economic downturn.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 10: NET PATIENT SERVICE REVENUE (Continued)

The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation (continued)

Because of the uncertainty associated with various factors that may influence the Hospital's future Medicare and Medicaid payments, including future legislative, legal or regulatory actions, or changes in volumes and case mix, there is a risk that the Hospital's estimates of the impact of the aforementioned payment and policy changes will be incorrect and that actual payments received under, or the ultimate impact of, these programs may differ materially from the Hospital's expectations.

Note 11: 340B DRUG PRICING PROGRAM

The Hospital participates in the 340B Drug Pricing Program (340B Program), enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Hospital operates an internal pharmacy and has partnered with a network of participating local pharmacies that dispense the pharmaceuticals to its patients under a contractual arrangement with the Hospital. The Hospital recorded 340B Program revenues of \$5,489,076 and \$4,316,299 for the years ended September 30, 2022 and 2021, respectively, which is included in net patient service revenue in the accompanying statements of revenues, expenses and changes in net position. 340B program expenses of \$3,056,310 and \$2,575,002 for the years ended September 30, 2022 and 2021, respectively, are included in net patient service revenue in the accompanying statements of revenues, expenses and changes in net position.

This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 12: INSURANCE PROGRAMS

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 and employee health, dental and accident benefits. Commercial liability insurance is purchased for most of these risks. However, employee health insurance and certain general and professional liability risks are self-funded as further explained below. The Hospital has accrued for the estimate of self-funded claims.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements

Note 12: INSURANCE PROGRAMS (Continued)

Self-Funded Health Insurance

The Hospital provides health insurance coverage to its employees under a self-funded plan. Health claims are paid by the Hospital as they are incurred and filed by the employee. An estimated liability for claims incurred but not reported or paid is included in the liability for self-insurance claims in the financial statements.

The claims liability at September 30, 2022 and 2021 is based on the requirements of GASB, which requires that liability for claims 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 the amount of the loss can be reasonably estimated.

Changes in the Hospital's claims liability amount for fiscal years 2022 and 2021 were:

Fiscal year	October 1, Claims Liability	Current Year Claims and Changes in Estimates	Current Year Payments	September 30, Claims Liability
2022	\$ 232,276	\$ 1,783,027	\$ (1,400,068)	\$ 615,235
2021	\$ 123,546	\$ 1,528,636	\$ (1,419,906)	\$ 232,276

Medical Malpractice Program

The Hospital maintains a professional and general liability insurance program under a self-funded plan. At year-end, the Hospital accrues for the estimate of losses for malpractice claims outstanding.

As of September 30, 2022 and 2021, this accrual totaled \$1,516,044 and \$2,507,595, respectively. The future assertion of claims for occurrences prior to year-end is reasonably possible and may occur, although is not anticipated.

Changes in the Hospital's claims liability amount, including related legal fees, for the years 2022 and 2021 were as follows:

Fiscal Year	October 1, Claims Liability	Current Year Claims and Changes in Estimates	Current Year Payments	September 30, Claims Liability
2022	\$ 2,507,594	\$ (898,044)	\$ (93,506)	\$ 1,516,044
2021	\$ 2,267,890	\$ 333,211	\$ (93,507)	\$ 2,507,594

The Mississippi Tort Claims Act provides a cap on the amount of damages recoverable against government entities, including governmental medical centers. For claims filed, the amount recoverable is the greater of \$500,000 or the amount of liability insurance coverage that has been retained.

**South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements**

Note 13: 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:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Note 10.

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Accounts Receivable

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The percentage mix of accounts receivable, at net, from patients and major third-party payors at September 30 was as follows:

<i>September 30,</i>	2022	2021
Medicare	31%	35%
Medicaid	20%	18%
Commercial	16%	14%
Other	33%	33%
Total	100%	100%

**South Sunflower County Hospital
Indianola, Mississippi
Notes to Financial Statements**

Note 13: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Patient Service Revenue Under Contract

A summary of revenue for gross patient services under contract with significant third-party payors follows:

	September 30, 2022		September 30, 2021	
	Amount	Percent of Total Gross Patient Revenue	Amount	Percent of Total Gross Patient Revenue
Medicare	\$ 19,324,371	41.1%	\$ 20,301,535	41.5%
Medicaid	11,945,126	25.4%	12,521,249	25.6%
Other	15,719,968	33.5%	16,054,756	32.8%
Total	\$ 46,989,465	100.0%	\$ 48,877,540	100.0%

Note 14: COMMITMENTS AND CONTINGENCIES

COVID-19

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.



REQUIRED SUPPLEMENTARY INFORMATION



**South Sunflower County Hospital
Indianola, Mississippi
Schedules of Proportionate Share of Net Pension Liability
Last 10 Fiscal Years (1)**

Public Employees' Retirement System of Mississippi	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.1180%	0.1297%	0.1279%	0.1267%	0.1252%	0.1187%	0.1184%	0.1254%	0.1298%
Employer's proportionate share of the net pension liability (asset)	\$24,291,575	\$19,172,147	\$24,761,889	\$22,294,659	\$20,824,806	\$19,734,628	\$21,146,696	\$18,932,870	\$15,694,809
Employer's covered payroll	\$ 8,006,244	\$ 8,633,789	\$ 8,620,613	\$ 7,812,684	\$ 8,188,787	\$ 7,728,578	\$ 7,732,235	\$ 7,742,204	\$ 8,357,158
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	303.41%	222.06%	287.24%	285.36%	254.31%	255.35%	273.49%	244.54%	187.80%
Plan fiduciary net position as a percentage of the total pension liability	60.00%	70.00%	59.00%	62.00%	63.00%	61.00%	57.00%	62.00%	67.00%

Notes to schedules:

(1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

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

**South Sunflower County Hospital
Indianola, Mississippi
Schedules of Employer Contributions
Last 10 Fiscal Years**

Public Employees' Retirement System of Mississippi	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,393,086	\$ 1,500,700	\$ 1,496,507	\$ 1,359,407	\$ 1,289,734	\$ 1,217,251	\$ 1,217,827	\$ 1,219,397	\$ 1,316,252
Contributions in relation to the contractually required contribution	1,393,086	1,500,700	1,496,507	1,359,407	1,289,734	1,217,251	1,217,827	1,219,397	1,316,252
Contribution deficiency (excess)	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 8,006,244	\$ 8,633,789	\$ 8,620,613	\$ 7,812,684	\$ 8,188,787	\$ 7,728,578	\$ 7,732,235	\$ 7,742,204	\$ 8,357,158
Contributions as a percentage of covered payroll	17.40%	17.38%	17.36%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

South Sunflower County Hospital
Indianola, Mississippi
Notes to Required Supplementary Information

Note 1: PLAN CHANGES IN BENEFIT TERMS

In fiscal year 2016, the interest rate on employee contributions was changed to the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of 1.0 percent and a maximum rate of 5.0 percent.

Note 2: CHANGES OF ASSUMPTIONS

- The investment rate of return was reduced from 8.00 percent to 7.75 percent in fiscal year 2015, and to 7.55 in fiscal year 2021.
- Price inflation was reduced from 3.50 percent to 3.00 percent in fiscal year 2015, 2.75 percent in 2019, and to 2.40 percent in 2021.
- The wage inflation assumption was reduced from 3.75 percent to 3.25 percent in fiscal year 2017, 3.00 percent in 2019, and to 2.65 percent in fiscal year 2021.
- The percentage of active member disabilities assumed to be in the line of duty was increased in 2017 from 6.00 percent to 7.00 percent. The assumed rate was increased again in 2019 to 9.00 percent and to 12.00 percent in 2021.
- The percentage of active member deaths assumed to be in the line of duty was decreased in 2021 from 6.00 percent to 4.00 percent.
- Administrative expenses were increased from 0.24 to 0.28 percent of payroll in fiscal year 2021.
- Assumed rates of salary increase were adjusted in 2015, 2017, and 2019 to more closely reflect actual and anticipated experience.
- The assumed rate of interest credited to employee contributions was changed from 3.50 percent to 2.00 percent in 2016.
- Withdrawal rates, pre-retirement mortality rates, disability rates, and service retirement rates were adjusted to more closely reflect actual experience in 2015, 2017, 2019, and 2021.
- In 2015, the mortality table for retired life mortality was changed from the RP-2000 Mortality Table to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB.
- In 2017, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2021.
- In 2019, the expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with male rates adjusted to 112.0 percent of male rates from ages 18 to 75 scaled down to 105.0 percent for ages 80 to 119, and female rates adjusted to 85.0 percent of the female rates from ages 18 to 65 scaled up to 102.0 percent for ages 75 to 119. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

South Sunflower County Hospital
Indianola, Mississippi
Notes to Required Supplementary Information

Note 2: CHANGES OF ASSUMPTIONS (Continued)

- In 2021, the adjustments to the PubS.H-2010(B) Retiree Table were changed for males to 95.0 percent of male rates up to age 60, 110.0 percent for ages 61 to 75, and scaled up to 101.0 percent for ages above 77. Adjustments for females were changed to 84.0 percent of female rates up to age 72 scaled up to 100.0 percent for ages above 76. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally. Additionally, an allowance was added for contingent annuitants using the same table adjusted for males to 97.0 percent and females to 110.0 percent for all ages.
- The expectation of disabled mortality was changed from the RP-2000 Disabled Mortality Table to the RP-2014 Disabled Retiree Table in 2015. Small adjustments were also made to the mortality table in 2017. In 2019 the expectation of disabled mortality was changed to the PubT.H-2010 Disabled Retiree Table for disabled retirees, with male rates adjusted to 137.0 percent and female rates adjusted to 115.0 percent. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally. The expectation of disabled mortality was changed to PubG.H-2021 Disabled Table for disabled retirees with males adjusted to 134.0 percent of males rates and females adjusted to 121.0 percent of female rates with projection scale MP-2020 used to project future improvements in life expectancy generationally.



SUPPLEMENTARY INFORMATION



**South Sunflower County Hospital
Indianola, Mississippi
Schedule of Surety Bonds for Officers and Employees
September 30, 2022**

Name	Position	Company	Amount of Bond
Adelaide W. Fletcher	Trustee	Fidelity and Deposit Company of Maryland	\$ 100,000
Wheeler T. Timbs	Trustee	Fidelity and Deposit Company of Maryland	\$ 100,000
Hulbert Lipe	Trustee	EMC Insurance	\$ 100,000
Debbie Woodruff	Trustee	Fidelity and Deposit Company of Maryland	\$ 100,000
Glenda Shedd	Trustee	Fidelity and Deposit Company of Maryland	\$ 100,000
James T. Sample, Jr.	Trustee	EMC Insurance	\$ 100,000
Johnny Phillips	Trustee	EMC Insurance	\$ 100,000
Courtney Phillips	Administrator	EMC Insurance	\$ 100,000



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**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***

Board of Trustees
South Sunflower County Hospital
Indianola, 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 South Sunflower County Hospital (the Hospital), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated April 13, 2023.

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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 financial statements. 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*.

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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Metairie, Louisiana

April 13, 2023