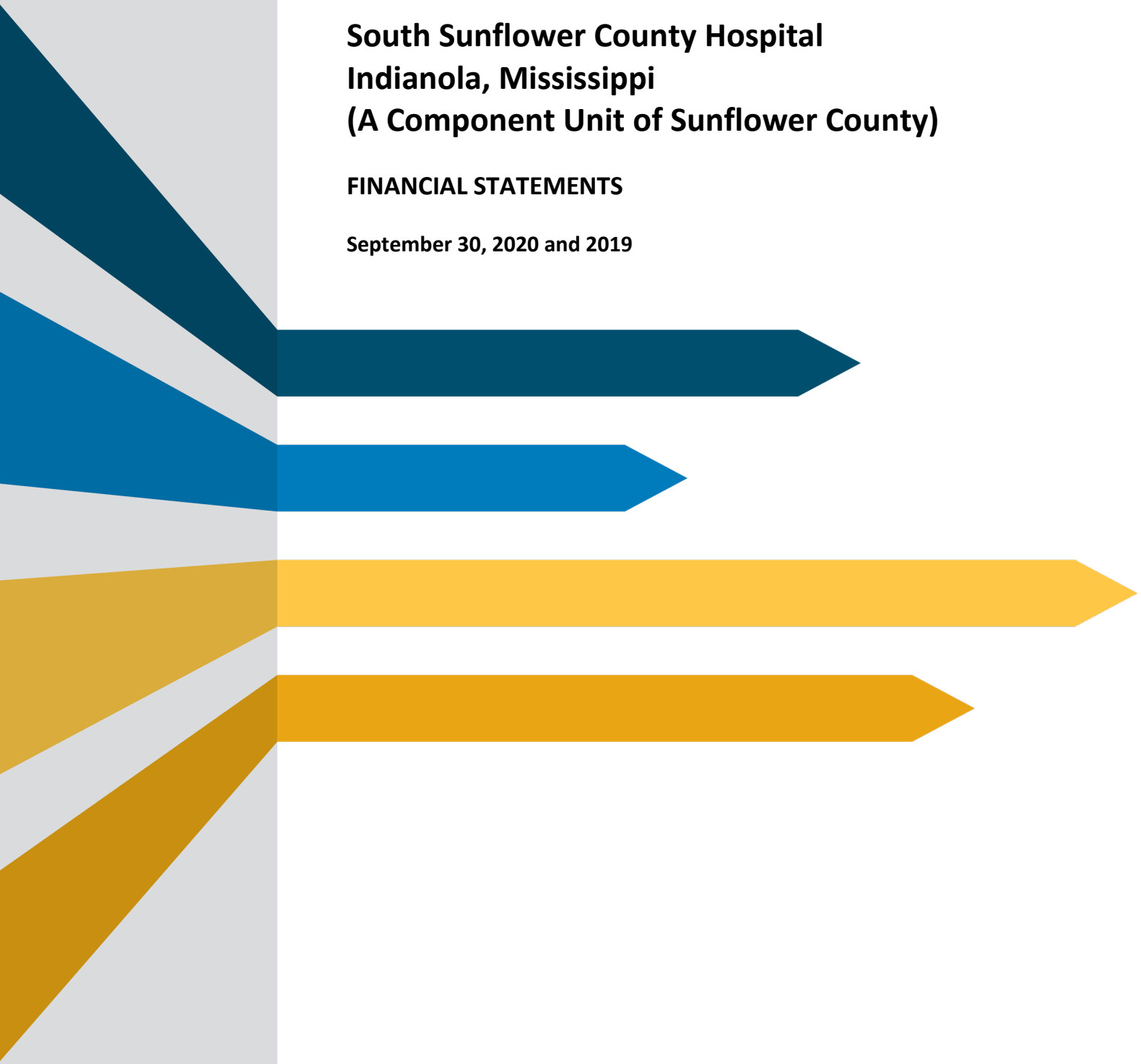
South Sunflower County Hospital
Indianola, Mississippi
(A Component Unit of Sunflower County)

FINANCIAL STATEMENTS

September 30, 2020 and 2019



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Sunflower County Hospital
Indianola, Mississippi

Report on the Financial Statements

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 year ended September 30, 2020, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of September 30, 2020, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Hospital as of and for the year ended September 30, 2019 were audited by other auditors whose report dated January 29, 2020, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the Schedules of Proportionate Share of Net Pension Liability and Schedules of Employer Contributions on pages 43 - 44 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Surety Bonds for Officers and Employees on page 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Surety Bonds for Officers and Employees has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 29, 2021, 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.

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

Ridgeland, Mississippi
March 29, 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, 2020 and 2019. Please read it in conjunction with the financial statements in this report. The amounts contained within this section are rounded to the nearest thousand.

2020

FINANCIAL HIGHLIGHTS

Fiscal Year Ended September 30, 2020

The Hospital's total net position increased by $193,517 or approximately 2.8 percent, from the prior year. This increase results from the recognition of revenues in excess of expenses (increase in net position).

At the end of the 2020 fiscal year, the assets and deferred outflows of the Hospital exceeded liabilities and deferred inflows by $5,074,110. Of this amount, $8,540,037 represents an unrestricted deficit net position, $10,406,388 is invested in capital assets and $3,207,759 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 $1,008,381, or 3.9 percent, from the prior year. This is due to an increase in outpatient and inpatient utilization. During this same period, operating expenses also increased by $975,997 or 3.7 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.

Fiscal Year Ended September 30, 2019

The Hospital's total net position increased by $199,277 or approximately 4.3 percent, from the prior year. This increase results from the recognition of revenues in excess of expenses (increase in net position).

At the end of the 2019 fiscal year, the assets and deferred outflows of the Hospital exceeded liabilities and deferred inflows by $4,880,593. Of this amount, $9,106,022 represents an unrestricted deficit net position, $10,938,218 is invested in capital assets and $3,048,397 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 $931,528, or 3.8 percent, from the prior year. This is due to an increase in outpatient and inpatient utilization and clinic visits. During this same period, operating expenses also increased by $1,500,125 or 6.0 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.

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 Auditor's 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 revenue and 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 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 revenue and 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.

Net Position

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

September 30,	**Fiscal Year 2020**	Fiscal Year 2019	Fiscal Year 2018
Current and other assets	**$ 38,036,298**	$ 20,396,602	$ 18,279,841
Capital assets	**10,692,080**	11,065,468	11,080,455
Total assets	**48,728,378**	31,462,070	29,360,296
Deferred outflows of resources	**2,300,614**	1,288,658	1,044,247
Long-term debt outstanding	**285,692**	127,250	250,591
Other liabilities	**20,907,301**	5,180,313	4,131,499
Net pension liability	**24,761,889**	22,294,659	20,827,806
Total liabilities	**45,954,882**	27,602,222	25,209,896
Deferred inflows of resources	**-**	267,913	513,331
Net invested in capital assets	**10,406,388**	10,938,218	10,829,864
Restricted	**3,207,759**	3,048,397	2,842,378
Unrestricted	**(8,540,037)**	(9,106,022)	(8,990,926)
Total net position	**$ 5,074,110**	$ 4,880,593	$ 4,681,316

Fiscal Year Ended September 30, 2020

Total assets increased by $17,266,308 in 2020. The most significant component in the change in the Hospital's assets for 2020 was an increase in cash and cash equivalents of $16,167,129.

Total liabilities increased $18,352,660 in 2020, which is primarily attributable to the increase in unearned revenue, net pension liability, and accrued salaries and wages.

Fiscal Year Ended September 30, 2019

Total assets increased by $2,101,774 in 2019. The most significant component in the change in the Hospital's assets for 2019 was an increase in cash and cash equivalents of $748,708.

Total liabilities increased $2,392,329 in 2019, which is primarily attributable to the increase in net pension liability and accrued salaries and wages.

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, 2020, 2019 and 2018:

For The Years Ended September 30,	**Fiscal Year 2020**	Fiscal Year 2019	Fiscal Year 2018
Net patient service revenue	**$ 26,602,900**	$ 25,594,069	$ 24,662,541
Other operating revenue	**496,121**	524,259	295,874
Total operating revenue	**27,099,021**	26,118,328	24,958,415
Salaries and benefits	**16,356,899**	15,718,182	14,647,711
Depreciation and amortization	**819,959**	752,733	677,095
Professional fees, supplies, and maintenance	**10,392,978**	10,122,924	9,768,908
Total operating expenses before	**27,569,836**	26,593,839	25,093,714
Loss from operations	**(470,815)**	(475,511)	(135,299)
Nonoperating revenues (expenses)			
Investment income (loss)	**525,266**	681,231	(82,317)
CARES Act funding	**200,000**	-	-
Loss on sale of assets	**(53,400)**	-	-
Interest expense	**(7,534)**	(6,443)	(11,163)
Increase (decrease) in net position	**$ 193,517**	$ 199,277	$ (228,779)

Operating Revenue

Fiscal Year Ended September 30, 2020

The Hospital derived 98.0 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, 2019

The Hospital derived 98.0 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.

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, 2020, 2019 and 2018:

For The Years Ended September 30,	**Fiscal Year 2020**	Fiscal Year 2019	Fiscal Year 2018
Medicare	**46%**	44%	43%
Medicaid	**23%**	26%	27%
Commercial	**17%**	19%	17%
Other	**14%**	11%	13%
	100%	100%	100%

OPERATING AND FINANCIAL PERFORMANCE

The following summarizes changes in the Hospital's statements of revenue and expenses and changes in net position for 2020 as compared to 2019:

Fiscal Year Ended September 30, 2020

- Total admissions decreased from previous year, and there was a decrease in total patient days. The Hospital patient days and admissions are 5,412 and 914, respectively. This is an increase of 12 percent and decrease of 2.7 percent, respectively, from 2019.
- Net patient service revenues increased as stated in the financial highlights. Operating expenses increased as a result of an increase in salaries and supplies. Gross patient service revenue increased to $47,877,872 from $44,721,605 in the prior year.
- Salaries and wages and employee benefits expense increased $638,717 or 4 percent from the prior year.
- Investment income decreased $155,965 from prior year due to smaller increases in the market values.

Fiscal Year Ended September 30, 2019

- Total admissions decreased from previous year, and there was a decrease in total patient days. The Hospital patient days and admissions are 4,830 and 940, respectively. This is a decrease of 2.3 percent and 9.6 percent, respectively, from 2018.
- Net patient service revenues increased as stated in the financial highlights. Operating expenses increased as a result of an increase in self-funded medical claims paid. Gross patient service revenue increased to $44,721,605 from $44,621,322 in the prior year.
- Salaries and wages and employee benefits expense increased $1,070,471 or 7.3 percent from the prior year.
- Investment income increased $763,548 from prior year due to increase in the market.

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 2020 budget. While the financial outlook for the Hospital is stable, of primary importance in setting the 2020 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 Medical Center 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 $15 million which has reduced the negative financial impact of the pandemic. The Hospital received $3.4 million in Medicare accelerated payments. These payments will be required to be repaid in 2021 and accordingly, the amount has been recorded as a current liability 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.

South Sunflower County Hospital
Indianola, Mississippi
Statements of Net Position

September 30,	**2020**	2019
Assets and Deferred Outflows		
Current assets:		
Cash and cash equivalents	**$ 20,371,348**	$ 4,204,219
Patient receivable, net of allowance for doubtful accounts of $6,534,147 in 2020 and $4,768,424 in 2019	**4,507,471**	3,836,769
Estimated third-party payor settlements	**534,113**	296,999
Inventories	**480,621**	409,180
Prepaid expenses	**152,200**	155,233
Current portion of notes receivable	**196,000**	104,493
Other current assets	**722,266**	630,699
Total current assets	**26,964,019**	9,637,592
Noncurrent investments:		
Internally designated by Board for capital improvements	**7,404,330**	7,047,351
Restricted for self-insurance claims	**3,207,759**	3,048,397
Total noncurrent cash and investments	**10,612,089**	10,095,748
Capital assets, net	**10,692,080**	11,065,468
Long-term notes receivable	**460,190**	663,262
Total assets	**48,728,378**	31,462,070
Deferred outflows	**2,300,614**	1,288,658
Total assets and deferred outflows	**$ 51,028,992**	$ 32,750,728
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Current maturities of capital lease obligations	**$ 85,898**	$ 94,961
Accounts payable	**1,147,487**	799,231
Accrued salaries and compensated absences	**2,202,492**	1,995,951
Other accrued liabilities	**146,224**	231,535
Liability for self-insurance claims	**123,546**	154,997
Total current liabilities	**3,705,647**	3,276,675
Capital lease obligations, less current maturities	**199,794**	32,289
Accrued self insurance cost	**2,267,890**	1,998,599
Unearned revenue from CARES Act funding	**15,019,662**	-
Net pension liability	**24,761,889**	22,294,659
Total liabilities	**45,954,882**	27,602,222
Deferred inflows	**-**	267,913
Net position (deficit):		
Net investment in capital assets	**10,406,388**	10,938,218
Restricted - expendable for self-insurance	**3,207,759**	3,048,397
Unrestricted deficit	**(8,540,037)**	(9,106,022)
Total net position	**5,074,110**	4,880,593
Total liabilities, deferred inflows and net position	**$ 51,028,992**	$ 32,750,728

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

For the years ended September 30,	**2020**	2019
Operating Revenue		
Net patient service revenue, net of provision for bad debts of $5,626,053 in 2020 and $4,769,634 in 2019	**$ 26,602,900**	$ 25,594,069
Other operating revenue	**496,121**	524,259
Total operating revenue	**27,099,021**	26,118,328
Operating Expenses		
Salaries and wages	**12,397,684**	12,085,262
Employee benefits	**3,959,215**	3,632,920
Professional fees	**5,516,180**	5,415,762
Supplies and other	**3,850,015**	3,670,125
Maintenance and utilities	**1,026,783**	1,037,037
Depreciation and amortization	**819,959**	752,733
Total operating expenses	**27,569,836**	26,593,839
Operating income (loss)	**(470,815)**	(475,511)
Nonoperating Revenue (Expenses)		
Investment income	**525,266**	681,231
CARES Act funding	**200,000**	-
Loss on sale of land	**(53,400)**	-
Interest expense	**(7,534)**	(6,443)
Total nonoperating revenue (expenses)	**664,332**	674,788
Increase in net position	**193,517**	199,277
Net Position - beginning of year	**4,880,593**	4,681,316
Net Position - end of year	**$ 5,074,110**	$ 4,880,593

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

South Sunflower County Hospital
Indianola, Mississippi
Statements of Cash Flows

For the years ended September 30,	**2020**	2019
Operating Activities		
Receipts from and on behalf of patients	**$ 25,695,084**	$ 25,066,211
Payments to suppliers and contractors	**(10,052,168)**	(10,050,195)
Payments to employees	**(14,962,997)**	(13,916,529)
Other receipts and payments, net	**496,121**	524,259
Net cash provided by (used in) operating activities	**1,176,040**	1,623,746
Noncapital Financing Activities		
Proceeds from CARES Act funding	**15,219,662**	-
Net cash provided by (used in) noncapital financing activities	**15,219,662**	-
Capital and Related Financing Activities		
Principal payments on capital lease obligations	**(110,558)**	(123,341)
Interest paid on capital lease obligations	**(7,534)**	(6,443)
Purchases of capital assets	**(230,971)**	**(737,746)**
Net cash (used in) provided by capital and related financing activities	**(349,063)**	(867,530)
Investing Activities		
Purchase of investments	**-**	(242,186)
Interest on investments	**8,925**	253,465
Increase (decrease) in physician and tuition advances	**111,565**	(18,787)
Net cash provided by (used in) investing activities	**120,490**	(7,508)
Net increase (decrease) in cash and cash equivalents	**16,167,129**	748,708
Cash and Cash Equivalents - beginning of year	**4,204,219**	3,455,511
Cash and Cash Equivalents - end of year	**$ 20,371,348**	$ 4,204,219
Reconciliation of Income (Loss) to Net Cash Provided by (Used In) Operating Activities:		
Income (loss) from operations	**$ (470,815)**	$ (475,511)
Adjustments to reconcile income (loss)from operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	**819,959**	752,733
Provision for bad debts	**5,626,053**	4,769,634
Changes in assets and liabilities:		
Patient receivables	**(6,296,755)**	(4,997,492)
Inventories	**(71,441)**	11,575
Estimated third-party payor settlements	**(237,114)**	(300,000)
Other assets	**(88,534)**	(166,032)
Accounts payable	**348,256**	(65,935)
Accrued salaries and compensated absences	**206,541**	824,629
Other accrued expenses	**152,529**	293,121
Net pension liability and related deferreds	**1,187,361**	977,024
Net cash provided by (used in) operating activities	**$ 1,176,040**	$ 1,623,746

The accompanying notes are an integral part of these 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 payer 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.

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.

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 payer sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debts. Management reviews data about these major payer 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 payer has not yet paid, or for payers 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 year 2020 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2020 or 2019.

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.

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. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

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

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, 2020 and 2019.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The Hospital follows the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68") on the statements to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position 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 revenue and expenses and changes in net position distinguish between operating and nonoperating revenue 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.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payers.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Patient Service Revenue (continued)

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 $103,010 and $313,800 for the years ended September 2020 and 2019, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately $18,336 and $61,505, 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.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (continued)

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 payer 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 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 Hospital upon implementation. Management has not yet evaluated the effect of implementation of these standards.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective (continued)

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. The requirements of the Statement are effective for reporting periods beginning after June 15, 2021 with early adoption permitted. The Hospital has not adopted this Statement early. The Hospital is still assessing the impact of GASB 87 on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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. The requirements of this statement are effective for reporting periods beginning after December 31, 2021.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective (continued)

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. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

Reclassifications

Certain items in the 2019 financial statements have been reclassified to conform to the current year's presentation, including a reclassification of approximately $1,998,599 from current liabilities to long-term liabilities on the 2019 statement of net position and $154,997 from accrued salaries and compensated absences to liability for self-insurance claims. This change is related to the current year presentation of accrued self-insurance.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 29, 2021 and determined there were no events that occurred that require disclosure.

Note 3: CASH DEPOSITS AND INVESTMENTS

As of September 30, 2020 and 2019, the deposits and investments of the Hospital consisted of the following:

September 30,	**2020**	2019
Petty cash and deposited cash	**$ 1,755**	$ 1,755
Cash deposits with financial institutions	**20,369,593**	4,202,464
MHA external investment pools	**10,612,089**	10,095,748
Total deposits and investments	**$ 30,983,437**	$ 14,299,967

Note 3: CASH DEPOSITS AND INVESTMENTS (Continued)

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

September 30,	**2020**	2019
Cash and cash equivalents	**$ 20,371,348**	$ 4,204,219
Investments	**10,612,089**	10,095,748
Total deposits and investments	**$ 30,983,437**	$ 14,299,967

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 $20,074,172 and $4,415,144 at September 30, 2020 and 2019, 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.

Note 3: 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 4: CAPITAL ASSETS

Capital asset additions, retirements and balances for the year ended September 30, 2020, were as follows:

September 30,	Balance September 30, 2019	Additions	Reductions	Balance September 30, 2020
Capital assets not being depreciated				
Land	$ 208,736	$ -	$ (53,400)	**$ 155,336**
Total capital assets not being depreciated	208,736	-	(53,400)	**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**
Vehicles	33,611	-	-	**33,611**
Major moveable equipment	15,354,801	499,971	-	**15,854,772**
Total capital assets being depreciated	32,897,193	499,971	-	**33,397,164**
Less accumulated depreciation for				
Land improvements	(268,986)	(29,100)	-	**(298,086)**
Buildings and improvements	(8,420,892)	(345,104)	-	**(8,765,996)**
Fixed equipment	(196,680)	(180)	-	**(196,860)**
Vehicles	(33,611)	-	-	**(33,611)**
Major moveable equipment	(13,120,292)	(445,575)	-	**(13,565,867)**
Total accumulated depreciation	(22,040,461)	(819,959)	-	**(22,860,420)**
Capital assets being depreciated, net	10,856,732	(319,988)	-	**10,536,744**
Capital assets, net	$ 11,065,468	$ (319,988)	$ (53,400)	**$ 10,692,080**

Note 4: CAPITAL ASSETS (Continued)

Depreciation expense for the years ended September 30, 2020 and 2019 totaled $819,959 and $752,733, respectively.

Capital asset additions, retirements and balances for the year ended September 30, 2019, were as follows:

September 30,	Balance September 30, 2018	Additions	Reductions	Balance September 30, 2019
Capital assets not being depreciated				
Land	$ 155,336	$ 53,400	$ -	$ 208,736
Total capital assets not being depreciated	155,336	53,400	-	208,736
Capital assets being depreciated				
Land improvements	521,147	54,330	-	575,477
Buildings and improvements	16,613,759	39,161	-	16,652,920
Fixed equipment	280,384	-	-	280,384
Vehicles	33,611	-	-	33,611
Major moveable equipment	14,763,946	590,855	-	15,354,801
Total capital assets being Total capital assets being depreciated	32,212,847	684,346	-	32,897,193
Less accumulated depreciation for				
Land improvements	(241,696)	(27,290)	-	(268,986)
Buildings and improvements	(8,077,746)	(343,146)	-	(8,420,892)
Fixed equipment	(196,500)	(180)	-	(196,680)
Vehicles	(33,611)	-	-	(33,611)
Major moveable equipment	(12,738,175)	(382,117)	-	(13,120,292)
Total accumulated depreciation	(21,287,728)	(752,733)	-	(22,040,461)
Capital assets being depreciated, net	10,925,119	(68,387)	-	10,856,732
Capital assets, net	$ 11,080,455	$ (14,987)	$ -	$ 11,065,468

Note 5: OTHER ASSETS

The composition of other current assets at September 30, 2020 and 2019 was as follows:

September 30,	**2020**	2019
Escrow deposit	**$ 18,750**	$ 18,750
Other receivables	**598,066**	468,216
Insurance subscriber savings	**105,450**	143,733
Total other current assets	**$ 722,266**	$ 630,699

Note 6: LONG-TERM DEBT

The Hospital was obligated under several capital leases at September 30, 2020 at varying interest rates ranging from 2.99 percent to 3.85 percent. A summary of long-term debt, inclusive of capital lease obligations, at September 30, 2020 and 2019 follows:

September 30,	**2020**	2019
Capital lease obligation, interest rate of 2.99%, monthly payments of $2,657, maturing January 2021, collateralized by leased equipment.	**$ 13,092**	$ 39,075
Capital lease obligation, interest rate of 2.99%, monthly payments of $2,054, maturing October 2021, collateralized by leased equipment.	**28,232**	50,584
Capital lease obligation, interest rate of 2.99%, monthly payments of $4,681, maturing June 2020, collateralized by leased equipment.	**-**	37,033
Capital lease obligation, interest rate of 2.99%, monthly payments of $558, maturing October 2019, collateralized by leased equipment.	**-**	558
Capital lease obligation, interest rate of 3.85%, monthly payments of $4,936, maturing April 2025, collateralized by leased equipment.	**244,368**	-
	285,692	127,250
Less: current portion	**85,898**	94,961
	$ 199,794	$ 32,289

Note 6: LONG-TERM DEBT (Continued)

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

Year ending September 30,	Principal	Interest
2021	$ 85,898	$ 9,144
2022	56,790	6,556
2023	56,899	4,473
2024	56,913	2,324
2025	29,192	330
	$ 285,692	$ 22,827

A schedule of changes in the Hospital's capital lease obligation balances for the years ended September 30, 2020 and 2019 follows:

	Balance September 30, 2019	Additions	Retirements	Balance September 30, 2020	Due Within One Year
Capital lease obligations	$ 127,250	$ 269,000	$ 110,558	$ 285,692	$ 85,898

	Balance September 30, 2018	Additions	Retirements	Balance September 30, 2019	Due Within One Year
Capital lease obligations	$ 250,591	$ -	$ 123,341	$ 127,250	$ 94,961

Capitalized lease equipment and related accumulated amortization was $814,591 and $501,029, respectively, at September 30, 2020. Capitalized lease equipment and related accumulated amortization was $663,223 and $509,997, respectively at September 30, 2019.

Note 7: 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*.

Note 7: 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, 2020 and 2019, 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, 2020 and 2019, were approximately $1,497,000 and $1,359,000, 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, 2020 and 2019, 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, 2020 and 2019 for fiscal years ended September 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018. The Hospital's proportion of the net pension

Note 7: PENSION PLAN (Continued)

Pension Liabilities and Pension Expense (continued)

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.

September 30,	**2020**	2019
Net pension liability	**$ 24,761,889**	$ 22,294,659
Proportion at:		
Current measurement date	**0.127910%**	0.126732%
Prior measurement date	**0.126732%**	0.125220%
Pension expense	**2,683,868**	2,336,431

Deferred Outflows/Inflows of Resources Related to Pensions

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

September 30,	**2020**	2019
Deferred outflows of resources		
Pension contributions subsequent to measurement date	**$ 411,957**	$ 397,447
Net difference between projected and actual earnings on pension plan investments	**1,017,124**	-
Difference between expected and actual experience	**214,936**	13,188
Changes of assumptions	**138,519**	218,578
Changes in proportionate share of net pension liability	**518,078**	659,445
Total deferred outflows of resources	**$ 2,300,614**	$ 1,288,658

September 30,	**2020**	2019
Deferred inflows of resources		
Net difference between projected and actual earnings on pension plan investments	**$ -**	$ 243,915
Difference between expected and actual experience	**-**	23,998
Total deferred inflows of resources	**$ -**	$ 267,913

Note 7: PENSION PLAN (Continued)

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

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, 2021. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	
2021	$ 460,627
2022	580,600
2023	519,680
2024	327,750
	$ 1,888,657

Actuarial Assumptions

The net pension liability was measured as of June 30, 2020 and 2019 for fiscal years ended September 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018. The individual entry age normal actuarial cost method was used for the plan along with the following significant actuarial assumptions:

Year ending September 30,	**2020**	2019
Inflation	**2.75%**	2.75%
Salary increase	**3.00-18.25%**	3.00-18.25%
Investment rate of return	**7.75%**	7.75%
Discount rate	**7.75%**	7.75%

Mortality rates were based on the PubS.H-2010(B) Retiree Table, with the following adjustments: For males, 112 percent of male rates from ages 18 to 75 scaled down to 105 percent for ages 80 to 119. For females, 85 percent of the female rates from ages 18 to 65 scaled up to 102 percent for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2020 and 2019 valuation were based on the results of an actuarial experience study for the four year period July 1, 2014 to June 30, 2018.

Certain changes in actuarial assumptions impacted 2019 pension expense and the related deferred outflows and inflows including the following: In 2019, the expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112 percent of male rates from ages 18 to 75 scaled down to 105 percent for ages 80 to 119. For females, 85 percent of the female rates from ages 18 to 65 scaled up to 102 percent for ages 75 to 119. Mortality

Note 7: PENSION PLAN (Continued)

Actuarial Assumptions (continued)

rates will be projected generationally using the MP-2018 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, 137 percent of male rates at all ages; for females, 115 percent of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally. In 2019, the price inflation assumption was reduced from 3.00 percent to 2.75 percent, and the wage inflation assumption was reduced from 3.25 percent to 3.00 percent. In 2019, withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience. Also in 2019, the percentage of active member disabilities assumed to be in the line of duty was increased from 7.00 percent to 9.00 percent. 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 3.37, 3.90, 3.76 and 3.66 for the years 2017, 2018, 2019 and 2020, 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%	4.90%
International equity	22%	4.75%
Global equity	12%	5.00%
Fixed income	20%	1.50%
Real estate	10%	4.00%
Private equity	8%	6.25%
Cash	1%	0.25%
Total	100%	

Note 7: PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability at September 30, 2020 and 2019 was 7.75 percent, respectively. 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, 2020 and 2019, 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% higher or 1.00% lower than the current discount rate:

September 30, 2020	**1% Decrease (6.75%)**	**Current Discount Rate (7.75%)**	**1% Increase (8.75%)**
Hospital's proportionate share of the net pension liability	**$ 32,051,223**	**$ 24,761,889**	**$ 18,745,260**

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.

Note 8: 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:

September 30,	**2020**	2019
Capital assets	**$ 33,552,500**	$ 33,105,929
Less accumulated depreciation	**(22,860,420)**	(22,040,461)
Less debt outstanding related to capital assets	**(285,692)**	(127,250)
	$ 10,406,388	$ 10,938,218

Note 9: 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 Medical Center (DSH), and in the Mississippi Medical Center Access Payment (MHAP). Under these programs, the Hospital receives enhanced reimbursement through a matching mechanism.

Note 9: 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 Medical Centers throughout the state for distribution of MHAP payments for the purpose of protecting patient access to medical center care. DSH and MHAP payments and associated tax 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.

Years ended September 30,	**2020**	2019
MHAP revenue, gross	**$ 4,126,013**	$ 4,183,473
MHAP assessment	**(276,002)**	(414,054)
MHAP and UPL revenue, net of assessment	**$ 3,850,011**	$ 3,769,419

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 2020 and 2019 net patient service revenue increased approximately $313,000 and $480,685, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated.

The composition of net patient service revenue was as follows:

Years ended September 30,	**2020**	2019
Gross patient service revenue	**$ 47,877,872**	$ 44,721,605
Less provisions for		
Contractual adjustments under the third-party reimbursement programs and other deductions	**15,648,919**	14,357,902
Provision for bad debts	**5,626,053**	4,769,634
Net patient service revenue	**$ 26,602,900**	$ 25,594,069

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, 2020, the Hospital received cash payments and recognized nonoperating income of $200,000 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, 2020. The Hospital has deferred $15 million of payments, which is recorded in

Note 9: NET PATIENT SERVICE REVENUE (Continued)

Nonoperating Income (continued)

unearned revenue on the statement of net position. 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 approximately $100 billion in several tranches from the Relief Fund to providers, including:

A $50 billion general distribution to Medicare fee-for-service providers;

- An allocation of approximately $15 billion to Medicaid and CHIP providers that did not receive an allocation from the $50 billion general distribution;

- Targeted distributions comprised of (i) $12 billion for Medical Centers determined to be in areas particularly impacted by COVID-19 based on reported COVID-19 admissions, (ii) $10 billion to rural healthcare providers, (iii) $5 billion to skilled nursing facilities, (iv) $10 billion to safety net Medical Centers and (v) $500 million to tribal Medical Centers, clinics and urban health centers.

In July 2020, HHS announced the distribution of an additional $4 billion ($1 billion to rural Medical Centers and $3 billion to safety net Medical Centers) and the expansion of the Relief Fund to dental providers. Payments from the Relief Fund are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers had to agree to certain terms and conditions, including, among other things, that the funds be used for lost operating

Note 9: NET PATIENT SERVICE REVENUE (Continued)

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

revenues and COVID-related costs, and that the providers 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. Furthermore, HHS has indicated that it will be closely monitoring and, along with the Office of Inspector General, auditing providers to ensure that recipients comply with the terms and conditions of relief programs and to prevent fraud and abuse. All providers will be subject to civil and criminal penalties for any deliberate omissions, misrepresentations or falsifications of any information given to HHS. Except for certain immaterial Relief Fund payments the Hospital returned to HHS, the Hospital has formally accepted the terms and conditions associated with the receipt of Relief Fund payments the Hospital have received.

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

- Effective May 1, 2020 through December 31, 2020, the 2% sequestration reduction on Medicare FFS and Medicare Advantage payments to Medical Centers, physicians and other providers authorized by the Sequestration Transparency Act of 2020 is suspended and will resume effective January 2021. The suspension is financed by a one-year extension of the sequestration adjustment through 2030.

- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 Medical Center admissions for the duration of the public health emergency 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 December 1, 2020. Also, the federal DSH allotment reduction for FFY 2021 will be reduced from $8 billion to $4 billion. Notwithstanding these adjustments, the ACA-mandated reduction is not expected to be extended past its original termination in FFY 2025.

- The CARES Act expanded the Medicare accelerated payment 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 payments that may be retained for 120 days during which time providers continue to receive payments for services. At the end of the 120-period, the accelerated payment will be repaid via a 100% offset of payments on claims that would otherwise be paid. The repayment period for hospitals and other providers is one year and 210 days, respectively, from the date of receipt of the accelerated payment, after which interest is assessed on the unpaid balance.

Note 9: NET PATIENT SERVICE REVENUE (Continued)

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

- 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.

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 10: 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 $4,796,473 and $3,574,228 for the years ended September 30, 2020 and 2019, 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 $2,541,623 and $1,805,478 for the years ended September 30, 2020 and 2019, 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 11: 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.

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 liability for self-insurance claims in the financial statements.

The claims liability at September 30, 2020 and 2019 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 in fiscal years 2020 and 2019 were:

Fiscal year	October 1, Claims Liability	Current Year Claims and Changes in Estimates	Current Year Payments	September 30, Claims Liability
2020	$ 154,997	$ 1,422,798	$ (1,454,249)	$ 123,546
2019	$ 132,637	$ 1,867,484	$ (1,845,124)	$ 154,997

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, 2020 and 2019, this accrual totaled $2,267,890 and $1,998,599, respectively. The future assertion of claims for occurrences prior to year-end is reasonably possible and may occur, although is not anticipated.

Note 11: INSURANCE PROGRAMS (Continued)

Medical Malpractice Program (continued)

Changes in the Hospital's claims liability amount, including related legal fees, for the years 2020 and 2019 were as follows:

Fiscal Year	October 1, Claims Liability	Current Year Claims and Changes in Estimates	Current Year Payments	September 30, Claims Liability
2020	$ 1,998,599	$ 383,291	$ (114,000)	$ 2,267,890
2019	$ 1,726,120	$ 468,679	$ (196,200)	$ 1,998,599

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.

Note 12: 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 9.

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.

Note 12: SIGNIFICANT ESTIMATES AND CONCENTRATIONS (Continued)

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:

September 30,	**2020**	2019
Medicare	**32%**	23%
Medicaid	**15%**	24%
Commercial	**13%**	23%
Other	**40%**	30%
Total	**100%**	100%

Patient Service Revenue Under Contract

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

	September 30, 2020		September 30, 2019	
	Amount	**Percent of Total Gross Patient Revenue**	Amount	Percent of Total Gross Patient Revenue
Medicare	**$ 20,547,431**	**42.9%**	$ 18,590,745	41.6%
Medicaid	**11,540,777**	**24.1%**	12,352,044	27.6%
Other	**15,789,664**	**33.0%**	13,778,816	30.8%
Total	**$ 47,877,872**	**100.0%**	$ 44,721,605	100.0%

Note 13: COMMITMENTS AND CONTINGENCIES

The Hospital leases a physician clinic under operating lease expiring on March 31, 2023. Total rental expense for the years ended September 30, 2020 and 2019 for all operating leases was approximately $339,744 and $339,744, respectively.

Note 13: COMMITMENTS AND CONTINGENCIES (Continued)

The following is a schedule by year of expiration of approximate future minimum lease payments under non-cancelable operating leases as of September 30, 2020 that have initial or remaining lease terms in excess of one year:

Year ending September 30,	
2021	$ 339,744
2022	339,744
2023	169,872
Total	$ 849,360

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	2020	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.1279%	0.1267%	0.1252%	0.1187%	0.1184%	0.1254%	0.1298%
Employer's proportionate share of the net pension liability (asset)	$ 24,761,889	$ 22,294,659	$ 20,824,806	$ 19,734,628	$ 21,146,696	$ 18,932,870	$ 15,694,809
Employer's covered payroll	$ 8,537,225	$ 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	290.05%	285.36%	254.31%	255.35%	273.49%	244.54%	187.80%
Plan fiduciary net position as a percentage of the total pension liability	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.

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

Public Employees' Retirement System of Mississippi	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 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	1,496,507	1,359,407	1,289,734	1,217,251	1,217,827	1,219,397	1,316,252
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 8,600,613	$ 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%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

Notes to schedules:

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.

SUPPLEMENTARY INFORMATION

South Sunflower County Hospital
Indianola, Mississippi
Schedule of Surety Bonds for Officers and Employees
September 30, 2020

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 i*ssued by the Comptroller General of the United States, the financial statements of the business-type activities of South Sunflower County Hospital (the Hospital), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated March 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

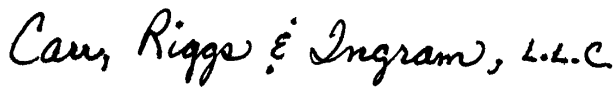
As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hospital's Response to Findings

As of the date of issuance of these financial statements, the Hospital's management has not completed their evaluation of and response to the findings identified in our audit as described above.

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.

Ridgeland, Mississippi
March 29, 2021

Finding 2020-001
Repeat Finding: No
Finding Type: Significant Deficiency In Internal Controls Over Financial Reporting

Criteria

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of the Hospital.

Condition

There were a few instances of adjustments that were needed to properly state the financial statements as a result of COVID-19 impacts.

1. The Hospital's process related to the estimate of allowances related to patient account receivable was consist with prior methodology. The COVID-19 impact needed additional consideration with respect to the estimate of allowances. As a result, an additional $170,000 was recorded to increase the estimate for the allowance.
2. The Hospital received funding from the provider relief funds during fiscal year 2020 and based on updated guidance with respect to revenue recognition for these fundings, there was an additional $200,000 adjustment recorded to recognize and not defer the revenue from the funding related to additional expenses associated with COVID-19.

Cause of Condition

The accounting policies and procedures of the Hospital did track the COVID-19 revenues and expenses but did not consider the additional impact of COVID-19 on the year-end financial reporting.

Effect of Condition

Audit adjustments of approximately $170,000 of additional expense and $200,000 of additional revenue were required to the Hospital's financial statements.

Recommendation

Management should evaluate any unusual transactions and events that occur and consider the impact of these transactions or events on the year-end financial reporting.