

SOUTH SUNFLOWER COUNTY HOSPITAL
INDIANOLA, MISSISSIPPI
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

SOUTH SUNFLOWER COUNTY HOSPITAL
INDIANOLA, MISSISSIPPI

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September 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
South Sunflower County Hospital
Indianola, Mississippi

We have audited the accompanying financial statements of the business-type activities of South Sunflower County Hospital (the "Hospital"), a component unit of Sunflower County, Mississippi, as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital as of September 30, 2015 and 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the Hospital's Proportionate Share of the Net Pension Liability, and the Schedule of Hospital Contributions and Notes to the Required Supplementary Information on pages 3 – 7, 30, 31 and 32, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The supplementary data presented in Schedules I and II are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 dated February 20, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Fred T Neely + Co

Fred T. Neely & Company, PLLC
Greenwood, Mississippi
February 20, 2016

**SOUTH SUNFLOWER COUNTY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND 2014**

Our discussion and analysis of South Sunflower County Hospital's (the "Hospital") financial performance provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2015 and 2014. Please read in conjunction with the Hospital's financial statements.

Financial Highlights

The Hospital's net position increased \$992,108 or 21.61% in 2015.

The Hospital reported an operating profit of \$781,087 for 2015 and an operating profit of \$751,666 (as restated) for 2014. This was an increase of \$29,421 from 2014 to 2015.

Non-operating revenue (expenses) increased \$170,228 in 2015 compared to 2014.

GASB 68 was implemented for the fiscal year ending September 30, 2015 and is retroactively applied to all periods presented in the financial statements.

Using this Annual Report

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

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

Our analysis of the Hospital's finances begins on page 8. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in it. Net position, which is calculated as the difference between assets and liabilities, measures the Hospital's financial health or financial position. Over time, the increase or decrease in the Hospital's net position is one indicator of whether the Hospital's financial health is improving or deteriorating. Other non-financial factors should also be considered such as changes in patient base, quality of service and local economic factors to assess the overall health of the Hospital.

The Statements of Cash Flows

The Statements of Cash Flows are also required. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities. These statements help explain sources of cash, uses of cash, and the change in the cash balance during the reporting period.

**SOUTH SUNFLOWER COUNTY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND 2014**

The Hospital's Net Position

The Hospital's net position increased \$992,108 or 21.61% in 2015.

GASB 68 was implemented in fiscal year 2015. Fiscal year 2014 has been restated to reflect the implementation of GASB 68.

Table 1: Assets, Liabilities and Net Position

	2015	2014 (Restated)	Amount Change	% Change
Assets:				
Current assets	\$ 9,467,749	\$ 7,807,586	\$ 1,660,163	21.26%
Capital assets, net	8,215,964	6,461,232	1,754,732	27.16%
Other non-current assets	9,975,334	11,657,339	(1,682,005)	-14.43%
Total Assets	<u>27,659,047</u>	<u>25,926,157</u>	<u>1,732,890</u>	6.68%
Deferred Outflows of Resources	<u>2,403,826</u>	<u>541,818</u>	<u>1,862,008</u>	343.66%
Liabilities:				
Current and other liabilities	4,258,955	3,858,243	400,712	10.39%
Long-term liabilities	223,793	-	223,793	N/A
Net pension liability	18,932,870	15,694,809	3,238,061	20.63%
Total Liabilities	<u>23,415,618</u>	<u>19,553,052</u>	<u>3,862,566</u>	19.75%
Deferred Inflows of Resources	<u>1,063,682</u>	<u>2,323,458</u>	<u>(1,259,776)</u>	-54.22%
Net Position:				
Restricted for plant improvements	6,523,213	8,376,733	(1,853,520)	-22.13%
Restricted for liability risk	1,298,723	1,546,133	(247,410)	-16.00%
Investment in capital assets	8,215,964	6,461,232	1,754,732	27.16%
Unrestricted	(10,454,327)	(11,792,633)	1,338,306	-11.35%
Total Net Position	<u>\$ 5,583,573</u>	<u>\$ 4,591,465</u>	<u>\$ 992,108</u>	21.61%

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

	2015	2014
Total unrestricted net position (deficit)	\$ (10,454,327)	\$ (11,792,633)
Less unrestricted deficit in net positions resulting from implementation of GASB No. 68	<u>17,592,721</u>	<u>17,476,443</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 7,138,394</u>	<u>\$ 5,683,810</u>

**SOUTH SUNFLOWER COUNTY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND 2014**

The Hospital's Net Position (Continued)

Total assets increased by \$1,732,890 in 2015. The most significant components in the change in the Hospital's assets for 2015 is an increase in capital assets, net of \$1,754,732 and an increase in current assets of \$1,660,163, resulting from the liquidation of a portion of the MHA pool funds set aside for capital improvements arising from the ongoing renovation project, which increased cash. These increases are offset by a decrease in other-noncurrent assets of \$1,682,005. This decrease is a result of the liquidation of the MHA pools discussed above to cover the cost associated with building improvements and additions currently underway. Total liabilities increased \$3,862,566 in 2015 which is primarily attributable to the increase in net pension liability over the (restated) 2014 amount. This liability was recorded under the guidelines of GASB 68.

Implementation of GASB Statement No. 68 requires the recording of a liability for the Hospital's proportionate share as well as the recording of deferred outflows and inflows of resources on the Statement of Net Position. Fluctuations year over year are attributable to pension expense, amortization of experience gains/losses, assumption gains/losses, difference between projected and actual earnings of plan investments and proportionate share changes and the employer contributions subsequent to measurement date.

Total net position increased by \$992,108 in 2015, which is attributable to an increase of \$1,754,732 in investments in capital assets, increase in unrestricted funds of \$1,338,306, decrease in restricted for liability risk of \$247,410 and a decrease in restricted for plant improvements of \$1,853,520.

The decrease in funds restricted for plant improvements and the increase in funds invested in capital assets is a result of a renovation project for the Hospital. This project is currently underway and more funds have been invested in the purchase of capital assets during 2015. Plans are to add a new addition to the building in the form of a new front entryway, a redesign of the current parking arrangements, as well as surface renovations to most locations within the main building. The front entryway and redesign of the current parking arrangements have been completed. Current estimates from the architects indicate the project will cost approximately \$9,500,000.

Operating Results and Changes in Net Position

In 2015, the Hospital's net position increased by \$992,108 or 21.61% as shown in Table 2.

GASB 68 was implemented in fiscal year 2015. Fiscal year 2014 has been restated to reflect the implementation of GASB 68.

**SOUTH SUNFLOWER COUNTY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND 2014**

Operating Results and Changes in Net Position (Continued)

Table 2: Operating Results and Changes in Net Position

	2015	2014 (Restated)	Amount Change	% Change
<u>Revenues, Grants, and Other Support</u>				
Net patient service revenue	\$ 23,925,274	\$ 20,288,855	\$ 3,636,419	17.92%
Other operating revenue	498,359	1,557,909	(1,059,550)	-68.01%
Total Revenues, Grants, and Other Support	<u>24,423,633</u>	<u>21,846,764</u>	<u>2,576,869</u>	11.80%
<u>Operating Expenses</u>				
Salaries, taxes and retirement	11,288,249	10,367,648	920,601	8.88%
Supplies and small equipment	3,085,037	3,087,257	(2,220)	-0.07%
Fees	3,810,753	3,285,960	524,793	15.97%
Depreciation expense	395,166	396,462	(1,296)	-0.33%
Employee health, welfare, and retirement	2,369,460	1,770,151	599,309	33.86%
Other operating expenses	2,693,881	2,187,620	506,261	23.14%
Total Operating Expenses	<u>23,642,546</u>	<u>21,095,098</u>	<u>2,547,448</u>	12.08%
Operating Profit	<u>781,087</u>	<u>751,666</u>	<u>29,421</u>	3.91%
<u>Non-operating Revenues (Expenses):</u>				
Realized gains (loss) on investment pool	(20,658)	(128,423)	107,765	-83.91%
Investment income on restricted funds	182,993	31,606	151,387	478.98%
Other interest income	8,612	9,187	(575)	-6.26%
Interest expense	(5,252)	-	(5,252)	N/A
Increase (decrease) in unrealized gains on investment pool	45,326	128,423	(83,097)	
Total Non-Operating Revenues (Expenses)	<u>211,021</u>	<u>40,793</u>	<u>170,228</u>	417.30%
Increase in Net Position	<u>992,108</u>	<u>792,459</u>	<u>199,649</u>	25.19%
Net Position - Beginning of Year - as previously reported	4,591,465	22,987,870	(18,396,405)	-80.03%
Prior period adjustment	-	(19,188,864)	19,188,864	-100.00%
Net Position - Beginning of Year - as restated	<u>4,591,465</u>	<u>3,799,006</u>	<u>792,459</u>	20.86%
Net Position - End of Year	<u>\$ 5,583,573</u>	<u>\$ 4,591,465</u>	<u>\$ 992,108</u>	21.61%

**SOUTH SUNFLOWER COUNTY HOSPITAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015 AND 2014**

Operating Results

For year 2015, gross patient service revenue increased \$5,009,384 or 15.75% while adjustments to patient service revenue increased \$1,372,965 or 11.91% resulting in an increase in net patient service revenue of \$3,636,419 or 17.92%. Operating expenses increased \$2,547,448 or 12.08%. Net operating profit increased \$29,421 and non-operating revenues (expenses) increased \$170,228.

This increase is primarily attributable to the introduction of new services provided by the Hospital, such as high acuity and swing bed, and an increase in charge rates, number of patient visits and medical claims.

Year 2015 operating results can be attributed to the following factors:

- A. Increase in gross patient service revenue, especially emergency services and new services such as swing bed, occupational therapy, speech therapy, and an expansion of the physical therapy services offered.
- B. Net patient service revenue increased 17.92%
- C. Operating expenses increased 12.08%

Contacting the Hospital's Financial Management

This financial report is designed to provide the reader with a general overview of the Hospital's finances and to show the Hospital's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Hospital's Business office at South Sunflower County Hospital, 121 Baker Street, Indianola, MS 38751.

**SOUTH SUNFLOWER COUNTY HOSPITAL
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND 2014**

	2015	2014 (Restated)
ASSETS		
Current Assets		
Cash	\$ 4,353,254	\$ 1,937,027
Patients and other receivables - net	4,066,602	3,796,091
Inventory	497,508	398,701
Prepaid expenses	50,411	152,833
Notes receivable	70,140	123,332
Electronic health record incentive receivable	-	1,087,151
Other current assets	429,834	312,451
Total Current Assets	9,467,749	7,807,586
Noncurrent Investments		
Plant fund designated investments	6,523,213	8,376,733
Liability risk investment	2,817,548	2,756,365
Total Noncurrent Investments	9,340,761	11,133,098
Property and Equipment, net	8,215,964	6,461,232
Long-Term Notes Receivables	634,573	524,241
Total Assets	27,659,047	25,926,157
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources - Pensions	2,403,826	541,818
Total Deferred Outflows of Resources	2,403,826	541,818
LIABILITIES		
Current Liabilities		
Accounts payable	925,116	813,282
Accrual for compensated absences	386,119	292,488
Accrued liabilities	1,372,490	1,542,241
Liability for insurance claims	1,518,825	1,210,232
Current portion of long-term debt	56,405	-
Total Current Liabilities	4,258,955	3,858,243
Long-term Debt	223,793	-
Net Pension Liability	18,932,870	15,694,809
Total Liabilities	23,415,618	19,553,052
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources - Pensions	1,063,682	2,323,458
Total Deferred Inflows of Resources	1,063,682	2,323,458
Net Position		
Investment in capital assets	8,215,964	6,461,232
Unrestricted	(10,454,327)	(11,792,633)
Restricted for plant improvements	6,523,213	8,376,733
Restricted for liability risk	1,298,723	1,546,133
Total Net Position	\$ 5,583,573	\$ 4,591,465

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

**SOUTH SUNFLOWER COUNTY HOSPITAL
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u> (Restated)
<u>Revenues, Grants, and Other Support</u>		
Net patient service revenue	\$ 23,925,274	\$ 20,288,855
Other operating revenue	498,359	1,557,909
	<u>24,423,633</u>	<u>21,846,764</u>
<u>Operating Expenses</u>		
Salaries, taxes and retirement	11,288,249	10,367,648
Supplies and small equipment	3,085,037	3,087,257
Fees	3,810,753	3,285,960
Depreciation expense	395,166	396,462
Employee health, welfare, and retirement	2,369,460	1,770,151
Other operating expenses	2,693,881	2,187,620
Total Operating Expenses	<u>23,642,546</u>	<u>21,095,098</u>
Operating Profit	<u>781,087</u>	<u>751,666</u>
<u>Non-operating Revenues (Expenses):</u>		
Realized gains (loss) on investment pool	(20,658)	(128,423)
Investment income on restricted funds	182,993	31,606
Other interest income	8,612	9,187
Interest expense	(5,252)	-
Increase (decrease) in unrealized gains on investment pool	45,326	128,423
Total Non-Operating Revenues (Expenses)	<u>211,021</u>	<u>40,793</u>
Increase in Net Position	<u>992,108</u>	<u>792,459</u>
Net Position - Beginning of Year - as previously reported	4,591,465	22,987,870
Prior period adjustment	-	(19,188,864)
Net Position - Beginning of Year - as restated	<u>4,591,465</u>	<u>3,799,006</u>
Net Position - End of Year	<u>\$ 5,583,573</u>	<u>\$ 4,591,465</u>

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

SOUTH SUNFLOWER COUNTY HOSPITAL
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014 (Restated)
Operating income (loss)	\$ 781,087	\$ 751,666
Prior period restatement - liability risk	-	(1,210,232)
Prior period restatement - pension	-	(17,978,632)
Adjustments to reconcile operating income to net cash flows used in operating activities:		
Interest paid on capital lease	(5,252)	-
Depreciation and amortization	395,166	396,462
(Increase) decrease in accounts receivable	(270,511)	(1,234,689)
(Increase) decrease in inventory	(98,807)	85,281
(Increase) decrease in prepaids	102,422	232,001
(Increase) decrease in electronic health records incentive	1,087,151	(1,087,151)
(Increase) decrease in other current assets	(117,383)	(293,701)
(Increase) decrease in deferred outflows of resources	(1,862,008)	(541,818)
Increase (decrease) in accounts payable	111,834	(31,268)
Increase (decrease) in accrued liabilities	(76,120)	704,792
Increase (decrease) in net pension liability	3,238,061	15,694,809
Increase (decrease) in deferred inflows of resources	(1,259,776)	2,323,458
Increase (decrease) in liability for insurance claims	308,593	1,210,232
Net Cash Provided (Used) by Operating Activities	<u>2,334,457</u>	<u>(978,790)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Purchase of capital assets	(2,149,898)	(3,888,378)
Loan proceeds from capital lease	300,574	-
Principal paid on capital lease	(20,376)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,869,700)</u>	<u>(3,888,378)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest received	191,605	40,793
Realized gain (loss) on investment pool	(20,658)	(128,423)
Borrowings on notes receivable	(91,542)	(106,859)
Repayments/forgiveness on notes receivable	34,402	15,987
Increase (Decrease) unrealized gain through investment pool	45,326	128,423
Net Cash Provided (Used) by Investing Activities	<u>159,133</u>	<u>(50,079)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	623,890	(4,917,247)
Cash and cash equivalents, beginning of year	13,070,125	17,987,372
Cash and cash equivalents, end of year	<u>\$ 13,694,015</u>	<u>\$ 13,070,125</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:</u>		
Beginning of the year -		
Cash and cash equivalents in current assets	\$ 1,937,027	\$ 3,885,880
Restricted cash and cash equivalents	11,133,098	14,101,492
Total cash and cash equivalents	<u>\$ 13,070,125</u>	<u>\$ 17,987,372</u>
End of the year -		
Cash and cash equivalents in current assets	\$ 4,353,254	\$ 1,937,027
Restricted cash and cash equivalents	9,340,761	11,133,098
Total cash and cash equivalents	<u>\$ 13,694,015</u>	<u>\$ 13,070,125</u>
Cash interest paid	\$ 5,252	\$ -

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity – South Sunflower County Hospital (the “Hospital”) is a public hospital created to handle the medical needs of Indianola, Mississippi, and the surrounding area. The Hospital operates in the form of a government authority governed by a Board of Trustees pursuant to Sections 41-13-15 et. Seq. of Mississippi Code of 1972, as amended, consisting of members from Sunflower County. Because of the relationship between the Hospital and Sunflower County, the Hospital has been defined as a component unit of the county. The Hospital is an independent enterprise held and operated separate and apart from all other assets and activities of Sunflower County. It is not a taxable entity and does not file a tax return.

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 appropriation and is therefore not required to be presented as supplementary information.

Basis of Presentation – The financial statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by GASB, which require the presentation of statements of net position, statements of revenues, expenses and changes in net position, and a statement of cash flows and management’s discussion and analysis.

Basis of Accounting – The Hospital’s revenues and expenses are recognized on the accrual basis.

Use of Estimates –The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Significant estimates and assumptions are used for, but not limited to, contractual and other allowance for revenue adjustments, allowance for doubtful accounts, and depreciable lives of assets.

The accounting estimates used in the preparation of the financial statements will change as new events occur, as more experience is acquired and as additional information is obtained. Future events and their effects cannot be predicted with certainty; accordingly, the Hospital accounting estimates require the exercise of judgment. In particular, laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates related to these programs will change by a material amount in the near term.

Patient and Other Receivables, Net – Patient accounts receivable are carried at total or full charges with appropriate allowances for uncollectible accounts offsetting them. Accounts receivable under reimbursement agreements are subject to examination and retroactive adjustment by third-party payers. Provisions for estimated retroactive adjustments from Medicare, Medicaid and Blue Cross Hospital Service, Inc., are provided in the period the related services are rendered.

Inventories – Inventories, which consist primarily of medical supplies and pharmaceutical drugs, are valued at lower of cost or market using the first-in-first out method.

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Designated and Restricted Funds – Funds designated by the Board include assets set aside by the Board of Trustees for plant replacement and expansion over which the Board retains control and may, at its discretion, use for other purposes. Restricted assets include assets held by trustees under indenture agreements and assets set aside for the Hospital's self-insurance plan. Plant Fund designated investments and assets set aside for the Hospital's self-insurance plan are comprised of investments in the Mississippi Hospital Association pools. These investments are carried at fair value.

Plant Fund, Property and Equipment – Property and equipment is recorded at historical cost. Depreciation is computed on the straight-line composite method for financial statement purposes. The Hospital uses the straight-line method of depreciation (including an appraisal of certain older assets) to determine reimbursable costs under certain third-party reimbursement agreements.

Grants and Contributions – From time-to-time the Hospital receives grants from the State of Mississippi. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

Cash and Cash Equivalents – Cash and cash equivalents for the statements of cash flows include short-term highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less. The Hospital routinely invests its surplus operating funds with local banks and a Mississippi Hospital Association investment pool with agreed upon weekly liquidation available.

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. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered, and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the recognition and accrual of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex and subject to interpretation and frequent changes. As a result of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such reviews may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has substantially complied with the requirements of these programs.

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues and Expenses – The Hospital’s statements of revenues, expenses and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital’s primary activity. Non-operating revenue consists primarily of investment revenue. Operating expenses are all expenses incurred to provide health care services.

Accounts Payable and Accrued Liabilities – Accounts payable consists primarily of current balances due to suppliers. Accrued liabilities consist primarily of current balances due for salaries and other related payroll expenses.

Electronic Health Record Incentive Program – The Centers for Medicare & Medicaid Services (CMS) have implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, eligible hospitals, and critical access hospitals, as defined, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. The Hospital recognizes EHR incentive payments in the period that it qualifies for the funds. In the year ending September 30, 2014, the Hospital recognized net EHR incentive program revenue of \$1,296,216. This amount has been included in other operating revenues. There was no EHR incentive program revenue due as of September 30, 2015.

340B Drug Pricing Program - The 340B Program offers eligible safety net health care providers access to low-cost medications, which allows them to expand the type and volume of care they provide to the most vulnerable patient populations. The Hospital participated in this program for the year ended September 30, 2015 and 2014 and recognized a total of \$296,689 and \$45,976, respectively, in 340B Drug Pricing Program revenue. This amount has been included in gross patient service revenue.

Net Position – The Hospital’s net position is classified as follows:

Investment in capital assets reflects the Hospital’s total investment in property and equipment.

Unrestricted net position represents resources derived from net patient revenue. While unrestricted net position resources may be designated for specific purposes by action of management or the Board, they are available for use at the discretion of the governing board to meet current expenses for any purpose.

Restricted for plant improvements represents the plant fund designated investment balance that is restricted for use of plant improvements, over which the Board retains control and may, at its discretion, use for other purposes.

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted for liability risk represents the liability risk investment balance that is restricted for the purpose of paying claims related to the general and professional liability insurance claims not reserved as a current liability.

GASB Statement No. 68 Accounting and Financial Reporting for Pensions – In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions are also addressed. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Public Employees’ Retirement Plan of Mississippi (MS PERS) and additions to/deductions from MS PERS’s fiduciary net position have been determined on the same basis as they are reported by MS PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. This Statement is effective for fiscal years beginning after June 15, 2014.

Reclassifications – Certain amounts previously reported for the year ended September 30, 2014, have been reclassified to conform to the classifications used for the year ended September 30, 2015.

NOTE 2 - DEPOSITS AND INVESTMENTS

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. At September 30, 2015, the carrying amount of the Hospital’s deposits was \$4,351,930 and the bank balances totaled \$4,677,127. Of the bank balances, \$502,670 was insured by federal deposit insurance and \$4,174,457 was collateralized by the pledging financial institution’s trust department or agent in the name of the Mississippi State Treasurer on behalf of the Hospital. At September 30, 2014, the carrying amount of the Hospital’s deposits was \$1,935,703 and the bank balances totaled \$2,021,082. Of the bank balances, \$500,000 was insured by federal deposit insurance and \$1,521,082 was collateralized by the pledging financial institution’s trust department or agent in the name of the Mississippi State Treasurer on behalf of the Hospital. The Hospital’s investments generally are reported at fair value, as discussed in Note 1. At September 30, 2015, and 2014, the Hospital had the following investments:

Mississippi Hospital Association Pool	2015	2014
Account opened in May 2000, with additions and withdrawals made in subsequent years, valued at fair market, which included an unrealized gain of \$45,326 and \$128,423 for the years ended 9/30/2015 and 9/30/2014, respectively, bringing the total unrealized loss to \$464,078 at 9/30/2015.	\$ 9,340,761	\$ 11,133,098

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The 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. The new law expanded the investment options and permits the pooling of hospital funds. All Mississippi hospitals are welcome to participate in these funds. Pooled funds are invested in authorized investments and are managed by approved investment advisors. The authorized investment options consist primarily of fully guaranteed and fully collateralized obligations of the U. S. Government.

NOTE 3 - ACCOUNTS RECEIVABLE AND RELATED RESERVES

The balances in the patient receivable accounts are as follows:

	<u>2015</u>	<u>2014</u>
Outpatient accounts	\$ 5,105,850	\$ 4,995,669
Inpatient accounts	3,030,897	2,361,995
Long-term installment accounts	129,628	129,628
Outside clinic accounts	<u>1,466,931</u>	<u>1,281,449</u>
	<u>9,733,306</u>	<u>8,768,741</u>
Allowances for losses provided for these receivable accounts are as follows:		
Allowance for Medicare loss adjustment	1,841,157	830,241
Allowance for Medicaid loss adjustment	278,954	325,224
Allowance for other uncollectible accounts	<u>3,546,593</u>	<u>3,817,185</u>
	<u>5,666,704</u>	<u>4,972,650</u>
Patient and other receivables - net	<u>\$ 4,066,602</u>	<u>\$ 3,796,091</u>

NOTE 4 - DEDUCTIONS FROM PATIENT SERVICE REVENUE

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

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been filed through September 30, 2014, but are not audited every year.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 4 - DEDUCTIONS FROM PATIENT SERVICE REVENUE (CONTINUED)

settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been filed through September 30, 2014, but are not audited every year. Audits can be made for the prior five years.

Beginning in 2001, the Hospital under legislation adopted by the 2001 Mississippi Legislature, participated in the Medicaid Upper Payment Limits Program authorized through the Division of Medicaid. During the year ended September 30, 2015 and 2014, the Hospital recognized \$4,178,980 and \$3,380,089, respectively, in payments through this program. UPL amounts are shown as a reduction of contractual adjustments with related tax assessments of \$594,734 and \$928,109 recorded in operating expenses for the years ended September 30, 2015 and 2014, respectively.

Other Commercial Insurance Carriers - Inpatient services rendered to commercial insurance subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment. The Hospital has also entered into payment agreements with certain commercial insurance carriers and other 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.

NOTE 5 - PENSION PLAN

A. General Information about the Pension Plan

Plan Description and Provisions. South Sunflower County Hospital contributes to the Public Employees' Retirement System of Mississippi (MS PERS), a cost-sharing multiple-employer defined benefit pension plan. MS 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. MS PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 5 - PENSION PLAN (CONTINUED)

member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. MS PERS members are required to contribute 9% of their annual covered salary and the South Sunflower County Hospital is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of MS PERS members are established and may be amended only by the State of Mississippi Legislature. South Sunflower County Hospital annual contributions for MS PERS for the years ending September 30, 2015, 2014, and 2013 were \$1,219,397, \$1,316,252, and \$1,118,496, respectively, equal to the required contributions for each year.

Vesting Period. In 2007, the Mississippi Legislature amended the MS PERS Plan to change the vesting period from four to eight years for members who entered the system after July 1, 2007. Members who entered the System 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.

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

At September 30, 2015 and 2014, the Hospital reported a liability of \$18,932,870 and \$15,694,809 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Hospital's proportion of the net pension liability was based on a projection of the Hospital's long-term share of contributions to the pension plan relative to the projected contributions of all participating MS PERS members, actuarially determined. At June 30, 2015, the Hospital's proportion was .125391%, which was a decrease of .004363% from its proportion of .129754% as of June 30, 2014. For the years ended September 30, 2015 and 2014, the Hospital recognized pension expense of \$1,335,250 and \$830,350, respectively.

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 5 - PENSION PLAN (CONTINUED)

At September 30, 2015, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 455,608	\$ -
Change of assumptions	1,669,777	-
Net difference between projected and actual earnings on pension plan investments	-	578,172
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	-	485,510
Employer contributions subsequent to the measurement date	278,441	-
	<u>\$ 2,403,826</u>	<u>\$ 1,063,682</u>

\$278,441 reported as deferred outflows of resources related to pensions resulting from Hospital contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 341,180
2017	324,936
2018	112,059
2019	283,528
2020	-
	<u>\$ 1,061,703</u>

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 5 - PENSION PLAN (CONTINUED)

At September 30, 2014, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 245,691	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,283,044
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	-	40,414
Employer contributions subsequent to the measurement date	296,127	-
	<u>\$ 541,818</u>	<u>\$ 2,323,458</u>

\$296,127 reported as deferred outflows of resources related to pensions resulting from Hospital contributions subsequent to the measurement date are recognized as a reduction to the net pension liability in the year ended September 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	\$ 496,920
2016	496,920
2017	513,165
2018	570,762
2019	-
	<u>\$ 2,077,767</u>

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 5 - PENSION PLAN (CONTINUED)

Actuarial assumptions as of June 30, 2015. The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	(0.50)%
<i>Total</i>	<u>100%</u>	

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 5 - PENSION PLAN (CONTINUED)

Discount Rate as of June 30, 2015. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). 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 of the Hospital's proportionate share of the net pension liability to changes in the discount rate as of June 30, 2015. The following presents the net pension liability of MS PERS, calculated using the discount rate of 7.75 percent, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Hospital's proportionate share of net pension liability	\$ 24,955,257	\$ 18,932,870	\$ 13,935,415

Actuarial assumptions as of June 30, 2014. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 5 - PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	(0.50)%
<i>Total</i>	<u>100%</u>	

Discount Rate as of June 30, 2014. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). 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 of the Hospital's proportionate share of the net pension liability to changes in the discount rate as of June 30, 2014. The following presents the net pension liability of MS PERS, calculated using the discount rate of 8.00 percent, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Hospital's proportionate share of net pension liability	\$ 21,396,705	\$ 15,694,809	\$ 10,938,580

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 5 - PENSION PLAN (CONTINUED)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MS PERS financial report.

NOTE 6 - COMPENSATED ABSENCES

Qualified employees accumulate paid annual leave which replaces the conventional vacation, holiday and sick leave time. Annual leave will accumulate based on regular hours worked per pay period. Effective October 1, 2014, the Hospital updated its annual leave policy to reflect that the amount of Paid Annual Leave (PAL) an employee can accumulate is based upon job status (full-time) and length of service as determined by the anniversary date. Employees will be granted increasing amounts of PAL based on the number of benefit eligibility years of continuous service completed. Number of hours accrued is based on regular hours worked each pay period.

Maximum PAL accumulation is 320 hours. Once the 320 hours max is reached, the benefit will stop accruing. Absences from work require the utilization of PAL. The only exceptions to this requirement is if there is a mandatory closure of a department/area or a reduction in staffing levels due to decreased workloads at which time utilization of PAL is optional. Selling back accrued annual leave is optional, but when selling back employees must retain at least 40 hours to be used in case of vacations or emergencies.

At September 30, 2015 and 2014, accumulated unused annual leave pay totaled \$386,119 and \$292,488, respectively.

NOTE 7 - NOTES RECEIVABLE

The Hospital has entered into various agreements with physicians, other medical professionals, and prospective employees, specifically to benefit the Hospital's community service area. Advances under some agreements are forgiven upon fulfillment of the professional's contractual service commitment, but are due in full if such commitment is not fulfilled. Advances under those arrangements are amortized to expense using the straight-line method over the related commitment period. Amounts expected to be amortized in the ensuing fiscal year are classified as a current asset in the accompanying statements of net position. At September 30, 2015 and 2014, the outstanding balances are \$704,713 and \$647,573, respectively.

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment additions, retirements, reclassifications, and balances for the years ended September 30, 2015 and 2014 are as follows:

	<u>October 1, 2014</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>September 30, 2015</u>
Land	\$ 155,336	\$ -	\$ -	\$ 155,336
Land improvements	180,548	338,499	-	519,047
Buildings and improvements	12,508,260	3,493,229	2,225,265	13,776,224
Fixed equipment	197,396	-	-	197,396
Major movable equipment	10,841,064	507,234	56,300	11,291,998
Vehicles	33,610	-	-	33,610
Delta Surgical and Delta Primary Clinic	672,735	1,203	-	673,938
Indianola Family Medical Clinic	<u>1,052,317</u>	<u>40,000</u>	<u>34,134</u>	<u>1,058,183</u>
Totals at historical cost	<u>25,641,266</u>	<u>4,380,165</u>	<u>2,315,699</u>	<u>27,705,732</u>
Less accumulated depreciation for:				
Land improvements	139,780	25,479	-	165,259
Buildings and improvements	6,930,701	243,507	-	7,174,208
Fixed equipment	195,781	180	-	195,961
Major movable equipment	10,310,806	109,641	56,300	10,364,147
Vehicles	33,610	-	-	33,610
Delta Surgical and Delta Primary Clinic	602,793	2,309	-	605,102
Indianola Family Medical Clinic	<u>966,563</u>	<u>14,052</u>	<u>29,134</u>	<u>951,481</u>
Total accumulated depreciation	<u>19,180,034</u>	<u>395,168</u>	<u>85,434</u>	<u>19,489,768</u>
Property and equipment - net	<u>\$ 6,461,232</u>	<u>\$ 3,984,997</u>	<u>\$ 2,230,265</u>	<u>\$ 8,215,964</u>
	<u>October 1, 2013</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>September 30, 2014</u>
Land	\$ 155,336	\$ -	\$ -	\$ 155,336
Land improvements	136,868	43,680	-	180,548
Buildings and improvements	9,302,590	7,064,707	3,859,037	12,508,260
Fixed equipment	195,601	1,795	-	197,396
Major movable equipment	10,225,903	615,161	-	10,841,064
Vehicles	33,610	-	-	33,610
Delta Surgical and Delta Primary Clinic	650,663	22,072	-	672,735
Indianola Family Medical Clinic	<u>1,052,317</u>	<u>-</u>	<u>-</u>	<u>1,052,317</u>
Totals at historical cost	<u>21,752,888</u>	<u>7,747,415</u>	<u>3,859,037</u>	<u>25,641,266</u>
Less accumulated depreciation for:				
Land improvements	136,868	2,912	-	139,780
Buildings and improvements	6,732,235	198,466	-	6,930,701
Fixed equipment	195,601	180	-	195,781
Major movable equipment	10,130,004	180,802	-	10,310,806
Vehicles	33,610	-	-	33,610
Delta Surgical and Delta Primary Clinic	599,243	3,550	-	602,793
Indianola Family Medical Clinic	<u>956,011</u>	<u>10,552</u>	<u>-</u>	<u>966,563</u>
Total accumulated depreciation	<u>18,783,572</u>	<u>396,462</u>	<u>-</u>	<u>19,180,034</u>
Property and equipment - net	<u>\$ 2,969,316</u>	<u>\$ 7,350,953</u>	<u>\$ 3,859,037</u>	<u>\$ 6,461,232</u>

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 9- FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of the Hospital's financial instruments are as follows:

	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Cash	\$ 4,353,254	\$ 1,937,027
MHA investment pool	\$ 9,340,761	\$ 11,133,098
Accounts payable and accrued expenses	\$ 2,683,725	\$ 2,648,011
Liability for insurance claims	\$ 1,518,825	\$ 1,210,232

The carrying amount of the above financial instruments approximates fair value. The investments are based on quoted market prices.

NOTE 10 - RELATED PARTY TRANSACTIONS

South Sunflower County Hospital has related party transactions arising from rent paid to an employees' venture and notes receivable from current and prospective employees.

Following is a summary of transactions and balances with related parties:

	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Lease payments paid to employees' venture	\$ 312,792	\$ 312,792
Notes receivable from current & prospective employees	\$ 704,713	\$ 647,573

NOTE 11- RISK AND UNCERTAINTIES

Current Economic Conditions – The current economic environment continues to present hospitals with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, large declines in revenues, constraints on liquidity and difficulty obtaining financing. The accompanying financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the unemployment rate, have made it difficult for certain patients of the Hospital to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the State could have an adverse effect on cash flows related to the Medicaid program.

Credit risk for patient accounts receivables is concentrated because substantially all of the balances are receivables from individuals located within the same geographic region.

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 11- RISK AND UNCERTAINTIES (CONTINUED)

Patient Protection and Affordable Care Reconciliation Act – On March 23, 2010, the most sweeping health care legislation since the advent of Medicare was signed into law. The law promises to expand insurance coverage to an additional 32 million Americans, reduce the growth of Medicare expenditures, dramatically reform insurance markets, and continue to trend toward value-based payment. The Reconciliation Act adds some new provisions that were not included originally. Several legal challenges have been made against the legislation since it was enacted, and uncertainty exists as to the ultimate impact of the legislation on the healthcare delivery system. On June 28, 2012, The United States Supreme Court upheld the constitutionality of components of the Affordable Care Act, allowing the historic overhaul of the healthcare system to continue. Potential impacts of health care reform include uncertainty and volatility in Medicare and Medicaid reimbursement, fundamental changes in payment systems, increased regulation and significant required investments in healthcare information technology.

CMS Recovery Audit Contractor Program – The Centers for Medicare and Medicaid Services (“CMS”) have implemented a Recovery Audit Contractors (“RAC”) program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare billings are proper and adequate support is maintained, certain aspects of Medicare billing, coding and support are subject to interpretation and may be viewed differently by the RAC auditors.

NOTE 12 - CHARITY CARE

The Hospital provides charity care for the community without charge or at a reduced charge to patients who meet certain criteria under its charity care policy. Those charges are included in revenue with an offsetting allowance.

NOTE 13 - EXPOSURE TO RISKS

Self-Funded General Liability and Professional Liability Insurance – The Hospital provides insurance coverage to its employees under a self-funded plan. Claims are paid by the Hospital as they are incurred and filed by the claimant. An estimated liability for insurance claims incurred but not reported or paid is included in other current liabilities and net position in the accompanying financial statements. Self-insurance funds are invested in the Mississippi Hospital Association Pool in a separate Liability Risk Trust Account to cover those funding needs at an estimated 75% probability level. The balance in the Liability Risk Trust Account at September 30, 2015 and 2014 was \$2,817,548 and \$2,756,365, respectively. In addition, the Hospital has recorded a liability for insurance claims as of September 30, 2015 for \$1,518,825 and \$1,210,232 as of September 30, 2014. Projected financial reserves needed for pending litigation, claims and assessments are less than this trust account and the newly established liability balance.

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Hospital is involved in various litigation and potential claims which management believes, based in part upon discussion with counsel, will not have a material adverse effect on the results of operations or the financial position of the Hospital.

Health Care Regulation – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, governmental activity has increased with respect to investigation and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations create a possibility of significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Management believes that the Hospital is in compliance, in all material respects, with applicable government laws and regulations. No regulatory inquiries have been made that are expected to have a material effect on the financial statements.

For the years ended September 30, 2015 and 2014, financial statements have been prepared without recording an estimated receivable or payable from the annual cost report as that undetermined amount is not projected to significantly impact the financial statements.

Deferred Compensation – In 1997, the Hospital entered into an agreement whereby it agrees to pay Dr. Walter H. Rose (or his survivors) \$18,600 per annum in equal monthly payments of \$1,550 for a period of ten years upon his retirement.

Future Expansion – In 2010, the process of planning and implementing a new renovation project for the Hospital commenced. Plans are to add a new addition to the building in the form of a new front entryway to the facility, a redesign of the current parking arrangements, as well as surface renovations to most locations within the main building. This project has three phases that are expected to be completed in February 2015 (Phase I), January 2016 (Phase II), and October 2016 (Phase III). The cost of this renovation project is estimated to total \$9,500,000. At the end of the current year ending September 30, 2015, several aspects of Phase II have been substantially completed.

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 15 – NET POSITION RESTATEMENT

The following discloses the restatement of net position as of the beginning of the fiscal year ending September 30, 2014:

Net position, beginning of year, as previously stated	\$ 22,987,870
Decrease due to recognition of a pension liability due to the implementation of GASB 68	(17,978,632)
Decrease due to recognition of a liability for insurance claims	<u>(1,210,232)</u>
Net position, beginning of year, as restated	<u>\$ 3,799,006</u>

NOTE 16 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position deficit of \$10,454,327 at September 30, 2015 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$2,403,826 balance of the net deferred outflow of resources at September 30, 2015 will be recognized as expense and decrease unrestricted net position over the remaining 3 years.

Unrestricted net position also includes the effect of deferring the recognition of the net difference between projected and actual earnings on defined benefit pension plan investments. \$578,172 of the net deferred inflow of resources at September 30, 2015 will be recognized as income and increase unrestricted net position over the remaining 4 years. Unrestricted net position also includes the effect of deferring the recognition of changes in the Hospital's proportionate share of the total defined benefit plan's pension liability. \$485,510 of the net deferred inflow of resources at September 30, 2015 will be recognized as income and increase unrestricted net position over the remaining 3 years.

The unrestricted net position deficit of \$11,792,633 at September 30, 2014 includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$541,818 balance of the net deferred outflow of resources at September 30, 2014 will be recognized as expense and decrease unrestricted net position over the remaining 3 years.

Unrestricted net position also includes the effect of deferring the recognition of the net difference between projected and actual earnings on defined benefit pension plan investments. \$2,283,044 of the net deferred inflow of resources at September 30, 2014 will be recognized as income and increase unrestricted net position over the remaining 4 years. Unrestricted net position also includes the effect of deferring the recognition of changes in the Hospital's proportionate share of the total defined benefit plan's pension liability. \$40,414 of the net deferred inflow of resources at September 30, 2014 will be recognized as income and increase unrestricted net position over the remaining 3 years.

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

NOTE 17 – NOTES PAYABLE

The following is a summary of notes payable at September 30, 2015. There were no outstanding notes due at September 30, 2014.

	<u>Current</u>	<u>Long-term</u>
<i>IFMG Equipment Financing Lease</i>		
An equipment financing loan dated February 2, 2015, with 60 monthly payments, each equal to \$862.87 with interest at 10.657%. Secured by leased equipment valued at the lease amount of \$40,000.	\$ 6,867	\$ 28,943
<i>SSCH Equipment Financing Lease</i>		
An equipment financing loan dated July 1, 2015, with 60 monthly payments, each equal to \$4,681.30 with interest at 2.9924%. Secured by leased equipment valued at the lease amount of \$260,574.	49,538	194,850
	\$ 56,405	\$ 223,793
Due by September 2017	\$ 54,365	
Due by September 2018	60,949	
Due by September 2019	63,491	
Due by September 2020	44,988	
Thereafter	-	
	\$ 223,793	

NOTE 18 - DATE OF MANAGEMENT'S REVIEW

Subsequent events were evaluated through February 20, 2016 which is the date the financial statements were available to be issued.

**SOUTH SUNFLOWER COUNTY HOSPITAL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SEPTEMBER 30, 2015 AND 2014**

PERS

Last 10 Fiscal Years*

	2015	2014
Hospital's proportion of the net pension liability	\$ 18,932,870	\$ 15,694,809
Hospital's proportionate share of the net pension liability	0.13%	0.13%
Hospital's covered-employee payroll	\$ 7,742,204	8,357,158
Hospital's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	245%	188%
Plan fiduciary net position as a percentage of the total pension liability	62%	67%

*The amounts presented for each fiscal year were determined as of the measurement date of June 30th of the year in which the fiscal year ends (i.e. June 30, 2014 measurement date used for September 30, 2014).

This schedule is presented to illustrate the requirement to show information for 10 years. GASB 68 was implemented in the fiscal year ending September 30, 2015, and is retroactively applied to all years presented in this report. Until a full 10-year trend is compiled, the Hospital has only presented information for the years in which information is available.

**SOUTH SUNFLOWER COUNTY HOSPITAL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF HOSPITAL CONTRIBUTIONS
SEPTEMBER 30, 2015 AND 2014**

PERS

Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
Contractually required employer contribution	\$ 1,219,397	\$ 1,316,252
Contributions in relation to contractually required contributions	<u>1,219,397</u>	<u>1,316,252</u>
Annual contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 7,742,204	\$ 8,357,158
Actual contributions as a percentage of covered-employee payroll	15.75%	15.75%

**SOUTH SUNFLOWER COUNTY HOSPITAL
NOTES TO THE REQUIRED SUPPLEMENTAL SCHEDULES
SEPTEMBER 30, 2015 AND 2014**

Pension Schedules

1.) Change of benefit terms

None.

2.) Changes of assumptions

None.

Robert K. VanDevender, CPA
Lance Mohamed, CPA
Robert A. Hearn, CPA

W. Lee Mattox, CPA
William A. Adams, CPA
Gay G. Moss, CPA



Fred T. Neely, CPA
(1897-1967)
Billy Joe Killebrew, CPA
(1942-2010)
Ralph F. Neely, CPA
(1927 -)

INDEPENDENT AUDITOR'S 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*

To Management and
the Board of Trustees
South Sunflower County Hospital
Indianola, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the South Sunflower County Hospital (the "Hospital"), as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated February 20, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 *significant 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 *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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads 'Fred T. Neely + Co'.

Fred T. Neely & Company, PLLC
Greenwood, Mississippi
February 20, 2016

**South Sunflower County Hospital
Surety Bonds for Officials and Employees
September 30, 2015**

Supplemental Schedule I

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount of Bond</u>
Wheeler T. Timbs, III	Trustee	Zurich	\$ 100,000
Glenda Shedd	Trustee	Zurich	\$ 100,000
Adelaide W. Fletcher	Trustee	Zurich	\$ 100,000
Hulbert Lipe	Trustee	EMC	\$ 100,000
Debbie Woodruff	Trustee	Zurich	\$ 100,000
Ike Donald	Trustee	Zurich	\$ 100,000
Sterling Smith	Trustee	Zurich	\$ 100,000
Courtney Phillips	Administrator	EMC	\$ 100,000

SOUTH SUNFLOWER COUNTY HOSPITAL
DETAILED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 YEARS ENDED SEPTEMBER 30, 2015 AND 2014

Supplemental Schedule II

	<u>2015</u>	<u>2014</u> (Restated)
Operating Revenues		
<u>Patient Service Revenue:</u>		
Routine Services -		
Room and general services	\$ 1,095,174	\$ 1,081,040
Nursery	110,424	94,374
Observation room	269,338	323,535
	<u>1,474,936</u>	<u>1,498,949</u>
Special Services -		
Intensive care unit	153,860	505,680
Pharmacy	4,642,975	4,156,148
Medical surgical supplies	1,862,763	2,018,756
Laboratory	4,133,564	4,235,705
Radiology	5,453,851	5,255,967
Operating room	1,481,329	1,466,871
Anesthesiology	310,638	250,158
Physician services	881,360	722,356
Delivery room	122,787	142,512
Respiratory care	1,839,322	1,748,991
Emergency services	3,592,536	1,851,595
Electrocardiology	361,784	406,616
Physical therapy	1,426,910	834,378
High acuity	246,749	-
Speech Therapy	284,861	7,365
Indianola Family Medical Clinic	6,782,392	6,249,309
Swing bed	596,872	-
Occupational therapy	418,377	-
Delta Surgical Clinic	251,579	248,761
Delta Primary Care	208,314	168,971
304B Drug Program	296,689	45,976
	<u>35,349,512</u>	<u>30,316,115</u>
Gross Patient Service Revenue	<u>36,824,448</u>	<u>31,815,064</u>
<u>Deductions From Patient Service Revenue:</u>		
Adjustments and allowances -		
Medicaid	1,014,143	1,868,766
Medicare	5,852,910	4,043,731
Courtesy	201	12,291
High risk program	13,099	11,424
Employee health benefits	546,947	403,300
Blue Cross adjustment	879,772	624,887
Provisions for uncollectible accounts	3,760,117	3,930,217
Champus adjustment	28,111	18,441
Charity	117,392	50,195
Sunflower County adjustment	6,516	-
Delta Surgical Clinic adjustment	125,488	117,303
MPC network adjustment	244,645	129,495
Workers' comp and miscellaneous adjustments	275,803	56,145
Cost report settlement adjustment	(72,757)	193,436
Delta Primary Care adjustment	106,787	66,578
Total Deductions from Patient Service Revenue	<u>12,899,174</u>	<u>11,526,209</u>
Net Patient Service Revenue	<u>23,925,274</u>	<u>20,288,855</u>

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

SOUTH SUNFLOWER COUNTY HOSPITAL **Supplemental Schedule II**
DETAILED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Other Operating Revenue:</u>		
Rent	13,000	13,600
County contribution to current operations	44,092	44,000
Other income	364,468	1,448,689
Medical records transcript fee	21,668	-
Sale of meals	44,131	41,620
Grants	11,000	10,000
Total other operating revenue	498,359	1,557,909
Total Revenues, Grants, and Other Support	24,423,633	21,846,764
 OPERATING EXPENSES		
<u>Administrative and General:</u>		
Salaries, taxes and retirement	1,123,617	1,284,922
Supplies and small equipment	117,186	200,570
Telephone	88,050	49,764
Legal and accounting fees	125,489	173,841
Other fees	275,994	215,177
Commission - collection agency	35,869	40,829
Insurance and bonding	414,406	125,490
Employee health, welfare, and pension	1,663,079	1,229,143
Repairs and maintenance	361,639	107,359
Miscellaneous	86,026	54,354
	4,291,355	3,481,449
<u>Medical Records:</u>		
Salaries, taxes, retirement	151,099	232,973
Supplies and small equipment	95,705	43,317
	246,804	276,290
<u>Dietary:</u>		
Salaries, taxes, retirement	240,717	231,550
Supplies and small equipment	241,930	239,344
Fees	109,578	115,888
	592,225	586,782
<u>Household and Property:</u>		
Supplies and small equipment	-	7,074
Outside services	454,153	428,202
Operation of plant - salaries, taxes, retirement	138,811	165,891
Operation of plant - utilities	238,165	249,405
Operation of plant - repairs and maintenance	32,291	46,976
Depreciation	379,739	384,568
	1,243,159	1,282,116
<u>Delta Surgical Clinic:</u>		
Salaries, taxes, retirement	185,046	234,711
Fees	80,092	70,317
Supplies and small equipment	5,717	14,781
Utilities	6,288	5,848
Miscellaneous	2,307	2,857
	279,450	328,514
<u>Delta OB/GYN Clinic:</u>		
Supplies	-	2,225
	-	2,225
<u>Delta Primary Care:</u>		
Salaries, taxes, retirement	157,108	158,905
Fees	31,834	47,871
Supplies and small equipment	2,229	3,705
Utilities	6,244	7,804
Depreciations	1,375	1,342
Miscellaneous	6,195	7,402
	204,985	227,029

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

SOUTH SUNFLOWER COUNTY HOSPITAL Supplemental Schedule II
DETAILED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Indianola Family Medical Clinic:</u>		
Salaries	4,586,257	4,116,363
Supplies and small equipment	670,619	727,139
Employee health, welfare, and pension	706,381	541,008
Rent	312,792	312,792
Utilities	84,359	91,553
Outside services	210,535	323,220
Depreciation	14,052	10,552
Miscellaneous	223,733	149,948
	<u>6,808,728</u>	<u>6,272,575</u>
<u>Professional Care of Patients:</u>		
Nursing services - salaries, taxes, retirement	1,758,054	1,405,775
Nursing services - supplies, fees, and miscellaneous	158,930	26,959
Nursing services - fees	398,795	586,560
Nursing services - miscellaneous	5,340	9,976
Intensive care - salaries, taxes, and retirement	115,735	215,265
Intensive care - supplies, fees, and miscellaneous	18,212	4,312
Operating room - salaries, taxes, retirement	268,836	239,323
Operating room - supplies and small equipment	119,426	40,310
Respiratory care - fees	1,750	2,310
Respiratory care - salaries, taxes, and retirement	234,509	170,398
Respiratory care - supplies and other expenses	132,280	87,848
Nursery - salaries, taxes, retirement	47,570	71,245
Nursery - supplies	76,541	2,329
Delivery room - salaries, taxes, and retirement	42,656	49,742
Delivery room - supplies	1,122	1,581
Central supply - salaries, taxes, and retirement	47,767	3,596
Central supply - supplies	19,400	416,707
Emergency room services - salaries, taxes, retirement	882,975	626,237
Emergency room services - physician fee	1,213,352	1,151,598
Emergency room services - supplies	86,713	17,300
Laboratory - salaries, taxes, retirement	338,583	321,183
Laboratory - fees	92,060	82,252
Laboratory - supplies	527,044	505,411
Radiology - salaries, taxes, retirement	478,856	438,369
Radiology - fees	458,349	434,025
Radiology - supplies	137,475	126,247
Pharmacy - fees	152,443	151,785
Pharmacy - drugs and supplies	652,188	616,945
Anesthesiology - salaries, taxes, retirement	281,957	401,200
Anesthesiology - supplies	9,124	-
Anesthesiology - fees	180,634	49,598
Physical therapy - fees	764,225	288,808
Physical therapy - supplies	1,361	3,153
High acuity - salaries, taxes, retirement	208,096	-
High acuity - supplies, fees and miscellaneous	11,668	-
Swing bed - fees	2,834	-
Swing bed - supplies	167	-
Cardiovascular interpretation fees	48,813	89,771
	<u>9,975,840</u>	<u>8,638,118</u>

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

SOUTH SUNFLOWER COUNTY HOSPITAL Supplemental Schedule II
DETAILED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Total Operating Expenses	<u>23,642,546</u>	<u>21,095,098</u>
Operating Profit (Loss)	<u>781,087</u>	<u>751,666</u>
<u>Non-operating Revenue (Expense):</u>		
Realized gains (loss) on investment pool	(20,658)	(128,423)
Investment income on restricted funds	182,993	31,606
Other interest income	8,612	9,187
Interest expense	(5,252)	-
Increase (decrease) in unrealized gains on investment pool	45,326	128,423
Total Non-Operating Revenues (Expenses)	<u>211,021</u>	<u>40,793</u>
Increase in Net Position	992,108	792,459
Net Position - Beginning of Year - as previously reported	4,591,465	22,987,870
Prior period adjustment	-	(19,188,864)
Net Position - Beginning of Year - as restated	<u>4,591,465</u>	<u>3,799,006</u>
Net Position - End of Year	<u>\$ 5,583,573</u>	<u>\$ 4,591,465</u>

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