

**MAGNOLIA REGIONAL  
HEALTH CENTER**  
Corinth, Mississippi

**Audited Financial Statements**  
As of and for the Years Ended  
September 30, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Magnolia Regional Health Center  
Corinth, Mississippi

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the business-type activities of Magnolia Regional Health Center (the "Health Center") as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Health Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Health Center as of September 30, 2023 and 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### **Emphasis of Matter Regarding GASB 96 Adoption**

As explained in Note 1 to the financial statements, the Health Center adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, Subscription-Based Information Technology Arrangements ("SBITA"), during the year ended September 30, 2023, which is applied retroactively by restating balances in the financial statements as of October 1, 2021. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health Center's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages four through twelve and the required Schedule of Employer Contributions and Proportionate Share of the Net Pension Liability on page 48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Health Center's basic financial statements. The Schedule of Surety Bonds for Officers and Employees on page 49 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 basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this schedule.

**Report on Other Reporting Required by Governmental Auditing Standards**

In accordance with GAS, we have also issued our report dated March 14, 2024 on our consideration of the Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the Health Center's internal control over financial reporting and compliance.

*HORNE LLP*

Ridgeland, Mississippi  
March 14, 2024

**MAGNOLIA REGIONAL HEALTH CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended September 30, 2023 and 2022**

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Our discussion and analysis of Magnolia Regional Health Center's (the "Health Center") financial performance provides an overview of the Health Center's financial activities for the fiscal years ended September 30, 2023 and 2022. This information should be used in conjunction with the Health Center's financial statements, which begin on page 13.

**BACKGROUND AND OVERVIEW**

The Health Center operates a 200-bed acute care Health Center, a home health and hospice agency, a three-provider general surgery practice, a five-provider pediatric practice, a two-provider interventional cardiology and pulmonology practice, a two-provider cardiothoracic surgery practice, a one-provider otolaryngology practice, a three-provider OB/GYN practice, a three-provider multi-specialty clinic, a one-provider behavioral health clinic, four primary care practices and an urgent care clinic. The Health Center also provides a Medical Education and Internal Medicine Residency program. During 2013, a Cardiology Fellowship program was established. A Pharmacist Residency program was established during 2017 and received a retro-accreditation in September 2018. During 2018, work began to establish an Emergency Department Physician Residency program and received accreditation in April 2020. The vision of the Health Center is to be the regional healthcare center of choice.

The Health Center has been in business for over 50 years and completed expansion projects in 1982, 1992, 1994, 1998, 2000, 2007 and 2013. In 2013, the Health Center completed the \$22.0 million construction project that provided for a new front entrance, expanded parking, centralized registration area, consolidated Radiological Services area and a new Emergency Room directly adjacent to the new radiology area. An additional \$7.4 million of new radiology equipment was also part of the overall project.

**USING THIS ANNUAL REPORT**

The Health Center's financial statements consist of three statements: statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows. These financial statements and related notes provide information about the activities of the Health Center, including resources held by the Health Center but restricted for purposes by contributors, grantors or enabling legislation.

The statements of net position include all of the Health Center's assets, deferred outflow and inflows of resources and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants or other purposes. The makeup, changes thereto and general comments regarding how the changes occurred will be discussed later. The Health Center's statements of net position indicate a strong financial position. This is measured and presented more succinctly in the ratios provided. The statements of revenues, expenses and changes in net position report all of the revenues and expenses during the time periods indicated. Revenues measure and represent the volume and types of services provided to the Health Center's customers, the patients we serve. The statements also reflect the costs of providing those services enumerated by the various categories of and type of expense incurred. These statements further reveal how the Health Center was able to manage its business to either provide the services at a profit or loss. The current year statement shows a positive margin in keeping with and similar to the prior years.

The final required statements are the statements of cash flows. These statements report cash receipts, cash payments and net changes in cash resulting from operations, investing activities and financing activities. The above-mentioned categories specify the cash funding by the Health Center.

**MAGNOLIA REGIONAL HEALTH CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended September 30, 2023 and 2022**

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**FINANCIAL HIGHLIGHTS**

On March 14, 2020, the Governor of the State of Mississippi ("Mississippi") declared a state of emergency in Mississippi related to the Coronavirus ("COVID-19") pandemic and subsequently issued numerous executive orders in an effort to reduce community spread of the virus and protect Mississippi's most vulnerable citizens. As a result of the executive orders and the general response to concerns for community spread, elective procedures and other nonemergency visits to the Health Center's facilities were significantly curtailed beginning in March 2020. Since then, the Health Center has continued to experience lower inpatient and outpatient volumes while also dealing with increased costs associated with supply chain issues and staffing challenges. The full impact of the public health crisis on the Health Center cannot be estimated with any degree of certainty at this time.

Year Ended September 30, 2023

The Health Center's financial position increased during the year and produced an increase in net position of \$12.6 million. This increase is primarily attributed to the following factors:

- Net Disproportionate Share ("DSH") and Mississippi Health Center Access Payment ("MHAP") were approximately \$8.5 million.
- Pension expense was (\$12) million, reduced by a net noncash portion of approximately \$15 million.
- Total Case Mix index increased 3.35 percent over prior year.
- Adjusted admissions increased 0.41 percent from prior year with acute admits decreasing 3.94 percent.

Year Ended September 30, 2022

The Health Center's financial position increased during the year and produced an increase in net position of \$4.0 million. This increase is primarily attributed to the following factors:

- Net Disproportionate Share ("DSH") and Mississippi Health Center Access Payment ("MHAP") were approximately \$5.7 million.
- Pension expense was (\$13.0) million, reduced by a net noncash portion of approximately \$16.8 million.
- Salaries, wages and benefits expense decreased by approximately \$3.8 million.
- Total Case Mix index decreased 2.9 percent over prior year.
- Adjusted admissions increased 1.1 percent from prior year with acute admits decreasing 6.9 percent.
- During fiscal year 2022, the Health Center received \$8.4 million additional COVID-19 relief funds and recognized the full \$8.4 million in funds received as nonoperating revenues. The COVID-19 relief funds are to be used to cover allowable costs and loss of operating revenues attributable to the effects of COVID-19.

**MAGNOLIA REGIONAL HEALTH CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended September 30, 2023 and 2022**

**CONDENSED FINANCIAL INFORMATION**

**Statements of Net Position**

A summary of the Health Center's statements of net position for September 30, 2023, 2022 and 2021 is presented in the following table:

**Condensed Statements of Net Position  
(In Thousands)**

	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021
Current and other assets	\$ 121,486	\$ 130,876	\$ 134,962
Capital assets, net	87,317	87,292	83,181
Total assets	208,803	218,168	218,143
Deferred outflows of resources	16,609	12,769	13,491
Long-term debt, less current maturities	90,376	95,821	63,912
Other liabilities	27,885	29,810	48,645
Net pension liability	63,752	69,456	79,007
Total liabilities	182,013	195,087	191,564
Deferred inflows of resources	33,605	38,699	46,810
Net investment in capital assets	13,246	12,846	16,628
Restricted	34,289	38,856	13,465
Unrestricted deficit	(37,742)	(54,552)	(36,833)
Total net position	\$ 9,793	\$ (2,850)	\$ (6,740)

**Year Ended September 30, 2023**

- Total net position increased 444 percent during the fiscal year, which is primarily attributable to decrease in pension expenses.
- Cash and cash equivalents decreased during the year approximately \$8.8 million for an ending balance of approximately \$17.8 million. The majority of this change was due to decrease of grant funding used for operations.
- Long-term debt, including current maturities, decreased to \$95.1 million from \$100.5 million due to regular debt payments.

**Year Ended September 30, 2022**

- Total net position increased 59 percent during the fiscal year, which is primarily attributable to the reduction of operating expenses and recognition of COVID-19 funding.
- Cash and cash equivalents decreased during the year approximately \$25.4 million for an ending balance of approximately \$26.6 million. The majority of this change was due to Medicare Accelerated and Advanced Payment Program recoupments of approximately \$21.5 million.



**MAGNOLIA REGIONAL HEALTH CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended September 30, 2023 and 2022**

- Net capital assets increased approximately \$4.1 million or 4.9 percent. This increase is primarily due to the addition of assets for subscription-based information technology arrangements ("SBITA").
- Long-term debt, including current maturities, increased to \$100.5 million from \$66.6 million due to the issuance of the Series 2021 Bonds, the proceeds of which were used to refund the Series 2011 Bonds as well as provide an additional \$30 million in debt earmarked for future construction projects. In addition, long-term debt increased due to \$8.3 million in SBITA leases.

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

The following table presents a summary of the Health Center's revenues and expenses for the fiscal years ended September 30, 2023, 2022 and 2021:

**Condensed Statements of Revenues, Expenses and Changes in Net Position  
(In Thousands)**

	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2021
Net patient service revenues	\$ 171,914	\$ 161,610	\$ 171,353
Other	5,781	5,060	5,382
Total operating revenues	177,695	166,670	176,735
Operating expenses			
Salaries, wages and benefits	83,449	79,359	83,112
Supplies, fees and other expenses	71,541	74,033	74,191
Depreciation and amortization expense	10,349	10,882	9,012
Total operating expenses	165,339	164,274	166,315
Operating income	12,356	2,396	10,420
Nonoperating revenues (expenses)			
Investment and other income, net	3,659	(1,585)	447
Interest expense	(3,372)	(5,305)	(4,848)
CARES Act and ARPA revenue	-	8,385	4,013
Total nonoperating revenues (expenses)	287	1,495	(388)
Increase in net position	\$ 12,643	\$ 3,891	\$ 10,032

**MAGNOLIA REGIONAL HEALTH CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended September 30, 2023 and 2022**

Year Ended September 30, 2023

- Two widely used measurements for the Health Center activity are equivalent patient admissions and days. Equivalent patient admissions increased by approximately 0.41 percent while equivalent patient days decreased approximately 2.87 percent.
- Net patient service revenue increased by approximately 6.0 percent to \$172 million. On a per equivalent admission basis, net patient service revenue increased 5.9 percent.
- Operating expenses, excluding interest, increased 0.64 percent compared to the prior year. Expenses per equivalent admission increased by 0.23 percent.

Year Ended September 30, 2022

- Two widely used measurements for the Health Center activity are equivalent patient admissions and days. Equivalent patient admissions increased by approximately 1.1 percent while equivalent patient days decreased approximately 2.5 percent.
- Net patient service revenue decreased by approximately 5.7 percent to \$161.6 million. On a per equivalent admission basis, net patient service revenue decreased 5.6 percent.
- Operating expenses, excluding interest, decreased 1.2 percent compared to the prior year. Expenses per equivalent admission decreased by 2.2 percent.
- During fiscal year 2022, the Health Center recognized approximately \$8.4 million of COVID-19 relief funds as nonoperating revenues. The COVID-19 relief funds are to be used to cover allowable costs and loss of operating revenues attributable to the effects of COVID-19.

**Statements of Cash Flows**

Year Ended September 30, 2023

A summary of the Health Center's cash flows for fiscal years ended 2023 and 2022 is presented as follows:

**Condensed Statements of Cash Flows  
(In Thousands)**

	Increase (Decrease)	2023	2022
Cash flows from operating activities	\$ 8,928	\$ 7,628	\$ (1,300)
Cash flows from noncapital financing activities	9,064	(3,953)	(13,017)
Cash flows from financing activities	(6,734)	(18,497)	(11,763)
Cash flows from investing activities	5,286	6,002	716
Net increase (decrease) in cash	16,544	(8,820)	(25,364)
Cash – beginning of year	(25,364)	26,580	51,944
Cash – end of year	\$ (8,820)	\$ 17,760	\$ 26,580

**MAGNOLIA REGIONAL HEALTH CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended September 30, 2023 and 2022**

Year Ended September 30, 2023, Continued

The Health Center's net cash from operating activities increased by 687 percent when compared with 2022. The primary reason for this increase was due to increased payments from patients and third-parties as well as decreased payments to suppliers.

The Health Center's net cash from noncapital financing activities in 2023 increased by \$9 million over the previous year. The primary reason for this change is due to a decrease in the Medicare Accelerated recoupments.

The net cash outflow from financing activities in 2023 decreased by \$6.7 million over the previous year due primarily to the proceeds from issuance of long-term debt received in 2022.

Year Ended September 30, 2022

A summary of the Health Center's cash flows for fiscal years ended 2022 and 2021 is presented as follows:

**Condensed Statements of Cash Flows  
(In Thousands)**

	Increase (Decrease)	2022	2021
Cash flows from operating activities	\$ (6,824)	\$ (1,300)	\$ 5,524
Cash flows from noncapital financing activities	(5,719)	(13,017)	(7,298)
Cash flows from financing activities	(1,466)	(11,763)	(10,297)
Cash flows from investing activities	132	716	584
Net decrease in cash	(13,877)	(25,364)	(11,487)
Cash – beginning of year	(11,487)	51,944	63,431
Cash – end of year	\$ (25,364)	\$ 26,580	\$ 51,944

The Health Center's net cash from operating activities decreased by 124 percent when compared with 2021. The primary reason for this decrease was a decrease in receipts from patients and third-party payors of \$3.6 million, an increase in payments for supplies of \$1.0 million and an increase in payments for wages and supplies of \$1.9 million.

The Health Center's net cash from noncapital financing activities in 2022 decreased by \$5.7 million over the previous year. The primary reason for this change is due to the recoupment of approximately \$21.5 million in 2022 from cash originally received from the Medicare Accelerated and Advanced Payment Program in the amount of \$33.9 million in fiscal year 2020.

The net cash outflow from financing activities in 2022 decreased \$1.5 million over the previous year due primarily to the issuance of bonds in 2021, the refunding of previously held debt and the purchase of capital assets in fiscal year 2022.

**MAGNOLIA REGIONAL HEALTH CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended September 30, 2023 and 2022**

**EARNINGS BEFORE DEPRECIATION AND AMORTIZATION**

Earnings Before Depreciation and Amortization ("EBDA") as of the years ended September 30, 2023, 2022 and 2021 are as follows:

	<b>EBDA (In Thousands)</b>		
	<b>2023</b>	<b>September 30, 2022</b>	<b>2021</b>
Income from operations	\$ 12,356	\$ 2,396	\$ 10,419
Plus: Depreciation and Amortization	10,349	10,882	9,012
EBDA	22,705	13,278	19,431
Plus: CARES Act and ARPA revenue	-	8,385	4,013
Adjusted EBDA	\$ 22,705	\$ 21,663	\$ 23,444

EBDA for the year ended September 30, 2023 increased approximately \$9.4 million or 71 percent for reasons noted above in the summary of the Health Center's statements of revenues, expenses and changes in net position between 2023 and 2022.

EBDA for the year ended September 30, 2022 decreased approximately \$6.3 million or 33 percent for reasons noted above in the summary of the Health Center's statements of revenues, expenses and changes in net position between 2022 and 2021.

For the adjusted EBDA numbers represented above, the Health Center is including the CARES Act and ARPA Funds recognized as revenue in 2022 and 2021 in order to provide comparability of the financial presentation of the Health Center's financial statements with nongovernmental industry peer companies who prepare financial statements according to the Financial Accounting Standards Board ("FASB"), rather than the Governmental Accounting Standards Board ("GASB") to which the Health Center must comply.

**CAPITAL ASSETS**

Year Ended September 30, 2023

At the end of fiscal year 2023, the Health Center had an investment in capital assets, net of depreciation, of approximately \$87.3 million, an increase of approximately \$25,000 or .03 percent from 2022. The increase in capital assets is related primarily to additions for the year exceeding depreciation expense.

Year Ended September 30, 2022

At the end of fiscal year 2022, the Health Center had an investment in capital assets, net of depreciation, of approximately \$87.3 million, an increase of approximately \$4.1 million or 4.9 percent from 2021. The decrease in capital assets is related primarily to the addition of SBITA lease assets.

**MAGNOLIA REGIONAL HEALTH CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Years Ended September 30, 2023 and 2022**

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**LONG-TERM DEBT**

Year Ended September 30, 2023

At the end of fiscal year 2023, the Health Center had one outstanding bond issue.

The Series 2021 bonds, which are reported in the statements of net position, had a carrying value of \$83.3 million and include an unamortized bond premium of \$6.5 million as a result of the bond refinance. The bond bears interest rates ranging from 4.0 percent to 5.0 percent.

Year Ended September 30, 2022

At the end of fiscal year 2022, the Health Center had one outstanding bond issue.

The Series 2021 bonds, which are reported in the statements of net position, had a carrying value of \$86.2 million and include an unamortized bond premium of \$7.6 million as a result of the bond refinance. The bond bears interest rates ranging from 4.0 percent to 5.0 percent.

**ECONOMIC FACTORS AND FISCAL 2024 OPERATIONS**

While the annual budget of the Health Center is not presented within these financial statements, the Health Center's Board and management considered many factors in developing the fiscal year 2024 budget. Of primary importance in developing the budget is the status of the economy and the healthcare environment, which takes into account market forces and environmental factors such as:

1. Medicare reimbursement and regulatory changes and the effects of Accountable Care Organizations.
2. Medicaid reimbursement changes, as well as the continuation at the current level of the DSH and MHAP programs.
3. Increased prevalence of high deductible health plans and challenges with bad debt.
4. Ongoing competition for healthcare services.
5. Workforce shortages primarily in nursing and other skilled clinical positions. This places upward pressure on salaries.
6. Rising cost of supplies, including pharmaceuticals.
7. Of primary importance is the status of the local economy and the healthcare environment.
8. Ability to recruit medical staff in the specialty areas needed by the Health Center in an environment that many physicians view as a state with an adverse business climate.
9. Stability of existing industry and the ability of the community to attract new industries.
10. Continuing effects of the Affordable Care Act and how they will impact future volumes and patient revenues.
11. State of Mississippi's choice to not expand Medicaid program in the state.
12. Experience of the Public Employees' Retirement System of Mississippi.
13. The ultimate impact of the pandemic.

**MAGNOLIA REGIONAL HEALTH CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
Years Ended September 30, 2023 and 2022

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**CONTACTING THE HEALTH CENTER CHIEF FINANCIAL OFFICER**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Health Center's finances. If you have any questions about this report or need additional financial information, please contact Magnolia Regional Health Center, 611 Alcorn Drive, Corinth, Mississippi 38834.

**MAGNOLIA REGIONAL HEALTH CENTER**

Statements of Net Position  
September 30, 2023 and 2022

	2023	2022 (As Restated)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 17,760,514	\$ 26,580,042
Assets limited as to use	5,042,235	4,849,851
Investments	35,084,362	33,940,989
Patient receivables, net of allowance for doubtful accounts of \$30,330,662 and \$29,455,683, respectively	22,192,006	19,594,277
Inventories	3,815,081	4,023,171
Other current assets	6,556,404	5,761,041
Total current assets	<u>90,450,602</u>	<u>94,749,371</u>
Capital assets, net	87,316,590	87,292,077
Assets limited as to use	29,247,139	34,006,820
Other assets	1,788,426	2,119,419
Total assets	<u>208,802,757</u>	<u>218,167,687</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows on acquisitions	554,067	691,474
Deferred outflows on debt refundings	3,694,869	4,104,498
Deferred pension outflows	12,360,208	7,973,136
Total deferred outflows of resources	<u>16,609,144</u>	<u>12,769,108</u>
<b>LIABILITIES</b>		
Current liabilities		
Current maturities of long-term debt	4,759,055	4,640,101
Accounts payable	6,953,232	4,885,046
Estimated third-party payor settlements	6,615,413	4,745,589
Medicare Accelerated and Advance Payment contractual liability	1,954	5,008,213
Other current liabilities	8,625,522	9,601,053
Total current liabilities	<u>26,955,176</u>	<u>28,880,002</u>
Other liabilities	930,000	930,000
Net pension liability	63,751,807	69,456,402
Long-term debt, less current maturities	90,376,448	95,820,744
Total liabilities	<u>182,013,431</u>	<u>195,087,148</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	33,531,196	38,388,939
Deferred lease inflows	73,974	309,959
Total deferred inflows of resources	<u>33,605,170</u>	<u>38,698,898</u>
<b>NET POSITION</b>		
Net investment in capital assets	13,245,735	12,846,332
Restricted		
Expendable for debt service	11,926,205	11,525,351
Expendable for capital improvements	21,064,648	26,015,100
Expendable for insurance	1,298,521	1,316,220
Unrestricted deficit	(37,741,809)	(54,552,254)
Total net position	<u>\$ 9,793,300</u>	<u>\$ (2,849,251)</u>

See accompanying notes.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2023 and 2022

	<b>2023</b>	<b>2022</b> <b>(As Restated)</b>
<b>Operating revenues</b>		
Net patient service revenue, net of provision for bad debts of \$35,940,526 and \$25,106,774, respectively	\$ 171,913,942	\$ 161,610,266
Other	5,780,505	5,059,736
Total operating revenues	177,694,447	166,670,002
<b>Operating expenses</b>		
Salaries, wages and benefits	83,449,018	79,358,790
Supplies and other expenses	60,985,140	63,165,841
Rental and lease expense	1,686,957	1,712,283
Repairs and maintenance	5,819,800	5,835,729
Purchased services	3,048,806	3,319,238
Depreciation and amortization	10,349,508	10,882,161
Total operating expenses	165,339,229	164,274,042
Income from operations	12,355,218	2,395,960
<b>Nonoperating revenues (expenses)</b>		
Noncapital contributions and grants	1,052,880	123,322
CARES and ARP Act revenue	-	8,385,009
Investment income (loss)	2,578,562	(1,628,579)
Interest expense	(3,371,826)	(5,305,282)
Gain (loss) on disposal of capital assets	27,717	(79,787)
Total nonoperating revenues	287,333	1,494,683
Increase in net position	12,642,551	3,890,643
Net deficit, beginning of year	(2,849,251)	(6,739,894)
Net position (deficit), end of year	\$ 9,793,300	\$ (2,849,251)

See accompanying notes.



**MAGNOLIA REGIONAL HEALTH CENTER**  
Statements of Cash Flows  
Years Ended September 30, 2023 and 2022

	<b>2023</b>	<b>2022</b> <b>(As Restated)</b>
<b>Cash flows from operating activities</b>		
Receipts from patients and third-party payors	\$ 171,186,037	\$ 167,522,217
Payments for wages and fees	(99,808,778)	(98,476,351)
Payments to suppliers	(69,529,963)	(75,406,093)
Other receipts and payments, net	5,780,505	5,059,736
Net cash provided by (used in) operating activities	7,627,801	(1,300,491)
<b>Cash flows from noncapital financing activities</b>		
Noncapital contributions and grants received	1,052,880	123,322
Medicare Accelerated and Advance Payment receipts / recoupments	(5,006,259)	(21,525,179)
Proceeds from American Rescue Plan Act	-	7,509,023
Proceeds from Provider Relief Fund	-	875,986
Net cash used in noncapital financing activities	(3,953,379)	(13,016,848)
<b>Cash flows from capital and related financing activities</b>		
Proceeds from issuance of long-term debt	-	94,966,612
Principal paid on long-term debt	(2,898,961)	(66,454,465)
Principal paid on capital leases	(1,741,140)	(1,736,685)
Interest and bond issuance cost on long-term debt and capital leases	(4,064,503)	(5,993,753)
Capital expenditures	(9,816,191)	(6,643,058)
Proceeds from disposal of assets	24,359	-
Restricted funds established for future capital projects	-	(25,901,522)
Net cash used in capital and related financing activities	(18,496,436)	(11,762,871)
<b>Cash flows from investing activities</b>		
Investment income	2,145,628	396,068
Proceeds from maturities of investments	5,269,588	9,814,621
Purchases of investments	(5,980,027)	(10,005,370)
Net change of assets limited as to use	4,567,297	510,442
Net cash provided by investing activities	6,002,486	715,761
Net decrease in cash and cash equivalents	(8,819,528)	(25,364,449)
Cash and cash equivalents, beginning of year	26,580,042	51,944,491
Cash and cash equivalents, end of year	\$ 17,760,514	\$ 26,580,042

See accompanying notes.

**MAGNOLIA REGIONAL HEALTH CENTER**  
 Statements of Cash Flows (Continued)  
 Years Ended September 30, 2023 and 2022

	<b>2023</b>	<b>2022</b> <b>(As Restated)</b>
<hr/>		
Reconciliation of income from operations to net cash provided by (used in) operating activities		
Income from operations	\$ 12,355,218	\$ 2,395,960
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities		
Depreciation and amortization	10,349,508	10,882,161
Provision for bad debts	35,940,526	25,106,774
Amortization of physician and tuition advances	526,629	535,891
Changes in assets and liabilities		
Patient receivables, inventories and other assets	(39,321,164)	(23,363,814)
Estimated third-party payor settlements	1,869,824	3,488,316
Accounts payable, accrued expenses and other liabilities	1,092,655	(2,796,459)
Net pension liability and related deferreds	(15,185,395)	(17,549,320)
	\$ 7,627,801	\$ (1,300,491)
Net cash provided by (used in) operating activities	\$ 7,627,801	\$ (1,300,491)

See accompanying notes.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies**

Nature of Operations and Reporting Entity

Magnolia Regional Health Center (the "Health Center") consists of a 200-bed acute care Health Center and related outpatient care facilities principally located in Corinth, Mississippi. The Health Center is a governmental component unit of both the City of Corinth, Mississippi and Alcorn County, Mississippi. The Health Center is operated by a seven-member Board of Trustees, three of whom are appointed by the Mayor and Board of Alderman of the City of Corinth, three of whom are appointed by the Board of Supervisors of Alcorn County and one who is jointly appointed.

The Health Center has been defined as a component unit of the City and County. The Health Center is an independent enterprise held and operated separate and apart from all other assets and activities of the City or the County. The Health Center is not a taxable entity and does not file income tax returns.

The significant accounting policies used by the Health Center in preparing and presenting its financial statements follow:

Blended Component Units

Magnolia Regional Health Services, Inc. ("MRHS") was formed on June 1, 1999 as a for-profit, nonstock, membership corporation of which the Health Center is the sole member and has voting control. MRHS is an 80 percent owner of Tri-State Healthcare Group ("TSHG"), which was formed on June 1, 1999 to operate as a physician Health Center organization. A group of local physicians own the remaining 20 percent interest in TSHG. The operations of TSHG were not significant in either 2022 or 2021, and the net investment in TSHG was \$-0- at September 30, 2023 and 2022.

Magnolia Regional Health Center Development Foundation, Inc. (the "Foundation") was established to raise funds to support the operations of the Health Center. The members of the Board of Directors of the Foundation are appointed by the Board of Trustees of the Health Center.

Magnolia Physician Services, Inc. ("MPS") was formed on May 26, 2010 as a nonprofit corporation of which the Health Center is the sole member and has voting control. MPS began operations in January 2012.

Magnolia Staffing Solutions, Inc. ("MSS") was formed on July 12, 2016 as a nonprofit corporation of which the Health Center is the sole member and has voting control. MSS began operations in October 2016.

The Health Center follows the provisions of *Governmental Accounting Standards Board ("GASB") Statement No. 61, The Financial Reporting Entity*. As a result, MRHS, MPS, MSS and the Foundation are included in the accompanying financial statements as blended component units of the Health Center. All significant intercompany balances and transactions have been eliminated.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

Basis of Accounting

The Health Center prepares its financial statements as a business-type activity in conformity with the applicable pronouncements of the GASB. The accompanying financial statements of the Health Center have been prepared on the accrual basis of accounting using the economic resources measurement focus.

Budgetary Information

The Health Center is required by statute of the State of Mississippi to prepare a nonappropriated annual budget. The budget is not subject to appropriation and is, therefore, not required to be presented as supplementary information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates and assumptions are used for, but not limited to, contractual allowances for revenue adjustments, allowance for doubtful accounts, net pension liability and depreciable lives of assets.

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

Cash and Cash Equivalents

The Health Center considers all short-term investments with original maturities of three months or less to be cash equivalents, excluding amounts whose use is limited under bond indenture agreements or self-insurance requirements.

Patient Accounts Receivable

Patient accounts receivable are reported at net realizable value after deduction of allowances for estimated uncollectible accounts and third-party contractual discounts. The allowance for uncollectible accounts is based on historical losses and an analysis of currently outstanding amounts. This account is generally increased by charges to a provision for uncollectible accounts and decreased by write-offs of accounts determined by management to be uncollectible.

The allowances for third-party discounts are based on the estimated differences between the Health Center's established rates and the actual amounts to be received under each contract. Changes in estimates by material amounts are reasonably possible in the near term.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

Assets Limited as to Use

Assets limited as to use are comprised of cash and investments held by trustees under indenture agreements, restricted assets used for self-insurance programs, or restricted assets for future capital projects. Amounts set aside to fund the current portion of long-term debt and accrued interest as of each year end are presented as current assets on the accompanying statements of net position.

Lease Receivable

The Health Center has entered into agreements as a lessor to lease certain real property. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, lease receivables and deferred inflows of resources have been recorded on the effective date of October 1, 2020. The lease receivables and deferred inflows of resources have been measured at the present value of minimum lease payments such that each lease receivable's initial balance equals the deferred inflows of resources. The deferred inflows of resources are being amortized into other operating revenue on a straight-line basis over their respective lease terms, which range from one to three years. The lease receivables are being accounted for using the effective interest method, with each payment including a portion of principal and interest income.

The Health Center recognized lease revenue of approximately \$236,000 and \$912,000 for the years ended September 30, 2023 and 2022, respectively, presented as other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as outflow of resources (expense) until then. In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Health Center's deferred inflows and outflows are related to pensions, excess consideration provided for acquisitions, lease arrangements in which the Health Center acts as lessor, and deferred charges on bond refunding.

Inventories

Inventories, consisting primarily of pharmaceuticals and medical supplies, are stated at average cost, which approximates the lower of cost or market.

Investments and Investment Income

Investments in mutual funds and equity securities are carried at fair value, principally based on quoted market prices. Money market deposits are interest-bearing accounts and are carried at cost plus accrued interest. Investment income is reported as nonoperating revenue.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

Capital Assets, Net

Capital asset acquisitions are recorded at cost, if purchased or if donated, at fair value at date of receipt. Depreciation of capital assets is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Routine repairs and maintenance are charged to expense as incurred. Buildings, leasehold improvements, equipment and subscription assets under capital leases are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Under GASB 87 and 96, all significant leases with terms of at least 12 months are required to be recognized as assets on the financial statements.

Such amortization is included in depreciation and amortization in the financial statements. Useful lives for the major asset classes follows:

	<u>Years</u>
Land improvements	5 – 20
Buildings and improvements	5 – 40
Fixed equipment	5 – 25
Major moveable equipment	5 – 20

Deferred Outflows on Acquisitions

During 2012, the Health Center purchased a physician clinic practice for consideration totaling \$463,175. The excess of purchase price over the fair values of assets acquired resulted in an additional \$373,903 being assigned to goodwill. On January 1, 2007, the Health Center purchased certain net assets of Corinth Surgery Center, LLC. The excess of purchase price over the fair values of assets acquired of \$2,375,228, was assigned to goodwill. All goodwill is being amortized on a straight-line basis over the estimated useful life of 20 years. Goodwill is tested for impairment as circumstances arise. Amortization expense was approximately \$137,000 for both the years ended September 30, 2023 and 2022.

Lease Obligation

The Health Center is a lessee for noncancellable leases of buildings, equipment and subscription-based information technology arrangements ("SBITA"). The Health Center recognizes a lease liability at the present value of payments expected to be made during the lease term. The related lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs and capitalizable implementation costs. Subsequently, the lease liability is reduced by the principal portion of lease payments made and lease asset is amortized on a straight-line basis over its useful life.

The Health Center uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Health Center generally uses its estimated incremental borrowing rate as the discount rate for leases.

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

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Continued**

#### Impairment of Long-Lived Assets

Management evaluates assets for potential impairment when a significant, unexpected decline in the service utility of a capital asset occurs.

#### Costs of Borrowing

Costs incurred in connection with the obtaining of financing are expensed as incurred.

#### Pensions

The Health Center 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 Health Center recognizes benefit payments when due and payable in accordance with benefit terms. Invested assets are reported at fair value. More information on pension activity for the Health Center is included in Note 13.

#### Compensated Absences

The Health Center's employees are granted paid time off ("PTO"). PTO is payable upon termination of employment and, therefore, is recorded as an accrued liability on the statements of net position. Each full-time eligible employee may request payment of up to five days' pay in lieu of annual PTO. This annual request must be made during the eligible employee's anniversary month and the eligible employee must have a minimum of 120 hours accumulated. Employees may carry over into the next calendar year any earned, unused, unpaid annual PTO up to 480 hours.

#### Net Position

Net position is classified into three components consisting of resources invested in capital assets (property and equipment), net of related debt, restricted and unrestricted. These components are defined as follows:

- *Net Investment in Capital Assets* – This component reports capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisitions of the capital assets.
- *Restricted Net Position* – This component reports those resources that are externally restricted by creditors, grantors, contributors or laws and regulations or those restricted by constitutional provisions and enabling legislation.
- *Unrestricted Net Position* – This component reports resources that do not meet the definition of invested in capital assets, net of related debt or restricted.

When both restricted and unrestricted resources are available to finance particular programs, it is the Health Center's policy to use the restricted resources before using the unrestricted resources.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

Operating Revenues and Expenses

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

Grants and Contributions

From time-to-time, the Health Center receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements 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. In accordance with GASB Technical Bulletin No. 2020-1, the Health Center classified CARES Act funds as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position (discussed further in Note 11).

Net Patient Service Revenue

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

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

Charity Care

The Health Center provides medical care without charge or at a reduced charge to patients who meet certain criteria under its charity care policy. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.



**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

Income Taxes

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

Risk Management

The Health Center 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 and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Health Center is self-insured for employee health coverage and for professional and general liability claims and judgments (discussed in Note 9).

New Accounting Standards Adopted

*Governmental Accounting Standards Board Statement No. 96 ("GASB 96")*

The Health Center adopted GASB 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As required, the audit standard was applied retroactively, effective October 1, 2021. The retroactive application resulted in a restatement of prior period net position.

The Health Center noted that the adoption of GASB 96 resulted in the addition of subscription assets and related liabilities of \$8,275,143, effective October 1, 2021, on the Health Center's financial statements.

The impact of the retroactive adoption of GASB 96 on September 30, 2022 ending net position was a decrease of \$102,393.

Accounting Pronouncements Issued Not Yet Adopted

*Governmental Accounting Standards Board Statement No. 101 ("GASB 101")*

The Health Center will adopt GASB 101, *Compensated Absences*, in fiscal year 2024. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The Health Center is currently assessing the impact of adopting this GASB statement and its effect on the Health Center's financial position or results of operations.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Deposits and Investments**

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Health Center's deposits might not be recovered. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entities' 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 collateralized and insured bank balances were \$19,167,922 and \$28,387,639 at September 30, 2023 and 2022, respectively.

The Health Center has cash deposits held by a trustee. The use of these funds is restricted for debt service related to the Health Center's revenue bonds and self-insurance. The carrying value of these deposits was \$34,289,374 and \$38,856,672 at September 30, 2023 and 2022, respectively.

The Health Center's investments and assets limited as to use consisted of the following at September 30:

<b>2023</b>	<b>Carrying Amount</b>	<b>Investment Maturities (in Years)</b>	
<b>Investment Type</b>		<b>Less Than 1</b>	<b>1 – 5</b>
Money market funds	\$ 34,289,374	\$ 34,289,374	\$ -
Fixed income	33,198,367	20,668,968	12,529,399
Mutual funds	1,885,995	1,885,995	-
Total	<b>\$ 69,373,736</b>	<b>\$ 56,844,337</b>	<b>\$ 12,529,399</b>

  

<b>2022</b>	<b>Carrying Amount</b>	<b>Investment Maturities (in Years)</b>	
<b>Investment Type</b>		<b>Less Than 1</b>	<b>1 – 5</b>
Money market funds	\$ 38,856,672	\$ 38,856,672	\$ -
Fixed income	32,249,328	7,009,773	25,239,555
Mutual funds	1,691,661	1,691,661	-
Total	<b>\$ 72,797,661</b>	<b>\$ 47,558,106</b>	<b>\$ 25,239,555</b>

As of September 30, 2023 and 2022, the Health Center's fixed income investments consisted of U.S. Government-backed securities and were not considered to have credit risk. As of September 30, 2023 and 2022, the Health Center's money market deposits consisted of money market funds with a single financial institution.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. Continued**

Deposits and investments are recorded on the statements of net position as of September 30 as follows:

	2023	2022
Cash and cash equivalents	\$ 17,760,514	\$ 26,580,042
Assets limited as to use, current	5,042,235	4,849,851
Investments	35,084,362	33,940,989
Assets limited as to use, noncurrent	29,247,139	34,006,820
Total	<u>\$ 87,134,250</u>	<u>\$ 99,377,702</u>

The Health Center's unrestricted fixed income securities and mutual funds are available, if needed, to fund current operations and are, therefore, considered current assets on the accompanying statements of net position.

**Note 3. Fair Value Measurement**

The Health Center holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Health Center's mission, the Health Center determined that the disclosures related to these investments only need to be disaggregated by major type.

The Health Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following tables represent the Health Center's fair value measurements as of and for the years ended September 30, 2023 and 2022:

<b>Fair Value Measurements at September 30, 2023</b>				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total at September 30, 2023
Financial assets				
Money market funds	\$ 34,289,374	\$ -	\$ -	\$ 34,289,374
Mutual funds	1,885,995	-	-	1,885,995
U.S. Government agency obligations	30,443,483	2,754,884	-	33,198,367
	<u>\$ 66,618,852</u>	<u>\$ 2,754,884</u>	<u>\$ -</u>	<u>\$ 69,373,736</u>

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

**Note 3. Continued**

Fair Value Measurements at September 30, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total at September 30, 2022
Financial assets				
Money market funds	\$ 38,856,672	\$ -	\$ -	\$ 38,856,672
Mutual funds	1,691,661	-	-	1,691,661
U.S. Government agency obligations	29,153,974	3,095,354	-	32,249,328
	\$ 69,702,307	\$ 3,095,354	\$ -	\$ 72,797,661

**Note 4. Other Current Assets**

The composition of other current assets at September 30 follows:

	2023	2022
Prepaid expenses	\$ 3,954,801	\$ 4,049,507
Current portion of advances to and receivables from from healthcare professionals (Note 6)	297,206	597,297
Other	2,304,397	1,114,237
	\$ 6,556,404	\$ 5,761,041

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Capital Assets**

Capital assets additions, retirements and balances as of September 30, 2023 were as follows:

	Balance September 30, 2022	Increases	Decreases	Balance September 30, 2023
Capital assets not being depreciated				
Land	\$ 3,299,227	\$ -	\$ -	\$ 3,299,227
Construction in progress	2,413,405	4,852,928	(3,106,808)	4,159,525
Total capital assets not being depreciated	5,712,632	4,852,928	(3,106,808)	7,458,752
Capital assets being depreciated				
Land improvements	6,695,104	-	-	6,695,104
Buildings and improvements	123,018,373	2,934,114	(3,757)	125,948,730
Fixed equipment	12,271,080	-	(56,649)	12,214,431
Major moveable equipment	106,235,955	5,580,740	(1,190,034)	110,626,661
Total capital assets being depreciated	248,220,512	8,514,854	(1,250,440)	255,484,926
Less accumulated depreciation for				
Land improvements	(4,124,488)	(216,596)	-	(4,341,084)
Buildings and improvements	(65,171,304)	(3,801,236)	3,757	(68,968,783)
Fixed equipment	(9,889,553)	(188,992)	32,290	(10,046,255)
Major moveable equipment	(87,455,722)	(6,005,278)	1,190,034	(92,270,966)
Total accumulated depreciation	(166,641,067)	(10,212,102)	1,226,081	(175,627,088)
Capital assets being depreciated, net	81,579,445	(1,697,248)	(24,359)	79,857,838
Capital assets, net	\$ 87,292,077	\$ 3,155,680	\$ (3,131,167)	\$ 87,316,590

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Continued**

Capital assets additions, retirements and balances as of September 30, 2022 were as follows:

	Balance September 30, 2021	Increases	Decreases	Balance September 30, 2022
Capital assets not being depreciated				
Land	\$ 3,299,227	\$ -	\$ -	\$ 3,299,227
Construction in progress	720,568	1,851,687	(158,850)	2,413,405
Total capital assets not being depreciated	4,019,795	1,851,687	(158,850)	5,712,632
Capital assets being depreciated				
Land improvements	6,695,104	-	-	6,695,104
Buildings and improvements	122,932,639	156,260	(70,526)	123,018,373
Fixed equipment	12,259,783	11,297	-	12,271,080
Major moveable equipment	93,214,035	13,093,034	(71,114)	106,235,955
Total capital assets being depreciated	235,101,561	13,260,591	(141,640)	248,220,512
Less accumulated depreciation for				
Land improvements	(3,860,020)	(264,468)	-	(4,124,488)
Buildings and improvements	(61,234,363)	(3,936,941)	-	(65,171,304)
Fixed equipment	(9,597,905)	(291,648)	-	(9,889,553)
Major moveable equipment	(81,247,754)	(6,207,968)	-	(87,455,722)
Total accumulated depreciation	(155,940,042)	(10,701,025)	-	(166,641,067)
Capital assets being depreciated, net	79,161,519	2,559,566	(141,640)	81,579,445
Capital assets, net	<u>\$ 83,181,314</u>	<u>\$ 4,411,253</u>	<u>\$ (300,490)</u>	<u>\$ 87,292,077</u>

Depreciation and amortization on capital assets for the years ended September 30, 2023 and 2022 totaled \$10,349,508 and \$10,882,161, respectively.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Continued**

A summary of capital lease assets, net, included in capital assets on the accompanying financial statements as of September 30 were as follows:

	2023	2022
Capital lease assets	\$ 37,905	\$ 37,905
Subscription lease assets	8,692,208	8,275,143
Total	8,730,113	8,313,048
Less accumulated depreciation	(3,720,575)	(1,860,080)
Capital and subscription leases, net	\$ 5,009,538	\$ 6,452,968

**Note 6. Other Assets**

The composition of other assets at September 30 follows:

	2023	2022
Advances to and receivables from healthcare professionals, net of allowance for uncollectible of approximately \$622,317 in 2023 and 2022	\$ 986,615	\$ 1,388,810
Lease receivable	73,921	309,959
Other	1,025,096	1,017,947
	2,085,632	2,716,716
Less: current portion of advances and receivables	297,206	597,297
Total other assets	\$ 1,788,426	\$ 2,119,419

The Health Center has entered into various agreements with physicians, registered nurses and other healthcare professionals to specifically benefit the Health Center's community service area. These agreements include income guarantees, loans, scholarships and other advances, all of which are generally conditioned upon a service commitment to the community.

Amounts paid under income guarantee arrangements are generally expensed as incurred unless repayment is expected under the terms of the related agreements. Loans are generally due within five years. Advances under some agreements are forgiven upon fulfillment of the professional's contractual service commitment but are due in full if such commitment is not fulfilled. Advances under such arrangements are amortized to expense using the straight-line method over the related commitment period.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

**Note 7. Long-Term Debt**

A summary of long-term debt at September 30 follows:

	<u>2023</u>	<u>2022</u>
Alcorn County, Mississippi and City of Corinth, Mississippi Health Center Revenue Bonds, Series 2021A, payable in variable annual principal payments through 2041, with monthly interest payments at fixed rates ranging from 4.00 to 5.00 percent.	\$ 83,400,000	\$ 86,200,000
Note payable, principal and interest payments due in quarterly installments of \$25,201 through April 2023, at a rate of 3.00 percent per annum, collateralized by building.	-	98,961
Capital leases at 5.00 percent interest rate, collateralized by equipment, due at varying dates through 2027.	9,628	17,103
Subscription leases at a 5.00 percent interest rate, due in at varying dates through 2027.	5,221,858	6,538,458
	<u>88,631,486</u>	<u>92,854,522</u>
Less		
Current maturities of long-term debt	4,759,055	4,640,101
Unamortized bond premiums	<u>(6,504,017)</u>	<u>(7,606,323)</u>
Long-term debt, excluding current maturities	<u>\$ 90,376,448</u>	<u>\$ 95,820,744</u>

In May 2011, Alcorn County, Mississippi and the City of Corinth, Mississippi issued \$82,945,000 of Series 2011A Revenue Bonds at a discount of \$1,128,694. The bonds matured in various amounts through October 1, 2036 and bore interest at rates ranging from 3.00 percent to 6.75 percent.

The bond proceeds were used to refund the 2009, 1998A and 1998B bonds, fund trustee accounts in accordance with the related indenture agreement, terminate the interest rate swap and pay certain costs of issuance related to the bonds. The remainder of the bond proceeds were used to finance the Health Center's capital projects. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$9,362,591. The remaining balance was reported in the accompanying financial statements as a deferred outflow of resources and was being charged to interest expense over the lesser of the remaining life of the refunded debt or new debt using the effective-interest method. Due to the 2021 bond refinance, as described below, this deferred outflow was reduced to \$-0- as of fiscal year end 2022.

On October 14, 2021, the Health Center issued \$86,200,000 of Mississippi Development Bank Special Obligation Bonds, Series 2021 ("Series 2021 Bonds"). The purpose of these bonds was to refund the Series 2011A Bonds and to incur an additional \$30,000,000 of long-term debt that was restricted for future construction projects. The Series 2021 Bonds mature annually in amounts ranging from \$2,800,000 to \$6,500,000, bearing interest at 5.00 percent with a reduction in the interest rate beginning in 2034. Principal payments are due from years 2022 through 2041. The bond issuance resulted in a premium of \$8,766,612 which is being amortized using the effective interest rate method



**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Continued**

offsetting interest expense over the life of the new debt. The advance refunding and additional debt for future construction increased total debt service payments over the next 20 years by approximately \$19,008,000; this resulted in an economic loss of approximately \$3,255,000.

The Series 2021 Bonds resulted in issuance costs of approximately \$1,879,000 that were included in interest expense. The refunding also resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,576,316. The remaining balance is reported in the accompanying financial statements as a deferred outflow of resources and is being charged to interest expense over the lesser of the remaining life of the refunded debt or new debt using the effective-interest method.

Under the terms of the bond indenture, the Health Center is required to maintain, among other provisions, days cash on hand and debt service coverage ratios. Management has deemed the Health Center to be in compliance with these provisions of the bond indenture at September 30, 2023.

Future maturities of long-term debt are as follows:

Year Ending September 30,	Long-Term Debt		Capital and Subscription Leases	
	Principal	Interest	Principal	Interest
2024	\$ 2,900,000	\$ 3,685,500	\$ 1,859,015	\$ 228,579
2025	3,100,000	3,535,500	1,785,185	130,067
2026	3,300,000	3,375,500	1,413,980	54,031
2027	3,400,000	3,208,000	173,306	1,490
2028	3,600,000	3,033,000	-	-
2029 - 2033	21,000,000	12,190,000	-	-
2034 - 2038	26,500,000	6,674,500	-	-
2039 - 2042	19,600,000	1,268,000	-	-
Total	<u>\$ 83,400,000</u>	<u>\$ 36,970,000</u>	<u>\$ 5,231,486</u>	<u>\$ 414,167</u>

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

**Note 7. Continued**

Long-term debt activity for the year ended September 30, 2023 was as follows:

	Balance September 30, 2022	Additions	Reductions	Balance September 30, 2023	Amount Due Within One Year
Bonds payable					
2021A Series Bond	\$ 86,200,000	\$ -	\$ (2,800,000)	\$ 83,400,000	\$ 2,900,000
Notes payable	98,961	-	(98,961)	-	-
Capital leases	17,103	-	(7,475)	9,628	2,581
Subscription leases	6,538,458	417,065	(1,733,665)	5,221,858	1,856,474
Total long-term debt	92,854,522	417,065	(4,640,101)	88,631,486	4,759,055
Unamortized bond premiums	7,606,323	-	(1,102,306)	6,504,017	-
Long-term debt, net	<u>\$ 100,460,845</u>	<u>\$ 417,065</u>	<u>\$ (5,742,407)</u>	<u>\$ 95,135,503</u>	<u>\$ 4,759,055</u>

Long-term debt activity for the year ended September 30, 2022 was as follows:

	Balance September 30, 2021	Additions	Reductions	Balance September 30, 2022	Amount Due Within One Year
Bonds payable					
2011A Series Bond	\$ 66,800,000	-	\$ (66,800,000)	-	-
2021A Series Bond	-	86,200,000	-	86,200,000	2,800,000
Notes payable	242,024	-	(143,063)	98,961	98,961
Capital leases	-	37,905	(20,802)	17,103	7,475
Subscription leases	-	8,275,143	(1,736,685)	6,538,458	1,733,665
Total long-term debt	67,042,024	94,513,048	(68,700,550)	92,854,522	4,640,101
Unamortized bond premiums	-	8,766,612	(1,160,289)	7,606,323	-
Unamortized bond discounts	(488,598)	-	488,598	-	-
Long-term debt, net	<u>\$ 66,553,426</u>	<u>\$ 103,279,660</u>	<u>\$ (69,372,241)</u>	<u>\$ 100,460,845</u>	<u>\$ 4,640,101</u>

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

**Note 8. Accounts Payable, Other Accrued Expenses and Other Liabilities**

The composition of accounts payable and other accrued expenses at September 30 follows:

	2023	2022
Accounts payable to vendors	\$ 6,548,230	\$ 4,116,780
Credit balances of patient accounts receivable	405,002	768,266
Accounts payable	<u>\$ 6,953,232</u>	<u>\$ 4,885,046</u>
Compensated absences	\$ 1,754,996	\$ 1,852,124
Payroll and withholdings	3,850,239	4,753,825
Interest	1,879,000	1,951,424
Reserves for medical insurance claims	<u>1,141,287</u>	<u>1,043,680</u>
Other current liabilities	<u>\$ 8,625,522</u>	<u>\$ 9,601,053</u>

**Note 9. Insurance Program**

Risk Management

The Health Center is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets, business interruption, errors and omissions, workers' compensation and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Claims settled through September 30, 2023 have not exceeded this commercial coverage in any of the three preceding years.

The Health Center is involved in litigation arising in the normal course of business. Based on consultations with legal counsel, management is of the opinion that these matters will be resolved without material adverse effect on the Health Center's future financial position or on the results of its future operations.

The Health Center is self-insured for employee health coverage. The Health Center's exposure on employee health coverage is limited to \$125,000 per individual claim. Substantial coverage with a third-party carrier is maintained for any excess. The Health Center's other current liabilities include \$1,141,287 and \$1,043,680 for internal and external health insurance claims payable as well as claims incurred but not reported at September 30, 2023 and 2022, respectively.

The liability for claims incurred but not reported or paid at September 30, 2023 and 2022 is based on the requirements of GASB Statement No. 10, 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.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Continued**

Changes in the Health Center's claims liability as of September 30, were as follows:

	2023	2022
Reserve, beginning of year	\$ 1,043,680	\$ 1,179,713
Current year claims and changes in estimate	5,977,822	5,453,272
Current year claims payments	(5,880,215)	(5,589,305)
Reserve, end of year	<u>\$ 1,141,287</u>	<u>\$ 1,043,680</u>

The Health Center is self-insured for professional and general liability claims and judgments. Claims exposure on professional and general liability claims is fixed by Mississippi law. Limits on claims or causes arising on or after July 1, 2002 are fixed at a maximum of \$500,000 per claim.

Changes in the Health Center's other noncurrent liabilities for self-insured professional and general liability claims reserve as of September 30, were as follows:

	2023	2022
Reserve, beginning of year	\$ 930,000	\$ 930,000
Current year claims and changes in estimates	218,500	215,000
Current year claims payments	(218,500)	(215,000)
Reserve, end of year	<u>\$ 930,000</u>	<u>\$ 930,000</u>

**Note 10. Net Patient Service Revenue**

The Health Center has agreements with governmental and other third-party payors that provide for reimbursement to the Health Center at amounts different from their established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

Inpatient acute, psychiatric, rehabilitation and outpatient services rendered to Medicare beneficiaries are paid primarily by prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Medicare bad debts and disproportionate share payments are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicare fiscal intermediary.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon the Ambulatory Payment Classification ("APC") system for outpatient payments APR-DRG system for inpatient payments.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Continued**

Medicaid inpatient and outpatient services rendered to Mississippi Medicaid and Tennessee TennCare beneficiaries are reimbursed based upon a prospective reimbursement methodology ("per diem"). The Health Center is reimbursed at a prospective rate, which is adjusted annually based on published market basket update (inpatient) or adjusted cost-to-charge ratios per annual cost reports (outpatient) as submitted by the Health Center and settled by the Medicaid fiscal intermediary.

The Health Center participates in the Mississippi Intergovernmental Transfer program as a Medicaid Disproportionate Share Health Center. Under this Disproportionate Share Health Center supplemental payment program ("DSH program"), the Health Center receives enhanced reimbursement through a matching mechanism. For the fiscal years ended September 30, 2023 and 2022, the Health Center recognized approximately -\$0- and \$530,000, respectively, in enhanced reimbursement through the DSH program. These amounts are shown as a reduction of contractual adjustments.

On August 15, 2016, the Center for Medicare and Medicaid Services ("CMS") issued a proposed rule addressing the hospital-specific limitation on Medicaid disproportionate share hospital ("DSH") payments under section 1923(g)(1)(A) of the Social Security Act (the "Act"), and the application of such limitation in the annual DSH audits required under section 1923(j) of the Act. This proposed rule faced numerous legal challenges; however, the final rule was upheld in 2019. With the final ruling, Mississippi Division of Medicaid ("MS DOM") began reviewing hospital DSH payments throughout Mississippi and issuing audit results with accompanying demand letters for the recoupment of any overpayments identified. In 2022, the Health Center received final results of the 2019 DSH audit, which indicated overpayment of approximately \$4,100,000. The Health Center recognized the 2019 DSH take-back in the 2022 statement of revenue and expenses, as this liability was determinable. Additionally, in 2022, the Health Center estimated an additional exposure of approximately \$900,000 for 2020 DSH and elected to recognize this liability and the related expense in the fiscal year 2022 financial statements. The actual 2020 DSH take-back in 2023 was \$1,500,000 and the difference was recognized in the 2023 statement of revenue and expenses. Management determined, based on advice of legal counsel, that these DSH take-backs were both infrequent in nature and unlikely to occur again in the foreseeable future and, therefore, considered the impact of these amounts as extraordinary items in the calculation of the Health Center's financial covenant calculations under the terms of the bond indenture (Note 7). The Health Center's recorded liability for DSH take-backs at September 30, 2023 and 2022 was approximately \$4,400,000 and \$6,200,000, respectively.

The Health Center participates in the MS DOM's Mississippi Health Center Access Payment ("MHAP") program (the "MHAP Program"). The MHAP Program is administered by the DOM through the Mississippi CAN Coordinated Care Organizations ("CCO"). The CCO's subcontract with the Health Centers throughout the state for distribution of the MHAP for the purpose of protecting patient access to Health Center care. The MHAP payments and associated tax were distributed monthly. The Health Center received approximately \$10,200,000 and \$7,600,000 from the MHAP program recorded in net patient service revenue with related tax assessments of approximately \$2,300,000 and \$2,400,000 recorded in operating expenses for the years ended September 30, 2023 and 2022, respectively.

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 will change. The 2023 and 2022 net patient service revenue decreased approximately \$26,000 and increased approximately \$72,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated. The Health Center's cost reports have been settled through September 30, 2019.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Continued**

Other

The Health Center has also entered into payment agreements with certain other commercial insurance carriers and preferred provider organizations. The basis for payment to the Health Center under these agreements includes prospectively determined rates and discounts from established charges.

The composition of net patient service revenue as of September 30 includes:

	<u>2023</u>	<u>2022</u>
Gross patient service revenue	\$ 675,624,709	\$ 699,986,476
Less provision for contractual and other adjustments	465,067,026	501,198,895
Less provision for bad debts	38,643,741	37,177,315
Net patient service revenue	<u>\$ 171,913,942</u>	<u>\$ 161,610,266</u>

**Note 11. COVID-19 Pandemic and Related Congressional Acts**

Provider Relief Fund

In response to the COVID-19 pandemic, Congress passed multiple bills that included funding and operational relief for affected Health Centers. The U.S. Department of Health and Human Services ("HHS"), the Centers for Medicare and Medicaid Services, and the Health Resources and Services Administration all issued various waivers of regulations governing coverage of specific services and conditions of program participation. The Public Health and Social Services Emergency Fund (the "Provider 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. On April 22, 2020, HHS announced a distribution methodology for the \$100 billion Provider Relief Fund appropriated as part of the CARES Act. Additionally, HHS provided \$75 billion in addition to the \$100 billion provided under the CARES Act. As a condition to receiving distributions, providers agreed to certain terms and conditions, including, among other things, that the funds would be used for lost operating revenues and COVID-19 related costs. During the years ended September 30, 2023 and 2022, the Health Center received approximately \$-0- and \$876,000 from the Provider Relief Fund and recognized those amounts in nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The Health Center's policy is to recognize the Provider Relief Fund payments as income when there is reasonable assurance of compliance with the conditions associated with the grant.

American Rescue Plan Act

On March 11, 2021, Congress passed the American Rescue Plan Act ("ARPA") of 2021. This \$1.9 trillion economic stimulus bill was meant to speed up the country's recovery from the economic and health effects of the COVID-19 pandemic and the ongoing recession. The federal government allocated the ARPA rural payments to providers who serve rural Medicaid, Children's Health Insurance Program ("CHIP") and Medicare beneficiaries. ARPA rural payments are based on Medicare, Medicaid, and CHIP claims for services to rural beneficiaries from January 1, 2019 through September 30, 2020. To

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Continued**

provide equitable relief to providers, ARPA rural payment calculations were generally based on Medicare reimbursement rates, regardless of whether the service was provided to a Medicare, Medicaid, or CHIP patient. As a condition to receiving the distribution, providers agreed to certain terms and conditions, including, among other things, that the funds would be used for lost revenues and COVID-19 related costs.

During the years ended September 30, 2023 and 2022, the Health Center received and recognized approximately \$0- and \$7,509,000, respectively, in ARPA rural funds which was recorded in nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Medicare Accelerated and Advanced Payment Program

The Health Center also applied for and was paid approximately \$33,854,000 during the year ended September 30, 2020, as an advance on six months of its Medicare payments through the Medicare Accelerated and Advanced Payment Program, which was expanded to increase cash flow to providers of services impacted by the COVID-19 pandemic. Recoupment of the advance payments began one year after the advance payments were received. After the first year, Medicare automatically recouped 25 percent of the Medicare payments otherwise owed to the provider for 11 months. At the end of the 11-month period, recoupment increased to 50 percent for another six months. The Health Center has accounted for these funds as a contractual liability of approximately \$2,000 and \$5,008,000 at September 30, 2023 and 2022, respectively.

**Note 12. Charity Care**

The Health Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies and equivalent service statistics. The direct and indirect costs associated with these services cannot be identified to specific charity care patients. Therefore, management estimated the costs of these services by calculating a cost-to-gross charge ratio and multiplying it by the charges associated with services provided to patients meeting the Health Center's charity care guidelines. In March 2023, the Health Center adopted a new charity care policy. Costs incurred for charity care, based on the cost-to-charge ratio, were approximately \$661,000 and \$2,835,000 for the years ended September 30, 2023 and 2022, respectively.

The Health Center also provides healthcare services to a significant portion of the uninsured and underinsured population in the surrounding community. While a portion of these patients may ultimately qualify for coverage under the Medicaid program or the financial assistance policy discussed above, the Health Center often admits a number of patients with the expectation/realization that it will likely be unable to collect a significant portion of these accounts.

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 13. Employee Benefit Plans**

#### Plan Description

The Health Center contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan as defined in GASB 67, *Financial Reporting for Pensions*. 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.

#### 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

Health Center employees, as members of PERS, are required to contribute 9.00 percent of their annual covered salary, and the Health Center is required to contribute at an actuarially determined rate. The current rate contributed by the Health Center was 17.40 percent of annual covered payroll through June 30, 2023.

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 Health Center's contributions to PERS for the years ended September 30, 2023 and 2022 were approximately \$3,021,000 and \$3,708,000, respectively, and were equal to the required contributions for each year.

#### Net Pension Liability

At September 30, 2023 and 2022, the Health Center reported a liability of \$63,751,807 and \$69,456,402, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022 for fiscal years ended September 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The Health Center's proportion of the net



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**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Continued**

pension liability was based on a projection of the Health Center's long-term share of contributions to the pension plan relative to the projected contributions of all participating PERS members, actuarially determined. At September 30, 2023 and 2022, the Health Center's proportion was 0.253473 percent and 0.337435 percent, respectively.

For the years ended September 30, 2023 and 2022, the Health Center recognized pension benefits of \$11,928,646 and \$13,057,868, respectively, which is included in salaries, wages and benefits in the accompanying financial statements.

Certain changes in actuarial assumptions impacted 2023 pension expense and the related deferred outflows and inflows, including the following:

- The investment rate of return assumption was changed from 7.55 percent to 7.00 percent.
- The assumed load for administrative expenses was increased from 0.28 percent to 0.26 percent of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60 percent to 65 percent.
- For married members, the number of years that a male is assumed to be older than his spouse was changed from three years to two years.
- The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.
- The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

There were no changes in actuarial assumptions for 2022.

Additionally, the Health Center continues to implement strategic employment initiatives that impact the Health Center's proportionate share of the liability of the plan.

The differences between expected and actual pension expense and the changes in proportionate share of net pension liability are being amortized over a closed period of 3.59 and 3.73 for the years ended September 30, 2023 and 2022, respectively. The change of assumptions is being amortized over a closed period of 3.59 and 3.73 for the years ended September 30, 2023 and 2022, respectively. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of five years.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Continued**

The components of pension expense for the years ended September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Statutorily required contributions	\$ (3,020,766)	\$ (3,707,980)
Amortization of deferred outflows and inflows	15,805,922	16,957,622
Other noncash expenses	(856,510)	(191,774)
Pension benefit	<u>\$ 11,928,646</u>	<u>\$ 13,057,868</u>

At September 30, 2023 and 2022, the Health Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>	<u>2022</u>
<b>Deferred outflows of resources</b>		
Pension contributions subsequent to measurement date	\$ 784,038	\$ 939,263
Difference between projected and actual earnings on investments	2,494,261	3,648,189
Difference between expected and actual pension expense	1,596,251	983,454
Changes of assumptions	7,485,658	2,402,230
Total deferred outflows of resources	<u>\$ 12,360,208</u>	<u>\$ 7,973,136</u>
<b>Deferred inflows of resources</b>		
Changes in proportionate share of net pension liability	<u>\$ 33,531,196</u>	<u>\$ 38,388,939</u>
Total deferred inflows of resources	<u>\$ 33,531,196</u>	<u>\$ 38,388,939</u>

In the years ended September 30, 2023 and 2022, \$784,038 and \$939,263, respectively, reported as deferred outflows of resources related to pensions resulting from Health Center contributions subsequent to the measurement date were recognized as a reduction of the net pension liability.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense (benefit) through amortization as follows:

2024	\$ (14,682,380)
2025	(9,083,647)
2026	1,792,042
2027	18,960
	<u>\$ (21,955,025)</u>

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Continued**

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increase	2.65 – 17.90 percent, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males, 95 percent of male rates up to age 60, 110 percent for ages 61 to 75, and 101 percent for ages above 77. For females, 84 percent of female rates up to age 72, and 100 percent for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period ended June 30, 2022.

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	27%	4.75%
International equity	22	4.75%
Global equity	12	4.95%
Fixed income	20	1.75%
Real estate	10	3.25%
Private equity	8	6.00%
Cash equivalents	1	0.25%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability at September 30, 2023 and 2022 was 7.00 percent and 7.55 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 Health Center will be made at the current contractually required rate of 17.40 percent through June 30, 2023 and thereafter.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Continued**

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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Health Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Health Center's proportionate share of the net pension liability as of September 30, 2023 and 2022, calculated using the discount rate of 7.00 and 7.55 percent, respectively, as well as what the Health Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

		1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>2023</b>	\$	82,209,570	\$ 63,751,807	\$ 48,605,159
<hr/>				
		1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
<b>2022</b>	\$	90,647,698	\$ 69,456,402	\$ 51,985,256

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](http://www.pers.ms.gov). Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Defined Contribution Plans

MPS also has a defined contribution pension plan ("401a") and a deferred compensation pension plan ("457b") for MPS employees. The 401a plan covers all employees who meet certain service requirements. The 401a plan provides for MPS to match employees' annual contributions up to 4.00 percent of eligible employees' compensation. Employer contributions are also subject to a \$250,000 annual salary limit. The 457b plan allows for employees who participate in the 401a plan to make contributions up to \$20,500, or \$27,000 for employees over 50 years of age. Employees who elect to contribute to the 457b plan qualify for an additional employer contribution up to 2.00 percent to the 401a plan. The total expense related to the plans for the years ended September 30, 2023 and 2022, was approximately \$1,147,000 and \$1,101,000, respectively.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Continued**

In 2017, MSS established a defined contribution pension plan ("401a") and a deferred compensation pension plan ("457b") for MSS employees. The 401a plan covers all employees who meet certain service requirements. The 401a plan provides for MSS to match employees' annual contributions up to 6.00 percent of eligible employees' compensation. The 457b plan allows for employees who participate in the 401a plan to make contributions up to the lesser of \$15,000 or 100 percent of the participant's includible compensation for the taxable year. Employees who elect to contribute to the 457b plan qualify for an additional employer contribution up to 2.00 percent to the 401a plan. The total expense related to the plans for the years ended September 30, 2023 and 2022, was approximately \$658,00 and \$569,000, respectively.

**Note 14. Business and Credit Concentrations**

The Health Center provides healthcare services through its inpatient and outpatient care facilities located throughout its service area (which includes northeastern Mississippi and bordering portions of Tennessee and Alabama). The Health Center grants credit to patients, substantially all of whom are residents of its service area.

The Health Center generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies (e.g., Medicare, Medicaid, Blue Cross and commercial insurance policies).

Accounts Receivable

The percentage mix of gross accounts receivable from patients and major third-party payors at September 30 was as follows:

	2023	2022
Medicare	21%	22%
Medicare Advantage	14	12
Medicaid	14	11
Commercial and other	18	23
Self-pay	33	32
	100%	100%

The percentage mix of gross revenue for the years ended September 30, 2023 and 2022 for patient services rendered under contract with major third-party cost reimbursors is as follows:

Patient Service Revenue

	2023	2022
Medicare	44%	46%
Medicare Advantage	13	9
Medicaid	13	12
Commercial and other	25	27
Self-pay	5	6
	100%	100%

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 15. Blended Component Units**

Magnolia Regional Health Center Development Foundation, Inc.

The Foundation was established to raise funds to support the operations of the Health Center and is considered to be a blended component unit of the Health Center.

Magnolia Physician Services, Inc.

MPS is a nonprofit corporation that provides services almost exclusively to the Health Center, of which the Health Center is the sole member and has voting control, and as such is considered to be a blended component unit of the Health Center.

Magnolia Staffing Solutions, Inc.

MSS is a nonprofit corporation that provides services almost exclusively to the Health Center, of which the Health Center is the sole member and has voting control, and as such is considered to be a blended component unit of the Health Center.

As blended component units of the Health Center, the financial activity of these entities is included in the Health Center's financial activity on the accompanying financial statements.

The condensed statements of net position, condensed statements of revenues, expenses and changes in net position and condensed statements of cash flows as of and for the years ended September 30, 2023 and 2022 for the Foundation, MPS and MSS are detailed on the following pages.

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

**Note 15. Continued**

	2023		
	The Foundation	MPS	MSS
<b>Condensed Statements of Net Position</b>			
Assets			
Current assets	\$ 2,057,600	\$ 404,742	\$ 93,490
Capital assets	6,253,948	-	-
Other assets	-	588,530	1,555,035
Total assets	8,311,548	993,272	1,648,525
Liabilities			
Current liabilities	-	997,305	1,648,525
Long-term debt, net of current maturities	-	-	-
Total liabilities	-	997,305	1,648,525
Net position			
Invested in capital assets	6,253,947	-	-
Unrestricted (deficit)	2,057,601	(4,033)	-
Total net position (deficit)	\$ 8,311,548	\$ (4,033)	\$ -
<b>Condensed Statements of Revenues, Expenses and Changes in Net Position</b>			
Operating revenues	\$ 312,002	\$ 27,688,301	\$ 37,478,287
Operating expenses	378,179	27,688,301	37,478,287
Operating loss	(66,177)	-	-
Nonoperating income	188,446	-	-
Increase in net position	122,269	-	-
Net position (deficit), beginning of year	8,189,279	(4,033)	-
Net position (deficit), end of year	\$ 8,311,548	\$ (4,033)	\$ -
<b>Condensed Statements of Cash Flows</b>			
Cash provided by operating activities	\$ 124,492	\$ 180,459	\$ 208,683
Cash used in financing activities	(75,495)	-	-
Cash provided by (used in) investing activities	(30,949)	18,221	(243,175)
Increase (decrease) in cash and cash equivalents	18,048	198,680	(34,492)
Cash and cash equivalents, beginning of year	155,471	182,024	117,482
Cash and cash equivalents, end of year	\$ 173,519	\$ 380,704	\$ 82,990

**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

**Note 15. Continued**

	2022		
	The Foundation	MPS	MSS
<b>Condensed Statements of Net Position</b>			
Assets			
Current assets	\$ 1,843,597	\$ 476,480	\$ 117,482
Capital assets	6,447,066	-	-
Other assets	-	606,751	1,311,859
Total assets	8,290,663	1,083,231	1,429,341
Liabilities			
Current liabilities	2,423	1,087,264	1,429,341
Long-term debt, net of current maturities	98,961	-	-
Total liabilities	101,384	1,087,264	1,429,341
Net position			
Invested in capital assets	6,348,105	-	-
Unrestricted (deficit)	1,841,174	(4,033)	-
Total net position (deficit)	\$ 8,189,279	\$ (4,033)	\$ -
<b>Condensed Statements of Revenues, Expenses and Changes in Net Position</b>			
Operating revenues	\$ 276,055	\$ 26,998,785	\$ 31,562,145
Operating expenses	348,787	26,998,785	31,562,145
Operating loss	(72,732)	-	-
Nonoperating loss	(346,128)	-	-
Decrease in net position	(418,860)	-	-
Net position (deficit), beginning of year	8,608,139	(4,033)	-
Net position (deficit), end of year	\$ 8,189,279	\$ (4,033)	\$ -
<b>Condensed Statements of Cash Flows</b>			
Cash provided by (used in) operating activities	\$ 116,014	\$ (114,320)	\$ 203,981
Cash used in financing activities	(139,009)	-	-
Cash used in investing activities	(81,742)	(219,425)	(117,270)
Increase (decrease) in cash and cash equivalents	(104,737)	(333,745)	86,711
Cash and cash equivalents, beginning of year	260,208	515,769	30,771
Cash and cash equivalents, end of year	\$ 155,471	\$ 182,024	\$ 117,482



**MAGNOLIA REGIONAL HEALTH CENTER**  
Years Ended September 30, 2023 and 2022

**NOTES TO FINANCIAL STATEMENTS**

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**Note 16. Subsequent Events**

In January 2024, the Health Center received approximately \$5.6 million as a net increase to the MHAP Average Commercial Rate ("ACR") model for the period of July – December 2023.

In preparing these financial statements, the Health Center has disclosed events and transactions through March 14, 2024, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MAGNOLIA REGIONAL HEALTH CENTER**  
Schedule of Employer Contributions and the Proportionate Share of the Net Pension Liability  
PERS Pension Plan  
September 30, 2023

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required employer contribution	\$ 3,020,766	\$ 3,707,980	\$ 5,339,600	\$ 7,231,153	\$ 7,660,494	\$ 7,546,892	\$ 7,557,804	\$ 7,934,834	\$ 7,171,286	\$ 6,630,560
Contributions in relation to the statutorily required contributions	(3,020,766)	(3,707,980)	(5,339,600)	(7,231,153)	(7,660,494)	(7,546,892)	(7,557,804)	(7,934,834)	(7,171,286)	(6,630,560)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 17,360,724	\$ 21,310,230	\$ 30,687,356	\$ 41,558,351	\$ 48,638,057	\$ 47,916,775	\$ 47,986,057	\$ 50,379,898	\$ 45,531,975	\$ 42,098,794
Contributions as a percentage of covered-employee payroll	17.40%	17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%	15.75%

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

This schedule reflects the information provided by PERS.

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.253473%	0.337435%	0.534541%	0.647619%	0.729661%	0.744921%	0.764238%	0.759786%	0.707449%	0.681130%
Proportionate share of the net pension liability*	\$ 63,751,807	\$ 69,456,402	\$ 79,007,496	\$ 125,371,514	\$ 128,361,766	\$ 123,902,494	\$ 127,042,295	\$ 135,716,752	\$ 109,357,665	\$ 82,676,711
Covered-employee payroll	\$ 17,360,724	\$ 21,310,230	\$ 30,687,356	\$ 41,558,351	\$ 48,638,057	\$ 47,916,775	\$ 47,986,057	\$ 50,379,898	\$ 45,531,975	\$ 42,098,794
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	367%	326%	257%	302%	264%	259%	265%	269%	240%	196%
Plan fiduciary net position as a percentage of the total pension liability	56%	60%	70%	59%	62%	63%	61%	57%	62%	67%

\* The amounts presented for each fiscal year were determined as of June 30th.

## SUPPLEMENTARY INFORMATION

**MAGNOLIA REGIONAL HEALTH CENTER**  
 Schedule of Surety Bonds for Officers and Employees  
 September 30, 2023

Name	Position	Surety	Amount
Rebecca Spence	Trustee	Travelers	\$ 100,000
Dr. Randall Frazier	Trustee	Travelers	\$ 100,000
Lex Mitchell	Trustee	Travelers	\$ 100,000
Tim Smith	Trustee	Travelers	\$ 100,000
Steve Dobbins	Trustee	Travelers	\$ 100,000
Frank Howell	Trustee	Travelers	\$ 100,000
Steve Gaines	Trustee	Travelers	\$ 100,000
James Hobson	Chief Executive Officer	Travelers	\$ 100,000



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Magnolia Regional Health Center  
Corinth, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Magnolia Regional Health Center (A Component Unit of Alcorn County and the City of Corinth), (the "Health Center"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Health Center's basic financial statements, and have issued our report thereon dated March 14, 2024.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Health Center's internal control over financial reporting ("internal control") as a basis for designing 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 Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Center's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*HORNE LLP*

Ridgeland, Mississippi  
March 14, 2024