

**Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)**

Independent Auditor's Reports and Financial Statements

September 30, 2020 and 2019

**Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)**
September 30, 2020 and 2019

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Independent Auditor's Report

Board of Trustees
Forrest County General Hospital
Hattiesburg, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of Forrest County General Hospital (the Hospital), a component unit of Forrest County, Mississippi, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forrest County General Hospital as of September 30, 2020 and 2019, and the changes in its

financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2021, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
January 14, 2021

**Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)**
Management's Discussion and Analysis
September 30, 2020 and 2019

Introduction

This management's discussion and analysis of the financial performance of Forrest County General Hospital (the Hospital) provides an overview of the Hospital's financial activities for the fiscal years that ended on September 30, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

2020

- The Hospital entered into a contract to acquire Pearl River County Hospital and Nursing Home (Pearl River Hospital) during the year which brought the Hospital an additional \$10.8 million and \$13.2 million in operating revenues and expenses, respectively.
- Total operating revenues were relatively consistent between 2020 and 2019, excluding the acquisition of the Pearl River Hospital. Current year changes impacting operating revenues include:
 - Patient days and admissions were down during the year due to the COVID-19 pandemic, but increased length of stay of the patients resulted in relatively consistent operating revenues as compared to the prior year.
- Operating expenses increased 0.2%, excluding the acquisition of Pearl River Hospital. Current year changes impacting operating expenses include:
 - Salaries, wages and employee benefits decreased approximately 1.3%, due to incentive payment paid in prior year.
 - Medical supplies increased approximately 1.6%, due primarily to increased purchases to prevent stock outs as a result of the COVID-19 pandemic.

2019

- Total operating revenues decreased 0.8%. Current year changes impacting operating revenues include:
 - Demand for services decreased, as admissions and surgery cases decreased 1.75% and .67%, respectively.
- Operating expenses increased 1.5%. Current year changes impacting operating expenses include:

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- Salaries, wages and employee benefits increased approximately 1.6%, due to increase in full-time equivalents (FTEs) at one of the regional facilities and changes in staffing at the main hospital that resulted in significant overtime until staffing levels could be normalized.
- Medical supplies increased approximately 1.5%, due primarily to high dollar implants needed for surgical cases and pharmaceuticals needed to treat cancer patients.

Using This Annual Report

The Hospital's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. The Hospital's financial statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, all liabilities and all deferred inflows and outflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in it. The Hospital's total net position—the difference between assets, liabilities and deferred inflows and outflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

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Management's Discussion and Analysis

September 30, 2020 and 2019

The Hospital's Net Position

The Hospital's net position is the difference between its assets, liabilities and deferred inflows and outflows of resources reported in the balance sheet. The Hospital's net position increased by approximately \$18,700,000 (4.0%) in 2020 over 2019, and by approximately \$9,000,000 (2%) in 2019 over 2018, as shown in Table A-1 and Table A-2.

Table A-1
Condensed Balance Sheets (in millions of dollars)

	2020	2019	Dollar Change	Percentage Change
Assets and Deferred Outflows of Resources				
Cash and other current assets	\$ 198.6	\$ 132.8	\$ 65.8	49.5%
Patient accounts receivable, net	<u>56.0</u>	<u>53.5</u>	<u>2.5</u>	4.7%
	254.6	186.3	68.3	36.7%
Investments and other assets	284.0	270.8	13.2	4.9%
Capital assets	303.0	313.8	(10.8)	-3.4%
Deferred outflows of resources	<u>26.6</u>	<u>12.6</u>	<u>14.0</u>	111.1%
Total assets and deferred outflows of resources	<u><u>\$ 868.2</u></u>	<u><u>\$ 783.5</u></u>	<u><u>\$ 84.7</u></u>	10.8%
Liabilities and Deferred Inflows of Resources				
Current liabilities	\$ 108.8	\$ 66.2	\$ 42.6	64.4%
Long-term liabilities	267.3	241.5	25.8	10.7%
Deferred inflows of resources	<u>3.5</u>	<u>5.9</u>	<u>(2.4)</u>	-40.7%
Total liabilities and deferred inflows of resources	<u><u>379.6</u></u>	<u><u>313.6</u></u>	<u><u>66.0</u></u>	21.0%
Net Position				
Net investment in capital assets	154.1	166.8	(12.7)	-7.6%
Unrestricted	<u>334.5</u>	<u>303.1</u>	<u>31.4</u>	10.4%
Total net position	<u><u>488.6</u></u>	<u><u>469.9</u></u>	<u><u>18.7</u></u>	4.0%
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 868.2</u></u>	<u><u>\$ 783.5</u></u>	<u><u>\$ 84.7</u></u>	10.8%

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Table A-1 above shows net cash and other current assets increased by approximately \$65,800,000 from 2019 to 2020. Investments and other assets reflect an increase of approximately \$13,200,000 for the same time period due to investment performance. These changes are due primarily to increases in cash inflows related to CARES Act Provider Relief Funds received. Deferred outflows of resources increased by approximately \$14,000,000, due primarily to the refinancing of the 2009 Bonds and the Pearl River Hospital contract.

Long-term liabilities increased approximately \$25,800,000, due primarily to refinancing of long-term debt (*Note 4*) and the addition of Pearl River Hospital contract payable.

Table A-2
Condensed Balance Sheets (in millions of dollars)

	2019	2018	Dollar Change	Percentage Change
Assets and Deferred Outflows of Resources				
Cash and other current assets	\$ 132.8	\$ 137.8	\$ (5.0)	-3.6%
Patient accounts receivable, net	<u>53.5</u>	<u>53.3</u>	<u>0.2</u>	0.4%
	186.3	191.1	(4.8)	-2.5%
Investments and other assets	270.8	255.9	14.9	5.8%
Capital assets	313.8	326.8	(13.0)	-4.0%
Deferred outflows of resources	<u>12.6</u>	<u>6.9</u>	<u>5.7</u>	82.6%
Total assets and deferred outflows of resources	<u>\$ 783.5</u>	<u>\$ 780.7</u>	<u>\$ 2.8</u>	0.4%
Liabilities and Deferred Inflows of Resources				
Current liabilities	\$ 66.2	\$ 68.0	\$ (1.8)	-2.6%
Long-term liabilities	241.5	248.2	(6.7)	-2.7%
Deferred inflows of resources	<u>5.9</u>	<u>3.6</u>	<u>2.3</u>	63.9%
Total liabilities and deferred inflows of resources	<u>313.6</u>	<u>319.8</u>	<u>(6.2)</u>	-1.9%
Net Position				
Net investment in capital assets	166.8	173.5	(6.7)	-3.9%
Unrestricted	<u>303.1</u>	<u>287.4</u>	<u>15.7</u>	5.5%
Total net position	<u>469.9</u>	<u>460.9</u>	<u>9.0</u>	2.0%
Total liabilities, deferred inflows of resources and net position	<u>\$ 783.5</u>	<u>\$ 780.7</u>	<u>\$ 2.8</u>	0.4%

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Table A-2 above shows net cash and other current assets decreased by approximately \$5,000,000 from 2018 to 2019. Investments and other assets reflect an increase of approximately \$14,900,000 for the same time period. These changes are due primarily to increases in the assets held under trust agreement for the 457(f) plan discussed in *Note 2*. Deferred outflows of resources increased by approximately \$5,700,000, due primarily to differences between net investment gains on pension plan assets and assumed gains and refinancing of 2010 Bonds.

Long-term liabilities decreased approximately \$6,700,000, due primarily to refinancing of long-term debt (*Note 4*) and a decrease in the net pension and OPEB liabilities (*Note 11 and 12*).

Table A-3
Condensed Statements of Revenues, Expenses and
Changes in Net Position (in millions of dollars)

	2020	2019	Dollar Change	Percentage Change
Operating Revenues				
Net patient service revenue	\$ 544.0	\$ 535.0	\$ 9.0	1.7%
Other	<u>12.3</u>	<u>11.3</u>	<u>1.0</u>	8.8%
Total operating revenues	<u>556.3</u>	<u>546.3</u>	<u>10.0</u>	1.8%
Operating Expenses				
Salaries, wages and employee benefits	267.7	265.2	2.5	0.9%
Supplies and other expenses	<u>254.7</u>	<u>245.4</u>	<u>9.3</u>	3.8%
Depreciation and amortization	<u>35.1</u>	<u>32.9</u>	<u>2.2</u>	6.7%
Total operating expenses	<u>557.5</u>	<u>543.5</u>	<u>14.0</u>	2.6%
Operating Income (Loss)	(1.2)	2.8	(4.0)	-142.9%
Nonoperating Revenues, Net	<u>19.9</u>	<u>6.2</u>	<u>13.7</u>	221.0%
Increase in Net Position	18.7	9.0	9.7	107.8%
Beginning Net Position	<u>469.9</u>	<u>460.9</u>	<u>9.0</u>	2.0%
Ending Net Position	<u>\$ 488.6</u>	<u>\$ 469.9</u>	<u>\$ 18.7</u>	4.0%

Table A-3 above shows net patient service revenue increased by approximately \$9,000,000 from 2019 to 2020. The change was primarily the result of the addition of Pearl River Hospital.

Salaries, wages and employee benefits increased \$2,500,000, due primarily to approximately \$6,200,000 in additional salaries and benefits from the acquisition of the Pearl River Hospital operations. Supplies,

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contractual services, repairs and maintenance, and other expenses increased by approximately 9.3%, due primarily to increases supply purchases related to treatment of COVID patients and the addition of Pearl River Hospital operations during the year.

Table A-4
Condensed Statements of Revenues, Expenses and
Changes in Net Position (in millions of dollars)

	2019	2018	Dollar Change	Percentage Change
Operating Revenues				
Net patient service revenue	\$ 535.0	\$ 537.4	\$ (2.4)	-0.4%
Other	<u>11.3</u>	<u>13.5</u>	<u>(2.2)</u>	-16.3%
Total operating revenues	<u>546.3</u>	<u>550.9</u>	<u>(4.6)</u>	-0.8%
Operating Expenses				
Salaries, wages and employee benefits	265.2	261.1	4.1	1.6%
Supplies and other expenses	245.4	241.8	3.6	1.5%
Depreciation and amortization	<u>32.9</u>	<u>32.7</u>	<u>0.2</u>	0.6%
Total operating expenses	<u>543.5</u>	<u>535.6</u>	<u>7.9</u>	1.5%
Operating Income	2.8	15.3	(12.5)	-81.7%
Nonoperating Revenues, Net	<u>6.2</u>	<u>4.3</u>	<u>1.9</u>	44.2%
Increase in Net Position	9.0	19.6	(10.6)	-54.1%
Beginning Net Position, as Restated	<u>460.9</u>	<u>441.3</u>	<u>19.6</u>	4.4%
Ending Net Position	<u>\$ 469.9</u>	<u>\$ 460.9</u>	<u>\$ 9.0</u>	2.0%

Table A-4 above shows net patient service revenue decreased by approximately \$2,400,000 from 2018 to 2019. The change was primarily the result of a decrease in overall patient volume. Salaries, wages and employee benefits increased \$4,100,000, due to increased FTEs at one of the regional facilities and changes in staffing at the main hospital that resulted in significant overtime until staff levels could be normalized. Supplies, contractual services, repairs and maintenance, and other expenses increased by approximately 1.5%, due primarily to increases in cancer-related pharmaceutical prices and high dollar implants.

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Capital Assets and Debt Financing

Capital Assets

The Hospital's investment in a variety of net capital assets was approximately \$303,000,000 as of September 30, 2020 and approximately \$313,800,000 as of September 30, 2019, as shown in Table A-5 below.

Table A-5
Capital Assets (in millions of dollars)

	2020	2019	2018
Land and land improvements	\$ 31.5	\$ 31.0	\$ 31.6
Buildings	337.0	326.6	321.5
Furniture, fixtures and equipment	<u>327.4</u>	<u>312.4</u>	<u>293.5</u>
 Total capital assets	 695.9	 670.0	 646.6
Accumulated depreciation	(403.3)	(370.9)	(341.0)
Construction in progress	<u>10.4</u>	<u>14.7</u>	<u>21.2</u>
 Capital assets, net	 <u>\$ 303.0</u>	 <u>\$ 313.8</u>	 <u>\$ 326.8</u>

Debt Financing

The Hospital refunded the Series 2009 bonds payable by issuing refunding bonds in October 2019 (*Note 4*).

The Hospital entered into a contract with Pearl River County to acquire the operations and related capital assets of the Pearl River Hospital (*Note 5*).

During 2019, the Hospital refunded the Series 2010 bonds payable by refunding bonds in July 2019 (*Note 4*).

For more detailed information regarding the Hospital's capital assets, debt financing and interest rate swap agreements, please refer to the notes to the financial statements that follow this section.

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Management's Discussion and Analysis
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Next Year's Operating Plan

The Hospital's Board of Trustees adopted the fiscal year 2021 operating plan in August 2020. The operating plan for 2021 assumes that inpatient admissions will remain consistent with 2020. The plan includes an increase in net assets of approximately \$5,000,000.

Management continues to anticipate changes from the Patient Protection and Affordable Care Act (PPACA) legislation passed by Congress. Proposed changes call for reduction in payments to all hospitals for Medicare disproportionate share to help pay for proposed legislation. Other revenue reductions could come in the form of higher deductible plans, readmission penalties, Recovery Audit Contract (RAC) audits, value-based purchasing requirements, bundled payments, etc. Over the next 12 months, management will continue its focus on becoming more efficient with resources, while striving to achieve the highest level of quality of care.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to Ben R. Hester, Chief Financial Officer, by telephone at 601.288.4225.

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Balance Sheets
September 30, 2020 and 2019

Assets and Deferred Outflows of Resources

	2020	2019
Current Assets		
Cash and cash equivalents	\$ 178,903,934	\$ 112,312,961
Funds held by trustee for self-insurance funding – current	290,188	321,967
Patient accounts receivable, net of allowance for doubtful accounts of \$64,478,000 in 2020 and \$66,302,000 in 2019	56,013,346	53,504,000
Other receivables	2,117,314	3,353,693
Supplies	10,993,355	10,825,035
Prepaid expenses and other	<u>6,294,227</u>	<u>5,964,755</u>
Total current assets	<u>254,612,364</u>	<u>186,282,411</u>
Noncurrent Cash and Investments		
Funds held by trustee for self-insurance funding	3,287,759	4,208,489
Funds held by trustee under deferred fee agreement	82,987,696	76,212,633
Funds designated by the Board for discretionary purposes	<u>185,549,425</u>	<u>179,110,193</u>
Total noncurrent assets	<u>271,824,880</u>	<u>259,531,315</u>
Capital Assets, Net	<u>302,963,087</u>	<u>313,807,287</u>
Other Assets	<u>12,124,773</u>	<u>11,317,966</u>
Net Other Postemployment Benefit Asset	<u>115,782</u>	<u>-</u>
Deferred Outflows of Resources	<u>26,604,815</u>	<u>12,575,641</u>
Total assets and deferred outflows of resources	<u>\$ 868,245,701</u>	<u>\$ 783,514,620</u>

Liabilities, Deferred Inflows of Resources and Net Position

	2020	2019
Current Liabilities		
Current installments of long-term debt	\$ 5,176,164	\$ 5,874,835
Current installments of contract payable	406,894	-
Accounts payable	22,504,735	26,001,696
Salaries and wages payable	15,397,992	12,970,038
Payroll taxes and withholdings	3,694,482	3,281,299
Due to third-party payers	7,248,550	7,852,412
Other accrued expenses	<u>54,353,937</u>	<u>10,241,839</u>
Total current liabilities	108,782,754	66,222,119
Long-term debt	136,377,842	139,713,051
Contract payable	5,640,030	-
Workers' compensation and professional liability reserves	3,987,382	3,424,131
Net other postemployment benefit liability	-	2,604,901
Net pension liability	37,808,038	19,211,366
Deferred compensation	<u>83,517,696</u>	<u>76,462,633</u>
Total liabilities	<u>376,113,742</u>	<u>307,638,201</u>
Deferred Inflows of Resources	<u>3,503,666</u>	<u>5,920,939</u>
Net Position		
Net investment in capital assets	154,096,243	166,848,674
Unrestricted	<u>334,532,050</u>	<u>303,106,806</u>
Total net position	<u>488,628,293</u>	<u>469,955,480</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 868,245,701</u>	<u>\$ 783,514,620</u>

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts of \$52,820,000 in 2020 and \$61,758,000 in 2019	\$ 543,958,675	\$ 534,967,487
Other	<u>12,268,478</u>	<u>11,290,317</u>
Total operating revenues	<u><u>556,227,153</u></u>	<u><u>546,257,804</u></u>
Operating Expenses		
Salaries, wages and employee benefits	267,731,362	265,199,696
Supplies	124,368,198	121,717,547
Contractual services	81,539,407	77,009,146
Repairs, maintenance and other	35,891,863	34,955,874
Insurance	3,052,949	2,186,073
Lease and rentals	9,827,877	9,498,662
Depreciation and amortization	<u>35,081,724</u>	<u>32,872,048</u>
Total operating expenses	<u><u>557,493,380</u></u>	<u><u>543,439,046</u></u>
Operating Income (Loss)	<u><u>(1,266,227)</u></u>	<u><u>2,818,758</u></u>
Nonoperating Revenues (Expenses)		
Net investment income	11,952,276	13,830,111
Interest expense	(4,725,678)	(5,793,464)
Noncapital grants and gifts received and other	14,616,069	908,121
Noncapital grants and gifts paid to others	(1,843,358)	(1,615,027)
Net gain (loss) on disposal of capital assets	71,026	(1,009,780)
Other	<u>(131,295)</u>	<u>(91,193)</u>
Total nonoperating revenues (expenses)	<u><u>19,939,040</u></u>	<u><u>6,228,768</u></u>
Increase in Net Position	<u><u>18,672,813</u></u>	<u><u>9,047,526</u></u>
Net Position, Beginning of Year	<u><u>469,955,480</u></u>	<u><u>460,907,954</u></u>
Net Position, End of Year	<u><u>\$ 488,628,293</u></u>	<u><u>\$ 469,955,480</u></u>

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Activities		
Receipts from and on behalf of patients	\$ 541,958,303	\$ 531,857,747
Other cash received	13,543,095	10,055,702
Cash paid to suppliers and others	(259,431,179)	(244,798,600)
Cash paid to or on behalf of employees	<u>(256,840,226)</u>	<u>(273,672,562)</u>
Net cash provided by operating activities	<u>39,229,993</u>	<u>23,442,287</u>
Noncapital Financing Activities		
Noncapital grants and gifts received and other	59,359,340	958,121
Noncapital grants and gifts paid to others	<u>(1,843,358)</u>	<u>(1,615,027)</u>
Net cash provided by (used in) noncapital financing activities	<u>57,515,982</u>	<u>(656,906)</u>
Capital and Related Financing Activities		
Principal paid on long-term debt	(4,391,811)	(5,631,651)
Principal paid on capital lease obligations	(260,202)	-
Payment on contract for Pearl River Hospital	(5,558,333)	-
Purchase of capital assets	(21,755,532)	(24,971,350)
Proceeds from issuance of long-term debt	1,286,864	-
Proceeds from sale of capital assets	-	3,943,000
Interest paid on long-term debt and capital lease obligations	<u>(5,877,207)</u>	<u>(6,468,100)</u>
Net cash used in capital and related financing activities	<u>(36,556,221)</u>	<u>(33,128,101)</u>
Investing Activities		
Interest and dividends on investments	7,277,252	6,829,146
Proceeds from sale of investments	67,505,767	42,162,278
Purchase of investments	<u>(65,553,077)</u>	<u>(46,536,272)</u>
Net cash provided by investing activities	<u>9,229,942</u>	<u>2,455,152</u>
Increase (Decrease) in Cash and Cash Equivalents	69,419,696	(7,887,568)
Cash and Cash Equivalents, Beginning of Year	126,839,628	134,727,196
Cash and Cash Equivalents, End of Year	<u>\$ 196,259,324</u>	<u>\$ 126,839,628</u>

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Statements of Cash Flows (Continued)
Years Ended September 30, 2020 and 2019

	2020	2019
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by Operating Activities		
Operating income (loss)	\$ (1,266,227)	\$ 2,818,758
Items not requiring cash		
Depreciation and amortization	35,081,724	32,872,048
Provision for uncollectible accounts	52,820,092	61,758,078
Changes in		
Patient accounts receivable, net	(55,329,438)	(61,945,455)
Accounts payable and accrued liabilities	(2,712,925)	2,306,683
Amounts due to and from third-party payers	(603,862)	(2,999,753)
Net pension liability	18,596,672	(994,600)
Net other postemployment benefit liability	(2,720,683)	(3,221,657)
Other assets, deferred outflows, liabilities and deferred inflows	<u>(4,635,360)</u>	<u>(7,151,815)</u>
Net cash provided by operating activities	<u>\$ 39,229,993</u>	<u>\$ 23,442,287</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 178,903,934	\$ 112,312,961
Cash and cash equivalents in funds internally designated and held by trustee for capital acquisition and deferred fee agreements	13,777,443	9,996,211
Cash and cash equivalents in funds held by trustee for self-insurance funding	<u>3,577,947</u>	<u>4,530,456</u>
Total cash and cash equivalents	<u>\$ 196,259,324</u>	<u>\$ 126,839,628</u>
Noncash Investing, Capital and Financing Activities		
Capital asset purchases included in accounts payable	\$ 1,912,557	\$ 2,643,443
Retirement of the 2010 and 2009 bonds in escrow:		
Proceeds received, less cost to issuance	\$ 30,826,061	\$ 71,950,737
Principal paid on long-term debt	\$ 30,155,000	\$ 70,000,000
Change in deferred inflows and outflows of resources, net	\$ 671,061	\$ 1,950,737
Contract for Pearl River Hospital		
Total assets acquired	\$ 14,375,798	\$ -
Total liabilities assumed	\$ 14,375,798	\$ -

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements

September 30, 2020 and 2019

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

Nature of Operations and Reporting Entity

Forrest County General Hospital (the Hospital) is an acute care hospital established by Forrest County, Mississippi (the County) as a special purpose government entity under Mississippi Code Section 41-13-15. The Hospital is owned by the County and per Mississippi statute is governed by a Board of Trustees appointed by the County Board of Supervisors. The Hospital is a component unit of Forrest County, Mississippi, as defined by Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The Hospital's component unit relationship to the County is principally due to the Hospital's financial accountability to the County as defined in GASB Statement No. 61.

In addition to the Hattiesburg, Mississippi campus, the Hospital also operates the following locations:

- Highland Community Hospital (HCH), an acute care hospital located in Picayune, Mississippi, over which the Hospital obtained control on May 1, 2006;
- Walthall General Hospital (WGH), a critical access hospital located in Tylertown, Mississippi, over which the Hospital obtained control on October 1, 2010;
- Jefferson Davis General Hospital (JDGH), a critical access hospital and 60-bed nursing home located in Prentiss, Mississippi, over which the Hospital obtained control on July 1, 2011;
- Marion General Hospital (MGH), a hospital located in Columbia, Mississippi, over which the Hospital obtained control on January 1, 2012; and
- Pearl River County Hospital and Nursing Home (PRH), a critical access hospital and 120-bed nursing home located in Poplarville, Mississippi, over which the Hospital obtained control on February 1, 2020.

The accompanying financial statements also include entities that are blended component units of the Hospital as defined by GASB Statement No. 61. Those entities are:

- AAA Ambulance Service, Inc. (AAA), a provider of medical and emergency transportation services;
- Forrest General Healthcare Foundation, Inc. (the Foundation), which raises funds for the benefit of the Hospital;
- South Mississippi Health Services, Inc., a property management organization;
- Forrest General Health Services, Inc., a management and consulting organization;
- Clean Earth, Inc., a waste removal organization;
- Forrest General Managed Care Services, Inc., which owns a physical hospital organization and managed care contracting entity; and

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

- Forrest General Occupational Medicine Services, Inc., which owns an occupational medicine provider.

All entities have the same fiscal year as the Hospital. All entities have been, with the exception of the Foundation, presented as a blended component unit because the Hospital is the sole corporate member of the entity or the entities are operated by the same, or substantially the same, governing board as the Hospital, and management of the Hospital has operational responsibility of the entities. The Foundation has been presented as a blended component unit because it is operated for the primary benefit of the Hospital. AAA issues separate audited financial statements, which can be obtained by writing to AAA Ambulance Service, Inc., 100 Rawls Springs Loop Road, Hattiesburg, Mississippi 39402, or calling 601.264.2211. The Foundation also issues separate financial statements, which can be obtained from the Hospital's management.

Basis of Accounting and Presentation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows and inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, funds held in interest and noninterest-bearing checking accounts and all highly liquid investments with maturities at the time of purchase of three months or less.

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

Patient Accounts Receivable

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

Supplies

Supply inventories are stated at the lower of cost, or market. Costs are determined using the first-in, first-out (FIFO) method.

Designated Funds and Funds Held by Trustees

Designated funds and funds held by trustees include: (1) assets set aside by the Board of Trustees (currently for future plant replacement, expansion and infrastructure maintenance) over which the Board of Trustees retains control and may, at its discretion, subsequently use for other purposes, (2) assets held by trustee under the self-insurance trust agreement and (3) assets held by trustee under the terms of a deferred fee agreement with Hattiesburg Clinic Professional Association.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one-year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Capital Assets

Capital assets are recorded at cost, if purchased or, if donated, at acquisition value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset using the straight-line method. Capital assets under capital lease obligations are amortized using the straight-line method over the shorter of the lease term, or the estimated useful life of the buildings and equipment. Such amortization is included in depreciation and amortization expense in the accompanying financial statements. Major renewals and betterments are capitalized. Costs for repairs and maintenance are expensed when incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and the gain or loss, if any, is included in nonoperating revenues (expenses) in the accompanying statements of revenues, expenses and changes in net position.

Forrest County General Hospital

(A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements

September 30, 2020 and 2019

All capital assets other than land are depreciated or amortized (in the case of capital leases) using these asset lives:

Land improvements	10 – 20 years
Leasehold improvements	3 – 20 years
Building	10 – 40 years
Fixed equipment	5 – 20 years
Movable equipment	3 – 7 years
Automobile equipment	3 – 5 years

Capital Asset Impairment

The Hospital recognizes the impairment of capital assets when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. If such assets are no longer used, they are reported at the lower of carrying value or fair value. If such assets will continue to be used, the impairment loss is measured using the method that best reflects the diminished utility of the capital assets. The restoration or replacement of an impaired capital asset is reported as a separate transaction from any associated insurance recovery. The impairment loss is reported net of the associated realized or realizable insurance recovery when the recovery and loss occur in the same year. Insurance recoveries reported in subsequent years are reported as other nonoperating revenue. No asset impairment was recognized during the years ended September 30, 2020 or 2019.

Compensated Absences

The Hospital's employees accumulate vacation, holiday and sick leave at varying rates, depending upon their years of continuous service and their payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation and holiday time at their regular rate of pay up to a designated maximum number of days. Since the employees' vacation and holiday time both accumulate and vest, an accrual for this liability, plus an additional amount for compensation-related payments such as social security and Medicare taxes, are included in salaries and wages payable in the accompanying balance sheets.

Risk Management

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

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

The Hospital is self-insured for a portion of its exposure to risk of loss from medical malpractice, workers' compensation and employee health claims. Annual estimated provisions are accrued for the self-insured portion of these risks, which include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Deferred Outflows/Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future reporting periods are reported as deferred outflows of resources and deferred inflows of resources. At September 30, 2020 and 2019, deferred outflows of resources and deferred inflows of resources were comprised of the following:

	Deferred Outflows of Resources	
	2020	2019
Deferred loss on swap termination (<i>Note 4</i>)	\$ -	\$ 2,387,847
Deferred loss on refunding (<i>Note 4</i>)	1,805,350	1,928,406
Deferred outflow - acquisition (<i>Note 5</i>)	9,288,039	-
Pension plan (<i>Note 11</i>)	14,373,133	4,729,213
OPEB plan (<i>Note 12</i>)	1,138,293	3,530,175
	<u>\$ 26,604,815</u>	<u>\$ 12,575,641</u>
	Deferred Inflows of Resources	
	2020	2019
Gain on debt refunding (<i>Note 4</i>)	\$ -	\$ 2,036,661
Gain on debt refunding of 2019 bonds (<i>Note 4</i>)	70,628	-
Pension plan (<i>Note 11</i>)	165,414	349,264
OPEB plan (<i>Note 12</i>)	3,267,624	3,535,014
	<u>\$ 3,503,666</u>	<u>\$ 5,920,939</u>

Defined Benefit Pension Plan

The Hospital has a single-employer defined benefit pension plan, Forrest County General Hospital Pension Plan, (the Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefit Plan

The Hospital has a single-employer defined benefit other postemployment benefit (OPEB) plan, Forrest County General Hospital Employee Health Benefit Plan, (the OPEB Plan). For purposes of measuring the net OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The Hospital's net position is classified into the components on its balance sheets as shown below:

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any borrowings used to finance the purchase or construction of those assets and any unpaid capital asset related invoices.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

The Hospital had no material restricted net position at September 30, 2020 or 2019.

Net Patient Service Revenue

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

Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Income Taxes

The Hospital is classified as a governmental entity under the laws of Mississippi and is exempt from income taxes, but also carries an exemption from income taxes under Internal Revenue Code Section 501(c)(3). South Mississippi Health Services, Inc., Forrest General Health Services, Inc., Forrest General Healthcare Foundation, Inc. and AAA Ambulance Service, Inc. are tax-exempt organizations under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), whereby only unrelated business income is taxable. Forrest General Managed Care Services, Inc. and Forrest General Occupational Medicine Services, Inc. are nonprofit organizations subject to tax. Clean Earth, Inc. is subject to federal and state income taxes. Income taxes related to unrelated business income and the taxable entities are not significant to the Hospital.

Revision

An immaterial revision has been made to the 2019 financial statements to present the capital and related financing activities cash flow activities related to the advanced refunding of the Series 2010 Bonds through issuance of the Series 2019A Bonds in a trustee escrow account as noncash financing activities within the statements of cash flows.

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

Note 2: Deposits, Investments and Investment Income

The Hospital's deposits and investments are summarized below as of September 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	<u>\$ 178,903,934</u>	<u>\$ 112,312,961</u>
Designated funds and funds held by trustees		
Cash and cash equivalents	3,891,351	7,777,305
Money market mutual funds	13,464,039	6,749,362
U.S. agency securities	22,600,494	24,373,242
U.S. Treasury securities	8,246,129	5,342,909
State municipal securities	17,604,216	17,558,505
Open-end mutual funds	69,920,337	69,642,710
Corporate debt securities	41,194,715	37,927,659
Pooled investment securities	<u>95,193,787</u>	<u>90,481,590</u>
	<u>272,115,068</u>	<u>259,853,282</u>
	<u><u>\$ 451,019,002</u></u>	<u><u>\$ 372,166,243</u></u>

The Hospital is required to provide additional disclosures of investment risks related to credit risk, concentration of credit risk, custodial credit risk, interest rate risk and foreign currency risk associated with cash deposits and investments. These disclosures are reflected below.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Hospital's investment policy, which conforms to Mississippi state law, does not specifically limit investment in securities based on an NRSRO credit rating, but the policy does designate authorized investments by type. These authorized investments, within established guidelines, are limited to securities of the U.S. government or its agencies, U.S. government obligations, U.S. and Mississippi municipal bonds, interest-bearing accounts and certificates of deposits of financial institutions, open-end or closed-end management type investment company or investment trust and an investment trust consisting of pooled or commingled funds of other hospitals.

Unless there is information to the contrary, obligations of the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

A summary of cash and investments is as follows:

September 30, 2020	Fair Value	Percentage	Credit Rating
Cash and cash equivalents, operating funds	\$ 178,903,934	39.67%	Exempt from disclosure
Cash and cash equivalents, designated and held by trustee	3,891,351	0.86%	Exempt from disclosure
Money market mutual funds	13,464,039	2.99%	Aaa
U.S. agency securities	22,600,494	5.01%	Exempt from disclosure
U.S. Treasury securities	8,246,129	1.83%	Exempt from disclosure
State municipal securities	17,604,216	3.90%	Exempt from disclosure
Open-end mutual funds	69,920,337	15.50%	*
Corporate debt securities	41,194,715	9.13%	Aa1 - Ba2
Pooled investment securities	<u>95,193,787</u>	<u>21.11%</u>	**
 Total cash and investments	 <u>\$ 451,019,002</u>	 <u>100.00%</u>	

September 30, 2019	Fair Value	Percentage	Credit Rating
Cash and cash equivalents, operating funds	\$ 112,312,961	30.18%	Exempt from disclosure
Cash and cash equivalents, designated and held by trustee	7,777,305	2.09%	Exempt from disclosure
Money market mutual funds	6,749,362	1.81%	Aaa
U.S. agency securities	24,373,242	6.55%	Exempt from disclosure
U.S. Treasury securities	5,342,909	1.44%	Exempt from disclosure
State municipal securities	17,558,505	4.72%	Exempt from disclosure
Open-end mutual funds	69,642,710	18.71%	*
Corporate debt securities	37,927,659	10.19%	Aaa - A3
Pooled investment securities	<u>90,481,590</u>	<u>24.31%</u>	**
 Total cash and investments	 <u>\$ 372,166,243</u>	 <u>100.00%</u>	

- * The open-end mutual funds primarily represent funds that the Hospital holds on behalf of Hattiesburg Clinic Professional Association (HCPA) for certain deferred fees as part of a 457(f) plan. The Hospital does not make investment decisions on these funds, and the entirety of the funds is due to HCPA. Mutual funds included in board designated accounts totaled \$0 at both September 30, 2020 and 2019.
- ** The pooled investment securities represent the Hospital's investment in the Mississippi Hospital Association investment pool. Although open to all hospitals, the pool is structured to comply with the provisions of Section 27-105-365 of the Mississippi Code Annotated (1972), which establishes guidelines for depository and investment activity for all county and municipal hospital funds. Accordingly, the pooled investment securities are limited to U.S. government and U.S. agencies, certain investment and trust funds and commercial paper and corporate notes and bonds that have an "A" rating or better.

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

Concentration of Credit Risk

The Hospital's investment policy, in accordance with state statute, restricts investments in U.S. agencies to 50% of total investments. Investments in open-end and closed-end management type investment companies and investment trusts are limited to 20% of total investments.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer (an investment that represents more than 5% of the market value of the total investment portfolio). At September 30, 2020, approximately 9% and 7% of the Hospital's investment portfolio concentrations (exclusive of funds held for HCPA or designated for deferred compensation arrangements) were invested in bonds of the State of Mississippi and Federal National Mortgage Association, respectively. At September 30, 2019, approximately 10% and 7% of the Hospital's investment portfolio concentrations (exclusive of funds held for HCPA or designated for deferred compensation arrangements) were invested in bonds of the State of Mississippi and Federal National Mortgage Association, respectively.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Hospital will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Hospital's formal investment policy is governed by and in conformity with Section 27-105-365 of the Mississippi Code Annotated (1972), which establishes guidelines for depository and investment activity:

- In accordance with statutes of the state of Mississippi, the Hospital maintains its deposits at financial institutions authorized by the Board of Trustees.
- The collateral for public entity deposits in financial institutions is held in the name of the State Treasurer of Mississippi under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code Annotated (1972). Under this program, the Hospital's funds are protected through a collateral pool administered by the State Treasurer.
- Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits.

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

- In the event of a financial institution's failure, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. At September 30, 2020 and 2019, deposits and investments requiring custodial credit risk disclosure totaled approximately \$185,549,000 and \$176,891,000, respectively, all of which were insured or collateralized in accordance with state statute.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio.

The following is a summary of the Hospital's segmented time distribution investment maturities in years by investment type as of September 30, 2020 and 2019.

September 30, 2020	Fair Value	Years			
		< 1	1 – 5	6 – 10	More than 10
U.S. agency securities	\$ 22,600,494	\$ 1,494,305	\$ 19,051,314	\$ 2,054,875	\$ -
U.S. Treasury securities	8,246,129	403,488	7,842,641	-	-
State municipal securities	17,604,216	4,346,849	13,181,157	76,210	-
Corporate debt securities	41,194,715	6,692,383	18,937,005	15,565,327	-
	<u>\$ 89,645,554</u>	<u>\$ 12,937,025</u>	<u>\$ 59,012,117</u>	<u>\$ 17,696,412</u>	<u>\$ -</u>

September 30, 2019	Fair Value	Years			
		< 1	1 – 5	6 – 10	More than 10
U.S. agency securities	\$ 24,373,242	\$ 6,873,694	\$ 16,496,899	\$ 1,002,649	\$ -
U.S. Treasury securities	5,342,909	99,785	5,243,124	-	-
State municipal securities	17,558,505	4,487,870	12,031,376	1,039,259	-
Corporate debt securities	37,927,659	7,740,775	17,651,074	12,535,810	-
	<u>\$ 85,202,315</u>	<u>\$ 19,202,124</u>	<u>\$ 51,422,473</u>	<u>\$ 14,577,718</u>	<u>\$ -</u>

The Hospital has \$13,464,039 and \$6,749,362, in 2020 and 2019, respectively, in money market mutual funds with an average maturity of less than one year.

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

The Hospital's has \$95,193,787 and \$90,481,590 in 2020 and 2019, respectively, in pooled investment securities whose underlying investments are primarily U.S. government and U.S. agency debt securities with varying maturities as determined by the pool; however, the average maturity is less than 5 years.

The Hospital holds investments on behalf of HCPA related to certain fees paid to HCPA and its members that are deferred according to the terms of a deferred fee agreement, as amended April 1, 2005. The investments are held under a deferred fee trust agreement (trust agreement) dated April 1, 2005. Fidelity Management Trust Company is the trustee under an agreement with the Hospital and HCPA. The deferred compensation plan was established as a 457(f) plan.

The intent of the trust agreement is to provide for the deferred payment by the Hospital to HCPA of certain fees earned by HCPA for services rendered to the Hospital and to be the nonprofit vehicle through which related investments are held on behalf of HCPA. The Hospital is liable to HCPA for the entirety of the investment.

The Hospital makes no management decisions on how and where the funds are invested. HCPA directs the Hospital as to how deferred amounts are to be invested. The corpus and income of the grantor trust are considered to be owned by the Hospital for income tax purposes through the 457(f) plan. In all other respects, the corpus and income of the grantor trust are considered by the Hospital to be fully due to HCPA.

The Hospital only funds the amount of deferred fees as determined by HCPA. The only participants in the 457(f) plan are HCPA employees. Hospital employees do not participate in the 457(f) plan. As noted previously, the Hospital holds these investments with Fidelity Management Trust Company under the trust agreement. The types of investments are:

- Money market mutual funds
- Fixed income mutual funds
- Equity mutual funds

The amount of the deferred fees that the Hospital deposits on behalf of HCPA in the trust account for the deferred compensation plan was \$253,550 and \$258,250 per month for 2020 and 2019, respectively. Periodically, usually in January, HCPA notifies the Hospital of the deferral amount based on the enrollment of HCPA physicians.

At September 30, 2020 and 2019, the fair value of the assets held under the trust agreement for the 457(f) plan that are included in money market mutual funds and open-end mutual funds and the corresponding liability was approximately \$82,988,000 and \$76,213,000, respectively. The amounts have been reflected on the accompanying balance sheets.

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Notes to Financial Statements
September 30, 2020 and 2019

Investment Income

Investment income for the years ended September 30, 2020 and 2019 consisted of:

	2020	2019
Interest and dividend income	\$ 7,584,518	\$ 7,073,190
Realized losses on investments, net	(383,296)	(425,052)
Unrealized gains (losses) on investments, net	<u>4,751,054</u>	<u>7,181,973</u>
	<u><u>\$ 11,952,276</u></u>	<u><u>\$ 13,830,111</u></u>

Note 3: Capital Assets

Capital assets and related activity for the year ended September 30, 2020, consist of the items shown below.

	Balance October 1, 2019	Transfers in and Additions	Transfers Out and Retirements	Balance September 30, 2020
Capital assets not being depreciated				
Land	\$ 15,273,966	\$ 31,176	\$ -	\$ 15,305,142
Construction in progress	<u>14,670,605</u>	<u>20,320,500</u>	<u>(24,607,879)</u>	<u>10,383,226</u>
Total book value of capital assets not being depreciated	<u><u>29,944,571</u></u>	<u><u>20,351,676</u></u>	<u><u>(24,607,879)</u></u>	<u><u>25,688,368</u></u>
Capital assets being depreciated				
Land improvements	15,684,472	514,985	-	16,199,457
Leasehold improvements	5,169,909	-	-	5,169,909
Buildings	326,565,564	10,444,137	-	337,009,701
Fixed equipment	52,052,872	2,076,703	-	54,129,575
Movable equipment	250,793,218	14,196,657	(1,823,816)	263,166,059
Automotive equipment	<u>4,526,190</u>	<u>728,771</u>	<u>(307,081)</u>	<u>4,947,880</u>
Total book value of capital assets being depreciated	<u><u>654,792,225</u></u>	<u><u>27,961,253</u></u>	<u><u>(2,130,897)</u></u>	<u><u>680,622,581</u></u>
Less accumulated depreciation for				
Land improvements	9,795,653	787,623	-	10,583,276
Leasehold improvements	3,607,236	321,255	-	3,928,491
Buildings	156,292,315	12,175,858	-	168,468,173
Fixed equipment	27,483,911	3,201,688	-	30,685,599
Movable equipment	170,307,373	17,602,824	(1,809,927)	186,100,270
Automotive equipment	<u>3,443,021</u>	<u>446,113</u>	<u>(307,081)</u>	<u>3,582,053</u>
Total accumulated depreciation	<u><u>370,929,509</u></u>	<u><u>34,535,361</u></u>	<u><u>(2,117,008)</u></u>	<u><u>403,347,862</u></u>
Capital assets, being depreciated, net	<u><u>283,862,716</u></u>	<u><u>(6,574,108)</u></u>	<u><u>(13,889)</u></u>	<u><u>277,274,719</u></u>
Capital assets, net	<u><u>\$ 313,807,287</u></u>	<u><u>\$ 13,777,568</u></u>	<u><u>\$ (24,621,768)</u></u>	<u><u>\$ 302,963,087</u></u>

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Construction in progress at September 30, 2020, consists of expenditures associated with renovation of acute care areas of the main facility and Pine Grove Behavioral Health. Budgeted costs to complete these projects are \$2,450,000 in fiscal year 2021.

Capital assets and related activity for the year ended September 30, 2019, consist of the items shown below.

	Balance October 1, 2018	Transfers in and Additions	Transfers Out and Retirements	Balance September 30, 2019
Capital assets not being depreciated				
Land	\$ 16,736,267	\$ 650,000	\$ (2,112,301)	\$ 15,273,966
Construction in progress	<u>21,233,488</u>	<u>23,941,927</u>	<u>(30,504,810)</u>	<u>14,670,605</u>
Total book value of capital assets not being depreciated	<u>37,969,755</u>	<u>24,591,927</u>	<u>(32,617,111)</u>	<u>29,944,571</u>
Capital assets being depreciated				
Land improvements	14,882,984	862,589	(61,101)	15,684,472
Leasehold improvements	5,169,909	-	-	5,169,909
Buildings	321,454,788	9,508,331	(4,397,555)	326,565,564
Fixed equipment	49,172,809	2,937,862	(57,799)	52,052,872
Movable equipment	234,611,420	17,318,361	(1,136,563)	250,793,218
Automotive equipment	<u>4,568,851</u>	<u>116,638</u>	<u>(159,299)</u>	<u>4,526,190</u>
Total book value of capital assets being depreciated	<u>629,860,761</u>	<u>30,743,781</u>	<u>(5,812,317)</u>	<u>654,792,225</u>
Less accumulated depreciation for				
Land improvements	9,069,405	759,853	(33,605)	9,795,653
Leasehold improvements	3,183,989	423,247	-	3,607,236
Buildings	146,476,602	11,437,426	(1,621,713)	156,292,315
Fixed equipment	24,578,897	2,954,953	(49,939)	27,483,911
Movable equipment	154,498,286	16,891,005	(1,081,918)	170,307,373
Automotive equipment	<u>3,196,756</u>	<u>405,564</u>	<u>(159,299)</u>	<u>3,443,021</u>
Total accumulated depreciation	<u>341,003,935</u>	<u>32,872,048</u>	<u>(2,946,474)</u>	<u>370,929,509</u>
Capital assets, being depreciated, net	<u>288,856,826</u>	<u>(2,128,267)</u>	<u>(2,865,843)</u>	<u>283,862,716</u>
Capital assets, net	<u>\$ 326,826,581</u>	<u>\$ 22,463,660</u>	<u>\$ (35,482,954)</u>	<u>\$ 313,807,287</u>

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Note 4: Long-term Debt

A summary of long-term obligation transactions for the Hospital for the years ended September 30, 2020 and 2019 follows.

Description	Balance October 1, 2019	Additions	Retired	Amortization	Balance September 30, 2020	Due Within One Year
Series 2009 (A)	\$ 30,155,000	\$ -	\$ 30,155,000	\$ -	\$ -	\$ -
Series 2019A (B)	63,530,000	-	-	-	63,530,000	-
Series 2019B (C)	-	26,365,000	-	-	26,365,000	1,290,000
BancorpSouth (E)	20,024,554	-	1,190,329	-	18,834,225	1,235,855
BancorpSouth (F)	11,475,442	-	1,132,080	-	10,343,362	1,182,185
BancorpSouth (G)	9,271,468	-	991,657	-	8,279,811	1,039,760
Zoll Equipment Note (H)	372,280	-	186,140	-	186,140	186,140
The First (I)	891,605	-	891,605	-	-	-
Trustmark (J)	-	1,286,864	-	-	1,286,864	242,224
Unamortized Bond Premium	9,867,537	4,853,935	708,982	(1,283,886)	12,728,604	-
	<u>\$ 145,587,886</u>	<u>\$ 32,505,799</u>	<u>\$ 35,255,793</u>	<u>\$ (1,283,886)</u>	<u>\$ 141,554,006</u>	<u>\$ 5,176,164</u>

Description	Balance October 1, 2018	Additions	Retired	Amortization	Balance September 30, 2019	Due Within One Year
Series 2009 (A)	\$ 32,200,000	\$ -	\$ 2,045,000	\$ -	\$ 30,155,000	\$ 2,150,000
Series 2019A (B)	-	63,530,000	-	-	63,530,000	-
Series 2010 (D)	70,000,000	-	70,000,000	-	-	-
BancorpSouth (E)	21,174,769	-	1,150,215	-	20,024,554	1,190,336
BancorpSouth (F)	12,561,986	-	1,086,544	-	11,475,442	1,132,080
BancorpSouth (G)	10,219,423	-	947,955	-	9,271,468	991,656
Zoll Equipment Note (H)	558,420	-	186,140	-	372,280	186,140
The First (I)	1,107,402	-	215,797	-	891,605	224,623
Unamortized Bond Premium	835,174	9,256,065	-	(223,702)	9,867,537	-
	<u>\$ 148,657,174</u>	<u>\$ 72,786,065</u>	<u>\$ 75,631,651</u>	<u>\$ (223,702)</u>	<u>\$ 145,587,886</u>	<u>\$ 5,874,835</u>

- (A) Series 2009 Revenue Refunding Bonds, bearing interest at 5.25%; collateralized by Hospital revenues; due on January 1, 2030. The Series 2009 Bonds were issued through the Mississippi Hospital Equipment and Facilities Authority (MHEFA). The Series 2009 Bond proceeds were used to refund all amounts outstanding under the Series 2007A variable rate revenue bonds (Series 2007A Bonds) and included a premium of \$2,283,000. The owner of the Series 2007A Bonds agreed to accept \$37,528,000 for settlement of the outstanding bonds with a par amount of \$45,555,000. The economic gain (generally defined as the present value of the net cash flow differential discounted at the effective interest rate of the new debt) on the refunding transaction totaled approximately \$6,250,000. The Series 2009 Bonds may be redeemed at the option of the Hospital on any date on or after January 1, 2020, at a redemption price of par plus accrued interest to the redemption date. The Hospital recognized a gain on the refunding

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of the Series 2007A Bonds, which is being recognized over the term of the Series 2009 Bonds. The unamortized gain was \$0 and \$2,036,661 at September 30, 2020 and 2019, respectively, and is included in the balance sheets as a deferred inflow of resources. Upon the issuance of the Series 2009 Bonds, there was also a termination of a cost of funds swap (*Note 7*). The termination payment of \$7,690,000 has been deferred and is being amortized over the term of the Series 2009 Bonds. The unamortized loss on the swap termination was \$0 and \$2,387,847 at September 30, 2020 and 2019, respectively, and is included in the balance sheets as a deferred outflow of resources. The unamortized gain and loss above related to the 2009 Bonds and related termination payment of the swap (*Note 7*) are included within the unamortized gain on refunding of the 2019B Bonds and being amortized over the term of these bonds. These bonds were advance refunded through issuance of the Series 2019B Bonds and were fully repaid in January 2020.

- (B) On July 25, 2019, the Hospital issued \$63,530,000 in Series 2019A Revenue Refunding Bonds bearing interest at 3.0% to 5.0% to advance refund \$70,000,000 of Series 2010 Build America Revenue Bonds and to pay certain expenses incurred in connection with the issuance of the bonds. The total bond proceeds were \$72,786,065, resulting in an issuance premium of \$9,256,065. The net proceeds of \$71,950,737 (after payment of \$835,328 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2010 Build America Revenue Bonds. As a result, the 2010 Series Bonds are considered to be defeased, and the liability for those bonds has been removed from the Hospital's balance sheets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,950,737. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to interest expense through the year 2039 using the effective interest method. The Hospital completed the advance refunding to reduce its total debt service payments over the next 20 years by \$18,442,057 and to obtain an economic gain between the present values of the old and new debt service payments of \$12,081,158. The unamortized loss on refinancing of the debt was \$1,805,350 and \$1,928,406 at September 30, 2020 and 2019, respectively, and is included in the balance sheets as a deferred outflow of resources.

- (C) On October 3, 2019, the Hospital issued \$26,365,000 in Series 2019B Revenue Refunding Bonds bearing interest at 5.0% to advance refund \$30,155,000 of Series 2009 Revenue Refunding Bonds (Series 2009 Bonds) and to pay certain expenses incurred in connection with the issuance of the bonds. The total bond proceeds were \$31,080,518, resulting in an issuance premium of \$4,853,935. The net proceeds of \$30,826,061 (after payment of \$392,875 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2009 Bonds. As a result, the Series 2009 Bonds are considered to be defeased,

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and the liability for those bonds has been removed from the Hospital's balance sheets. The unamortized gain on refunding of the debt was \$70,628 and \$0 at September 30, 2020 and 2019, respectively, and is included in the balance sheets as a deferred inflow of resources.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$82,519. This difference, reported in the accompanying financial statements as a deferred inflow of resources, is being charged to interest expense through the year 2029 using the effective interest method. The Hospital completed the advance refunding to reduce its total debt service payments over the next 10 years by \$4,090,717 and to obtain an economic gain between the present values of the old and new debt service payments of \$4,455,890.

- (D) Series 2010 Build America Revenue Bonds; bearing interest at 7.265% to 7.390%; collateralized by Hospital revenue; due on January 1, 2040. The Series 2010 Bonds were issued through MHEFA. The Series 2010 Bond proceeds were used to fund campus renovations and equipment purchases, as well as construction of a replacement hospital facility for Highland Community Hospital in Picayune, Mississippi. The Series 2010 Bonds may be redeemed at the option of the Hospital on any date on or after January 1, 2020, at a redemption price of par plus accrued interest to the redemption date. The Series 2010 Bonds were issued as Direct Payment Build America Bonds (BABs) for the purposes of the American Recovery and Reinvestment Act of 2009 (the Act), and the Hospital expects to receive a cash subsidy payment from the United States Treasury pursuant to the Act equal to 35% of the interest payable on the Series 2010 Bonds on or about each interest payment date. As a result of federal sequestration, the cash subsidy was reduced by approximately 6.6% in fiscal year 2019.

As noted in (B), the Series 2010 Bonds were defeased on July 25, 2019 with the issuance of the Series 2019A Bonds, and fully repaid in January 2020.

- (E) Promissory note dated January 25, 2018, bearing interest at 3.55%; collateralized by Hospital revenues; due from February 20, 2018 to January 20, 2033.
- (F) Promissory note dated April 9, 2018, bearing interest at 4.17%; collateralized by real property; due from May 9, 2018 to April 9, 2028.
- (G) Promissory note dated August 31, 2018, bearing interest at 4.57%; collateralized by real property; due from September 30, 2018 to August 31, 2027.
- (H) Note payable to vendor for equipment, due in equal annual installments of \$206,736, which includes an interest rate of 11% through November 1, 2020.

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- (I) Promissory note dated May 30, 2018, bearing interest at 4.00%; collateralized by real property; due from July 5, 2018 to June 5, 2023. This note was refinanced with the note issued by Trustmark. See Note (J).
- (J) Promissory note dated September 17, 2020, bearing interest at 3.05%; collateralized by real property; due from September 17, 2020 to September 17, 2025

The loan agreements for the Series 2019 Bonds, Series 2010 Bonds and Series 2009 Bonds contain certain terms and restrictive covenants typical of such agreements, including maintenance of certain debt service coverage and liquidity levels and limitations on additional indebtedness. The agreements also contain provisions that, in the event of default, allow the trustee to accelerate payments of the entire principal amount to be immediately due and payable.

Debt service requirements associated with the Hospital's long-term debt, excluding unamortized premiums, are shown below.

Years Ending September 30	Principal	Interest	Total
2021	\$ 5,176,164	\$ 2,760,637	\$ 7,936,801
2022	5,422,513	2,590,186	8,012,699
2023	5,726,913	2,300,266	8,027,179
2024	6,175,233	4,795,926	10,971,159
2025	6,455,959	4,491,755	10,947,714
2026 - 2030	35,467,689	17,672,421	53,140,110
2031 - 2035	31,826,464	9,588,943	41,415,407
2036 - 2040	<u>32,574,467</u>	<u>2,846,900</u>	<u>35,421,367</u>
	<u><u>\$ 128,825,402</u></u>	<u><u>\$ 47,047,034</u></u>	<u><u>\$ 175,872,436</u></u>

Note 5: Contract Payable

On February 1, 2020, the Hospital entered into a contract with Pearl River County to acquire the operations and related capital assets of Pearl River County Hospital, Pearl River County Nursing Home and Pearl River Family Clinic in Poplarville, Mississippi (collectively the Pearl River Hospital). The Hospital paid approximately \$5,558,000 as a payment on the contract of the Pearl River County Nursing Home upon execution of the contract. In addition, the Hospital acquired assets, assumed certain liabilities and incurred deferred outflows of resources associated with the contract. The deferred outflows of resources are being amortized over the life of the contract. The unamortized deferred outflows of resources for acquisition was \$9,288,039 for the year ended September 30, 2020.

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Assets acquired, liabilities assumed related to the contract payable:

Current assets	\$ 1,978,488
Capital assets	2,633,336
Deferred outflows of resources	<u>9,763,974</u>
Total assets	<u>\$ 14,375,798</u>
Current liabilities	\$ 8,068,672
Contract payable	<u>6,307,126</u>
Total liabilities	<u>\$ 14,375,798</u>

A schedule of changes in the Hospital's contract payable balances for 2020 follows.

Description	Interest Rate	Date of Issuance/ Assumption	Balance October 1, 2019	Additions	Payments	Balance September 30, 2020	Due Within One Year
Pearl River Hospital	5.00%	February 1, 2020	\$ -	\$ 6,307,126	\$ 260,202	\$ 6,046,924	\$ 406,894

Future payments associated with the Hospital's contract payable are as follows:

Years Ending September 30	Principal	Interest	Total
2021	\$ 406,894	\$ 293,106	\$ 700,000
2022	427,721	272,279	700,000
2023	449,604	250,396	700,000
2024	472,606	227,394	700,000
2025	496,786	203,214	700,000
2026 - 2030	2,892,202	607,798	3,500,000
2031 - 2032	<u>901,111</u>	<u>32,246</u>	<u>933,357</u>
	<u>\$ 6,046,924</u>	<u>\$ 1,886,433</u>	<u>\$ 7,933,357</u>

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Note 6: Other Accrued Expenses

Other accrued expenses consist of the following:

	2020	2019
Patient credit balances	\$ 4,373,543	\$ 3,933,682
Reserve for incurred but not reported employee health claims	1,163,000	1,391,000
Workers' compensation and professional liability reserves - current	1,070,188	1,271,967
Advanced revenue (including CARES Act, Provider Relief Funds)	45,144,028	804,470
Accrued interest expense	1,088,079	1,067,332
Construction retainage	109,214	76,633
Other	<u>1,405,885</u>	<u>1,696,755</u>
	<u><u>\$ 54,353,937</u></u>	<u><u>\$ 10,241,839</u></u>

Note 7: Interest Rate Swap Agreements

Accounting principles generally accepted in the United States of America (GAAP) requires the Hospital to recognize the fair value of a derivative instrument on its balance sheets. The change in fair value is either recorded as a deferred amount on the Hospital's balance sheets (if the derivative agreement qualifies for hedge accounting) or as a component of investment income on the accompanying statements of revenues, expenses and changes in net position.

The Hospital entered into two interest rate swap agreements in June 2007. The Hospital accounted for a cost of funds swap as a hedging derivative instrument and accounts for a basis swap as an investment derivative. The terms of the swaps are more fully described below.

The changes in fair value of the basis swap are shown in the following table:

	Basis Swap
Fair value, September 30, 2018	\$ 1,779
Change in fair value	<u>169,108</u>
Fair value, September 30, 2019	170,887
Change in fair value	<u>10,963</u>
Fair value, September 30, 2020	<u><u>\$ 181,850</u></u>

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The cost of funds swap was terminated in conjunction with the issuance of the Series 2009 Bonds. The termination payment of \$7,690,000 has been deferred and is being amortized as discussed in *Note 4*. At September 30, 2020 and 2019, only the basis swap remained in effect.

The fair value of the basis swap was estimated by the counterparty, which uses a proprietary pricing model to compute the fair value.

- **Objective of the Interest Rate Swaps** – While the Hospital’s long-term debt at September 30, 2020 and 2019, is a fixed rate, the Hospital’s asset/liability strategy in the past has included a mixture of fixed and variable rate debt to take advantage of market fluctuations. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations and to lower its borrowing costs when compared against fixed rate debt at the time of issuance, the Hospital utilized two interest rate swap agreements to convert its variable rate debt exposure to a fixed rate for the retired Series 2007A Revenue Bonds. The intention of the terminated cost of funds swap was to effectively change the Hospital’s variable interest rate on this note to a synthetic fixed rate of 5.02%. The intention of the basis swap was to provide additional interest rate savings over time.
- **Terms** – The basis swap agreement matures on January 1, 2030. The basis swap includes an amortizing notional amount through January 1, 2030. The notional amount was \$29,225,000 and \$31,435,000 at September 30, 2020 and 2019, respectively. The swaps were entered into at the same time the bonds were issued (June 2007). The swaps were comprised of the cost of funds swap, which was terminated in the 2009 refunding issue and a basis swap. Under the basis swap, the Hospital pays the counterparty a variable payment computed at the Securities Industry and Financial Market Association (SIFMA) Swap Index and receives a variable payment computed as 67% of one-month LIBOR plus 24 basis points.
- **Credit Risk** – The Hospital is exposed to credit risk on the amount of the derivative’s fair value. The swap’s counterparty was rated A+ by Standard & Poor’s and AA- by Fitch as of September 30, 2020.
- **Interest Rate Risk** – The cost of funds swap exposed the Hospital to interest rate risk prior to its termination. As LIBOR increased, the aggregate payments under the swap increased. However, the interest payments on the hedged 2007 Revenue Bonds also decreased by a corresponding amount.
- **Basis Risk** – The Hospital is exposed to basis risk on the basis swap because the variable rate payments received by the Hospital are based on a different index than the benchmark interest rate used to determine the Hospital’s payments on the swap. As of September 30, 2020, the SIFMA rate, which is paid to the counterparty by the Hospital, was 0.07%, whereas 67.00% of one-month LIBOR plus 24 basis points (which is received by the Hospital) was 0.36%.

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- **Termination Risk** – The derivative contracts use the International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard termination events, such as failure to pay, failure to perform under the terms of the contract and bankruptcy. The swaps may be terminated by the Hospital if the counterparty's credit quality rating falls below a rating "Baa3" by Moody's Investors Service or "BBB" by Standard & Poor's. If, at the time of termination, the basis swap has a negative fair value, the Hospital would be liable to the counterparty for a payment equal to the swap's fair value.
- **Swap Payments** – Using rates as of September 30, 2020, future net receipts under the basis swap are as follows:

2021	\$ 145,748
2022	131,742
2023	117,156
2024	102,259
2025	86,550
2026-2030	<u>171,927</u>
	<u><u>\$ 755,382</u></u>

As rates fluctuate, payments under the basis swap will vary.

Note 8: Operating Leases

The Hospital, as a lessee, leases certain property from outside parties. Rent expense under all operating leases was approximately \$9,828,000 and \$9,499,000 in 2020 and 2019, respectively.

Note 9: Net Patient Service Revenue

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

- **Medicare** – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. Certain other Medicare reimbursement items are paid based on other retroactive-determination methodologies. WGH, JDGH and PRH are classified as critical access hospitals and are reimbursed based on the

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reasonable costs of providing care to Medicare program beneficiaries. MGH and HCH are not classified as critical access hospitals, but are receiving payments based on reasonable costs through the Rural Community Hospital Demonstration Project. The demonstration project ends on September 30, 2022 for HCH and September 30, 2021 for MGH. The Hospital is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary. Revenue from the Medicare program (including Medicare managed care) accounted for approximately 52% of the Hospital's net patient service revenue for both years ended September 30, 2020 and 2019.

- **Medicaid** – Inpatient and certain outpatient services rendered to Medicaid program beneficiaries are generally paid based upon prospective reimbursement methodologies established by the state of Mississippi. Inpatient services are reimbursed using a prospective-payment system based on All Patient Refined Diagnosis Related Groups (APR-DRG). Outpatient services are reimbursed using an Ambulatory Payment Classification (APC) methodology, similar to the Medicare payment model. The Hospital is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits by the state of Mississippi Medicaid Program. Revenue from the Medicaid program (including Medicaid managed care) accounted for approximately 22% and 21% of the Hospital's net patient service revenue for the years ended September 30, 2020 and 2019, respectively. This includes revenue from the programs described below.

Beginning July 1, 2015, Upper Payment Limit (UPL) payments were phased out, and the Division of Medicaid (DOM) implemented the Mississippi Hospital Access Payment (MHAP) program. The program is administered by DOM through the Mississippi CAN coordinated care organizations (CCOs). The CCOs subcontract with hospitals throughout the state for distribution of MHAP for the purpose of protecting patient access to hospital care. The net benefit for the Hospital associated with the MHAP program was \$25,955,000 and \$23,241,000 for the years ended September 30, 2020 and 2019, respectively. The Hospital also participates in a voluntary disproportionate share program (DSH) available to certain qualifying hospitals in the state Medicaid program. The net program benefit for the Hospital of approximately \$1,194,000 and \$1,676,000 for 2020 and 2019, respectively. Both MHAP and DSH are recognized as net patient service revenue in the accompanying statements of revenues, expenses and changes in net position.

The Medicaid programs described above are subject to review and scrutiny by both the Mississippi legislation and The Centers for Medicare and Medicaid Services (CMS), and the programs could be modified or terminated based on new legislation or regulation in future periods.

The Hospital has also entered into other reimbursement arrangements with third-party payers that provide for payments under various methodologies, including prospectively determined rates per discharge, per diem amounts and discounts from established charges.

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The composition of net patient service revenue follows:

	2020	2019
Gross patient service revenue	\$ 1,804,823,171	\$ 1,856,914,317
Less provisions for		
Contractual, charity and other adjustments	(1,208,044,404)	(1,260,188,752)
Bad debts	<u>(52,820,092)</u>	<u>(61,758,078)</u>
Net patient service revenue	<u>\$ 543,958,675</u>	<u>\$ 534,967,487</u>

Note 10: Charity Care

The Hospital 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 level of charity care provided for 2020 and 2019 is shown in the table below.

The estimated cost to provide charity care is based on a ratio of overall operating expenses to gross patient service revenue applied to charges foregone under established rates.

	2020	2019
Charges foregone, based on established rates	\$ 27,075,949	\$ 28,913,499
Estimated costs and expenses incurred to provide charity care	8,363,513	8,461,739
Equivalent percentage of charity care patients to all patients served	1.50%	1.56%

Note 11: Pension Plans

Defined Contribution Pension Plan

The Hospital has a defined contribution pension plan that allows for employee and employer contributions. The plan was established on July 1, 2011, and only full-time employees hired after that date are eligible to receive Hospital contributions to the plan. Hospital contributions were approximately \$1,784,000 and \$1,575,000 during 2020 and 2019, respectively. The Hospital's contributions are vested after five years of service. Forfeitures are used to offset future employer contributions. At September 30, 2020 and 2019, forfeitures were approximately \$391,000 and

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\$201,000, respectively. Employee contributions were \$4,906,000 and \$3,807,000 during 2020 and 2019, respectively.

Defined Benefit Pension Plan

The Hospital contributes to the Forrest County General Hospital Pension Plan (the Plan), a single-employer defined benefit pension plan, which was frozen effective July 1, 2011, thereby excluding new entrants into the Plan. The Plan's fiscal year ends June 30. Actuarial valuations are performed annually on July 1. The Plan is administered by the Hospital's Human Resources Support Department, whose work on the Plan is overseen by the Pension Committee of the Hospital's Board of Trustees. The Hospital retains Capital Research and Planning in an advisory capacity for the Plan's matters. The Plan issues a financial report available for all participants that includes financial statements and required supplementary information. The report may be obtained at www.mshospitaltransparency.com when issued or by writing the administration of the Hospital at P.O. Box 16389, Hattiesburg, Mississippi 39404 or calling 601.288.7000.

Benefits Provided

The Plan provides retirement and disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by the Hospital's Board of Trustees. Retirement benefits for employees are calculated at 1.5% times average monthly compensation times years of service. Death benefits are equal to the single sum present value of the vested accrued benefit otherwise payable at the normal retirement date. Disability benefits are equal to the vested accrued benefit payable at normal retirement age or an actuarially reduced benefit paid immediately.

The terms of the Plan provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments for cost-of-living are 2.5% per year.

The employees covered by the Plan at June 30, 2020 and 2019, follow:

	2020	2019
Active participants	1,037	1,132
Vested former employees	1,187	1,173
Retirees and beneficiaries	643	578
	2,867	2,883

Contributions

The Hospital's Board of Trustees has the authority to establish and amend the contribution requirements of the Hospital. The Board of Trustees establishes rates based on an actuarially

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determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Plan members are not required or permitted to contribute any portion of their salary to fund the Plan. The Hospital is required to contribute to the Plan at actuarially determined rates at a percentage of annual covered payroll. For the fiscal year ended September 30, 2020, the Hospital contributed \$4,997,214 (or 8% of covered payroll) to the Plan. For the fiscal year ended September 30, 2019, the Hospital contributed \$10,063,476 (or 15% of covered payroll) to the Plan.

Net Pension Liability

The Hospital's net pension liability was measured as of June 30, 2020 and 2019, as reported as of September 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 and 2019, respectively.

The total pension liability in the June 30, 2020 and 2019, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	1.5% - 4.0%, based on age, including inflation
Ad hoc cost-of-living adjustments	2.5% per year
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Mortality rates were based on 125 percent of the PubG-2010 Total Dataset Mortality Table, adjusted with the MP-2019 Impairment Schedule.

The Hospital has not performed a recent experience study. Due to the frozen nature of the Plan, the benefits of an experience study are estimated by the actuary to be minimal.

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

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The target allocation and best estimates of rates of return for each major asset class are summarized in the following table.

Asset Class	Target Allocations			
	Tier One Near-Term Sub Portfolio	Tier Two Mid-Term Sub Portfolio	Tier Three Long-term Sub Portfolio	Tactical Asset Allocation Portfolio
Cash/fixed income	60.00%	40.00%	20.00%	57.45%
Equities	40.00%	60.00%	80.00%	42.55%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Asset Class	Long-Term Expected Rate of Return (Arithmetic Mean)
Cash/fixed income	2.00%
Equities	7.00% - 8.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for both years ended June 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that Hospital contributions will be made at rates equal to the actuarially determined contribution rates. 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.

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Changes in the total pension liability, plan fiduciary net position and the net pension liability follow.

	2020		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	\$ 227,132,183	\$ 207,920,817	\$ 19,211,366
Changes for the year			
Service cost	2,617,170	-	2,617,170
Interest	16,327,946	-	16,327,946
Experience losses	3,502,267	-	3,502,267
Change in assumptions	8,502,729	-	8,502,729
Contributions	-	4,997,214	(4,997,214)
Net investment income	-	7,731,083	(7,731,083)
Benefit payments	(9,072,621)	(9,072,621)	-
Administrative expense	-	(374,857)	374,857
Net changes	<u>21,877,491</u>	<u>3,280,819</u>	<u>18,596,672</u>
Balance, end of year	<u>\$ 249,009,674</u>	<u>\$ 211,201,636</u>	<u>\$ 37,808,038</u>
	2019		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	\$ 214,890,884	\$ 194,684,918	\$ 20,205,966
Changes for the year			
Service cost	2,802,670	-	2,802,670
Interest	15,507,856	-	15,507,856
Experience gains	1,514,956	-	1,514,956
Contributions	-	10,063,476	(10,063,476)
Net investment income	-	11,120,790	(11,120,790)
Benefit payments	(7,584,183)	(7,584,183)	-
Administrative expense	-	(364,184)	364,184
Net changes	<u>12,241,299</u>	<u>13,235,899</u>	<u>(994,600)</u>
Balance, end of year	<u>\$ 227,132,183</u>	<u>\$ 207,920,817</u>	<u>\$ 19,211,366</u>

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The net pension liability (asset) of the Hospital has been calculated using a discount rate of 7.25%. The following presents the net pension liability (asset) using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease	Current Discount Rate (7.25%)	1% Increase
Hospital's net pension liability (asset)	\$ 68,378,441	\$ 37,808,038	\$ 12,157,743

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended September 30, 2020 and 2019, the Hospital recognized pension expense of \$12,037,367 and \$6,931,046, respectively. At September 30, 2020 and 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,166,055	\$ 165,414
Net difference between projected and actual earnings on pension plan investments	5,379,963	-
Hospital's contributions made subsequent to the measurement date of the net pension liability	827,115	-
	<u>\$ 14,373,133</u>	<u>\$ 165,414</u>
2019		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,494,683	\$ 349,264
Net difference between projected and actual earnings on pension plan investments	718,661	-
Hospital's contributions made subsequent to the measurement date of the net pension liability	2,515,869	-
	<u>\$ 4,729,213</u>	<u>\$ 349,264</u>

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At September 30, 2020 and 2019, the Hospital reported \$827,115 and \$2,515,869, respectively, as deferred outflows of resources related to pensions resulting from Hospital contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net pension liability in future periods. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2020, related to pensions will be recognized in pension expense as follows:

2021	\$ 3,327,773
2022	5,059,484
2023	3,546,317
2024	<u>1,447,030</u>
	<u><u>\$ 13,380,604</u></u>

Note 12: Other Postemployment Benefit Plan

Plan Description

The Hospital contributes to the Forrest County General Hospital Employee Health Benefit Plan (the OPEB Plan), a single-employer defined benefit other postemployment benefit (OPEB) plan sponsored and administered by the Hospital. The OPEB Plan provides medical and drug benefits to eligible retirees and their dependents. Benefit provisions are contained in the Plan Document and were established and can be amended by action of the Hospital's governing body. The Hospital does not issue a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan.

Benefits Provided

The OPEB Plan provides medical and drug benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer. Monthly contributions are required by retirees who are eligible for coverage. The Hospital pays for costs in excess of required retiree contributions.

Monthly contributions required by retirees depend on the service period at time of retirement and the type of coverage (single or family). Employees are eligible to retire and receive medical benefits under the plan if their age plus years of service are greater than or equal to 70 (Rule of 70). Qualifying retirees may only participate in the medical plans offered to active employees until the

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earlier of age 65, or the date the retiree becomes Medicare eligible. Employees covered by the benefit terms as of the measurement date of September 30, 2019 and 2018 were as follows:

	2019	2018
Actives (covered)	2,624	2,810
Retirees (covered)	24	31

The following table summarizes the monthly contribution rates for employees retiring on or after January 1, 2020.

Coverage Options	Plan A	Plan B	Plan C
Single	\$ 184	\$ 249	\$ 290
Retiree + 1 child	274	374	445
Retiree + 2 children	333	466	567
Retiree + spouse	321	427	528
Family	368	488	612

Plans A, B and C represent three health plan options available to all Hospital employees and vary based on the amount of deductibles and copays required for covered services.

Only employees retiring before calendar year 2010 are eligible to receive the reduced retiree rates if they qualify under the Rule of 70. Effective January 1, 2010, only those employees age 59 or older with 30 years of service with the Hospital (the 59 and 30 eligibility requirement) will be offered health coverage at the reduced retiree rates. Retirees that do not meet the 59 and 30 eligibility requirement may participate in the OPEB Plan, but must pay the COBRA rate.

Contributions

The Hospital's governing body has the authority to establish and amend the contribution requirements of the Hospital and active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended September 30, 2020, and 2019, the Hospital contributed \$366,510 and \$2,603,916, respectively, to the OPEB Plan.

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Net OPEB Asset/Liability

The Hospital's net OPEB asset of \$115,782 and liability of \$2,604,901 was measured as of September 30, 2019 and 2018 for the years ended September 30, 2020 and 2019, respectively, and the total OPEB asset/liability used to calculate the net OPEB liability was determined by actuarial valuations as of October 1, 2019 and 2018. Due to the significance of favorable claims activity and changes in actuarial assumptions, management had an actuarial valuation completed as of October 1, 2019. There were no other changes between the measurement date of the net OPEB asset/liability and the Hospital's reporting date that are expected to have a significant effect on the net OPEB asset/liability.

Given that the actuarial valuation and the measurement date are different, the total OPEB liability was rolled forward using generally accepted actuarial roll forward methods, including entry age liability adjusted for excise tax, plus entry age normal cost and reduced by expected benefit payments. All amounts were adjusted for interest.

The total OPEB asset/liability in the October 1, 2018 and 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0%, average, including inflation
Health care cost trend rates	8.0% for 2017, decreasing uniformly over 12 years to, an ultimate rate of 5.0% 8.0% for 2018, decreasing uniformly to 6.5% over 3 years, to an ultimate rate of 3.94%
Investment rate of return	6.0%, net of OPEB plan investment expense, including inflation
Retirees' share of benefit-related costs	81% of projected health insurance premiums for retirees choosing Plan A; 90% of projected health insurance premiums for retirees choosing Plan B; 100% of projected health insurance premiums for retirees choosing Plan C

Mortality rates were based on the RP-2000 Mortality Table, projected to 2018 using scale AA.

The Hospital has not performed a recent experience study. Due to the small number of retirees within the plan, the benefits of an experience study are estimated by the actuary to be minimal.

The long-term expected rate of return on the OPEB Plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation for each major asset class is 60% equities and 40% fixed income. The beginning estimate of rates

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of return for each major asset class is 7.00% to 8.00% annually for equities and 3.00% for fixed income. In 2019, the expected return for fixed income was adjusted to 2.00%.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0% at October 1, 2018 and 2019. The projection of cash flows used to determine the discount rate assumed that Hospital contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Asset/Liability

Changes in the total OPEB liability, OPEB Plan fiduciary net position and the net OPEB asset/liability are:

	2020		
	OPEB Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Asset/Liability (a) - (b)
Balance, beginning of year	\$ 6,826,383	\$ 4,221,482	\$ 2,604,901
Changes for the year			
Service cost	302,061	-	302,061
Interest	372,639	-	372,639
Difference between expected and actual experience	(569,984)	-	(569,984)
Contributions - employer	-	2,603,916	(2,603,916)
Net investment income	-	221,483	(221,483)
Benefit payments	(347,803)	(347,803)	-
Net changes	(243,087)	2,477,596	(2,720,683)
Balance, end of year	<u>\$ 6,583,296</u>	<u>\$ 6,699,078</u>	<u>\$ (115,782)</u>

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	2019		
	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, beginning of year	\$ 9,236,459	\$ 3,409,901	\$ 5,826,558
Changes for the year			
Service cost	347,946	-	347,946
Interest	386,399	-	386,399
Difference between expected and actual experience	(4,006,538)	-	(4,006,538)
Change in actuarial assumptions	1,080,635	-	1,080,635
Contributions - employer	-	711,140	(711,140)
Net investment income	-	318,959	(318,959)
Benefit payments	<u>(218,518)</u>	<u>(218,518)</u>	<u>-</u>
Net changes	<u>(2,410,076)</u>	<u>811,581</u>	<u>(3,221,657)</u>
Balance, end of year	<u>\$ 6,826,383</u>	<u>\$ 4,221,482</u>	<u>\$ 2,604,901</u>

Sensitivity of the Net OPEB Asset/Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The net OPEB asset/liability of the Hospital has been calculated using a discount rate of 6.0%. The following presents the net OPEB asset/liability using a discount rate 1% higher and 1% lower than the current discount rate.

	Discount Rate		
	1% Decrease	(6.0%)	1% Increase
Hospital's net OPEB asset/liability	\$ 698,510	\$ (115,782)	\$ (823,534)

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The net OPEB asset/liability of the Hospital has been calculated using health care cost trend rates of 8.0% to grade uniformly to 5.0% over a three-year period. The following presents the net OPEB asset/liability using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	7% Decreasing to 5.5% Over 3 Years	8% Decreasing to 6.5% Over 3 Years	9% Decreasing to 7.5% Over 3 Years
Hospital's net OPEB asset/liability	\$ (729,226)	\$ (115,782)	\$ 509,111

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended September 30, 2020 and 2019, the Hospital recognized OPEB expense of \$928,716 and \$690,999, respectively. At September 30, 2020 and 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ (82,741)
Net difference between expected and actual experience	771,783	3,350,365
Hospital's contributions made subsequent to the measurement date of the net OPEB liability	<u>366,510</u>	<u>-</u>
	<u><u>\$ 1,138,293</u></u>	<u><u>\$ 3,267,624</u></u>
	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 100,839
Change in actuarial assumptions	926,259	3,434,175
Hospital's contributions made subsequent to the measurement date of the net OPEB liability	<u>2,603,916</u>	<u>-</u>
	<u><u>\$ 3,530,175</u></u>	<u><u>\$ 3,535,014</u></u>

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At September 30, 2020 and 2019, the Hospital reported \$366,510 and \$2,603,916, respectively, as deferred outflows of resources related to OPEB resulting from Hospital contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net OPEB asset/liability at October 1, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2020, related to OPEB will be recognized in OPEB expense as follows:

2021	\$ (502,627)
2022	(481,060)
2023	(467,994)
2024	(463,321)
2025	(499,413)
Thereafter	<u>(81,426)</u>
	 <u>\$ (2,495,841)</u>

OPEB Plan's Fiduciary Net Position

At the September 30, 2019 and 2018 measurement dates, trust assets were comprised of the following:

	2019	2018
Cash and cash equivalents	\$ 153,374	\$ 97,685
Equity securities		
Tweedy Browne Global Value	985,354	579,366
Vanguard Russell 2000 Index		
Institutional Share Class	1,241,101	708,244
Vanguard Russell 1000 Index		
Institutional Share Class	1,683,928	1,348,711
Fixed income securities		
PIMCO Foreign Bond Funds	654,954	392,082
Vanguard Short-term Bonds Index	155	132,299
Vanguard Bond Index	<u>1,980,212</u>	<u>963,095</u>
	 <u>\$ 6,699,078</u>	 <u>\$ 4,221,482</u>

Note 13: Concentrations of Credit Risk

The Hospital grants credit to patients, substantially all of whom are Hospital service area residents. The Hospital 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

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payable under their health insurance programs, plans or policies (*e.g.*, Medicare, Medicaid, Blue Cross and commercial insurance policies).

The mix of receivables from patients and third-party payers as of each fiscal year-end follows.

	2020			2019		
	\$	%	%	\$	%	%
Medicare	36,885,563	30.6	%	35,156,281	29.3	%
Medicaid	10,623,563	8.8	%	12,833,340	10.7	%
Other third-party payers	32,547,621	27.0	%	35,118,604	29.3	%
Patients	<u>40,434,294</u>	<u>33.6</u>	%	<u>36,698,187</u>	<u>30.7</u>	%
	120,491,041	100.0	%	119,806,412	100.0	%
Less allowance for uncollectible accounts	<u>64,477,695</u>	<u>53.5</u>	%	<u>66,302,412</u>	<u>55.3</u>	%
	<u><u>\$ 56,013,346</u></u>	<u><u>46.5</u></u>	%	<u><u>\$ 53,504,000</u></u>	<u><u>44.7</u></u>	%

Note 14: Risk Management

Medical Malpractice and General Liability Risks

Annual estimated provisions are accrued for the self-insured portion of medical malpractice and general liability claims, including an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Effective March 1, 2003, the Hospital became self-insured at its Hattiesburg campus for all medical malpractice claims incurred on or after that date. In accordance with the provisions of Title 11, Chapter 46 of the Mississippi Code, a trust fund was established based on an actuarially determined funding level. Effective July 1, 2001, Code 11-46-15 of the Mississippi Code established that the liability for public entities falling under the State Tort Act would not exceed \$500,000 for all single occurrence claims. Effective May 1, 2014, HCH became self-insured under the Hospital's self-insured program.

The following is a summary of changes in the Hospital's self-insurance liability for professional and general liability costs for fiscal 2020 and 2019.

	2020	2019
Balance, October 1	\$ 2,714,804	\$ 3,316,515
Provisions for claims reported and claims incurred but not reported	520,016	(206,049)
Claims and related expenses paid	<u>(264,478)</u>	<u>(395,662)</u>
Balance, September 30	<u><u>\$ 2,970,342</u></u>	<u><u>\$ 2,714,804</u></u>

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The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis for PRH, WGH, JDGH, MGH and AAA. GAAP requires a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience at these locations, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Employee Health Insurance

The Hospital has an agreement with a third-party administrator to administer the Hospital's group health plan and to manage employee medical benefits and claims. The Hospital plan is funded by the Hospital and by contributions of employees.

A summary of changes in the Hospital's self-insurance liability for employee health coverage (included in other accrued expenses in the accompanying balance sheets) for fiscal 2020 and 2019, follows.

	2020	2019
Balance, October 1	\$ 1,391,000	\$ 1,861,000
Provisions for claims reported and claims incurred but not reported	11,904,386	12,730,307
Claims paid	<u>(12,132,386)</u>	<u>(13,200,307)</u>
Balance, September 30	<u><u>\$ 1,163,000</u></u>	<u><u>\$ 1,391,000</u></u>

Workers' Compensation

The Hospital is self-insured for a workers' compensation plan with a stop loss binder limit of \$700,000.

The following is a summary of changes in the Hospital's self-insurance liability for workers' compensation coverage for fiscal 2020 and 2019.

	2020	2019
Balance, October 1	\$ 1,981,294	\$ 1,781,481
Provisions for claims reported and claims incurred but not reported	765,562	905,372
Claims paid	<u>(659,628)</u>	<u>(705,559)</u>
Balance, September 30	<u><u>\$ 2,087,228</u></u>	<u><u>\$ 1,981,294</u></u>

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Note 15: Deferred Compensation

The following is a summary of changes in the Hospital's deferred compensation liability for the 457(f) plan payable to HCPA (see *Note 2*).

	2020	2019
Balance, October 1	\$ 76,212,633	\$ 73,655,132
Contributions	3,096,700	3,070,200
Investment gain	7,086,813	1,330,837
Withdrawals	<u>(3,408,450)</u>	<u>(1,843,536)</u>
Balance, September 30	<u><u>\$ 82,987,696</u></u>	<u><u>\$ 76,212,633</u></u>

Note 16: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2020 and 2019.

	September 30, 2020	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observer able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Total Fair Value			
Investments					
Money market mutual funds	\$ 13,464,039	\$ 13,464,039	\$ -	\$ -	\$ -
U.S. agency securities	22,600,494	-	22,600,494	-	-
U.S. Treasury securities	8,246,129	-	8,246,129	-	-
State municipal securities	17,604,216	-	17,604,216	-	-
Open-end mutual funds	69,920,337	69,920,337	-	-	-
Corporate debt securities	41,194,715	-	41,194,715	-	-
Pooled investment securities	95,193,787	-	95,193,787	-	-
Total investments by fair value level	\$ 268,223,717	\$ 83,384,376	\$ 184,839,341	\$ -	\$ -
Derivative Instrument					
Interest rate swap	\$ 181,850	\$ -	\$ 181,850	\$ -	\$ -
	September 30, 2019	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observer able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Total Fair Value			
Investments					
Money market mutual funds	\$ 6,749,362	\$ 6,749,362	\$ -	\$ -	\$ -
U.S. agency securities	24,373,242	-	24,373,242	-	-
U.S. Treasury securities	5,342,909	-	5,342,909	-	-
State municipal securities	17,558,505	-	17,558,505	-	-
Open-end mutual funds	69,642,710	69,642,710	-	-	-
Corporate debt securities	37,927,659	-	37,927,659	-	-
Pooled investment securities	90,481,590	-	90,481,590	-	-
	\$ 252,075,977	\$ 76,392,072	\$ 175,683,905	\$ -	\$ -
Derivative Instrument					
Interest rate swap	\$ 170,887	\$ -	\$ 170,887	\$ -	\$ -

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Hospital holds no Level 3 investments.

Interest Rate Swap Agreement

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Note 17: Contingencies

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 14*.

Admitting Physicians

For the years ended September 30, 2020 and 2019, admissions by physicians employed by a large, multi-specialty physician practice located adjacent to the Hospital accounted for approximately 75% and 73%, respectively, of the Hospital's gross revenues.

General Litigation

The Hospital is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the Hospital's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheets, change in net position and cash flows of the Hospital. Events could occur that would change this estimate materially in the near term.

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

Pension and Other Postretirement Benefit Obligations

The Hospital has a noncontributory defined benefit pension and postretirement health care plan, whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Investments

The Hospital invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets.

Note 18: Future Change in Accounting Principle

GASB recently issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 clarifies whether a state or local government—including a government engaged in standalone, business-type activities—has a fiduciary responsibility. The Hospital expects to first apply GASB 84 during the year ending September 30, 2021.

GASB recently issued Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Hospital expects to first apply GASB 87 during the year ending September 30, 2022. The impact of applying GASB 87 has not been determined.

Note 19: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues for most of the Hospital's services were significantly impacted by COVID-19, as various policies were implemented by federal, state and local governments in response to the pandemic that have caused many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective surgical procedures by health care facilities.

While some of these restrictions have been eased and states have lifted moratoriums on nonemergent procedures, some restrictions remain in place, and some state and local governments are reimposing certain restrictions due to increasing rates of COVID-19 cases. While patient

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Notes to Financial Statements September 30, 2020 and 2019

volumes and revenues experienced gradual improvement beginning in the latter part of May and continuing through July, August and September, the Hospital is unable to predict the future impact of the pandemic on the Hospital's operations.

The Hospital's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Hospital has taken precautionary steps to enhance our operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to the Hospital's business, including the following:

- During the year ended September 30, 2020, the Hospital received approximately \$53,030,000 in general and targeted Provider Relief Fund distributions, both as provided for under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, and approximately \$5,729,000 in grants from the State of Mississippi Reserve Fund.

The extent of the COVID-19 pandemic's adverse impact on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the impact of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an impact on the inputs and assumptions used in significant accounting estimates, including contractual allowances related to uninsured patient accounts and professional and general liability reserves.

Provider Relief Funds

During the year ended September 30, 2020, the Hospital received approximately \$53,030,000 from the general other targeted distributions from the CARES Act Provider Relief Funds. These distributions from the Provider Relief Funds are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for health care related expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Hospital is accounting for such payments as voluntary nonexchange transactions. These payments are recognized as nonoperating revenue once the applicable terms and conditions required to retain the funds have been met and completion of the measurement period. Based on an analysis of the compliance and reporting requirements of the Provider Relief Funds and the

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

impact of the pandemic on the Hospital's operating results through September 30, 2020, the Hospital recognized approximately \$9,049,000, related to these general distribution and targeted funds, as Provider Relief Funds are applied after all other assistance received, including state grants. These payments are recorded as nonoperating revenue – noncapital grants and gifts received and other in our statements of revenues, expenses and changes in net position. The unrecognized amount of general distributions and targeted distributions are recorded as part of other accrued expenses in the accompanying balance sheets.

Subsequent to year-end, Health and Human Services (HHS) issued guidance on the use of payments from Provider Relief Funds, through the amendment of the "Post-Payment Notice of Reporting Requirements" on October 22, 2020 and November 2, 2020, and publication of Frequently Asked Questions (FAQs) on the HHS website on October 28, 2020. This guidance significantly changes the two-step approach for reporting use of Provider Relief Fund payments received by limiting health care related expenses attributable to coronavirus to incremental expenses and expanding the lost revenue calculation to the negative change in patient care revenue from calendar year 2019 to 2020. The Hospital considers the guidance issued subsequent to year-end to be substantive changes in guidance rather than clarifications of guidance existing at September 30, 2020. As a result, the amounts recorded in the financial statements compared to the Hospital's Provider Relief Funds reporting could differ. This difference cannot be currently estimated but could be material.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Funds and the impact of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, the Hospital's ability to retain some or all of the distributions received may be impacted. The Provider Relief Funds are subject to government oversight, including potential audits.

State Grants Agreement

During the year ended September 30, 2020, the Hospital received approximately \$5,729,000 from the State of Mississippi Reserve Fund as part of the response to the COVID-19 pandemic. These distributions from the State are not subject to repayment, provided the Hospital is able to use the funds for health care related expenses attributable to COVID-19. The Hospital met these requirements and has recorded approximately \$4,978,000 in revenue for fiscal year 2020.

Note 20: Condensed Combining Information

The following tables include condensed balance sheet information for the Hospital and its blended component units as of September 30, 2020 and 2019.

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements
September 30, 2020 and 2019

September 30, 2020

	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Eliminations	Total
Assets and Deferred Outflows of Resources									
Current assets	\$ 241,120,964	\$ 1,546,115	\$ 11,876	\$ 1,886,653	\$ -	\$ 7,743,279	\$ 2,303,477	\$ -	\$ 254,612,364
Noncurrent cash and investments	269,551,858	-	-	-	-	2,273,022	-	-	271,824,880
Capital assets, net	294,805,358	1,764,737	-	715,993	-	5,675,681	1,318	-	302,963,087
Other assets	12,133,878	-	-	-	94,642	12,035	-	-	12,240,555
Intercompany receivables	152,827,291	-	209,022	-	952,748	-	-	(153,989,061)	-
Deferred outflows of resources	26,604,815	-	-	-	-	-	-	-	26,604,815
Total assets and deferred outflows of resources	<u>\$ 997,044,164</u>	<u>\$ 3,310,852</u>	<u>\$ 220,898</u>	<u>\$ 2,602,646</u>	<u>\$ 1,047,390</u>	<u>\$ 15,704,017</u>	<u>\$ 2,304,795</u>	<u>\$ (153,989,061)</u>	<u>\$ 868,245,701</u>
Liabilities and Deferred Inflows of Resources									
Current liabilities	\$ 106,229,630	\$ 391,573	\$ -	\$ 32,843	\$ -	\$ 2,128,708	\$ -	\$ -	\$ 108,782,754
Intercompany payables	146,487,134	2,734,086	-	4,767,841	-	-	-	(153,989,061)	-
Long-term liabilities	266,286,348	-	-	-	-	1,044,640	-	-	267,330,988
Deferred inflows of resources	3,503,666	-	-	-	-	-	-	-	3,503,666
Total liabilities and deferred inflows of resources	<u>\$ 522,506,778</u>	<u>3,125,659</u>	<u>-</u>	<u>4,800,684</u>	<u>-</u>	<u>3,173,348</u>	<u>-</u>	<u>(153,989,061)</u>	<u>379,617,408</u>
Net Position									
Net investment in capital assets	147,429,663	1,764,737	-	715,993	-	4,184,532	1,318	-	154,096,243
Unrestricted	327,107,723	(1,579,544)	220,898	(2,914,031)	1,047,390	8,346,137	2,303,477	-	334,532,050
Total net position	<u>474,537,386</u>	<u>185,193</u>	<u>220,898</u>	<u>(2,198,038)</u>	<u>1,047,390</u>	<u>12,530,669</u>	<u>2,304,795</u>	<u>-</u>	<u>488,628,293</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 997,044,164</u>	<u>\$ 3,310,852</u>	<u>\$ 220,898</u>	<u>\$ 2,602,646</u>	<u>\$ 1,047,390</u>	<u>\$ 15,704,017</u>	<u>\$ 2,304,795</u>	<u>\$ (153,989,061)</u>	<u>\$ 868,245,701</u>

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements
September 30, 2020 and 2019

September 30, 2019											
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Eliminations	Total		
Assets and Deferred Outflows of Resources											
Current assets	\$ 176,382,266	\$ 1,515,321	\$ 14,662	\$ 1,351,291	\$ -	\$ 4,627,441	\$ 2,391,430	\$ -	\$ 186,282,411		
Noncurrent cash and investments	255,131,267	-	-	-	-	4,400,048	-	-	259,531,315		
Capital assets, net	305,513,571	1,876,391	8,387	582,885	-	5,823,944	2,109	-	313,807,287		
Other assets	11,183,629	-	-	-	122,302	12,035	-	-	11,317,966		
Intercompany receivables	153,080,596		209,022		823,274	-	-	(154,112,892)	-		
Deferred outflows of resources	12,575,641	-	-	-	-	-	-	-	12,575,641		
Total assets and deferred outflows of resources	<u>\$ 913,866,970</u>	<u>\$ 3,391,712</u>	<u>\$ 232,071</u>	<u>\$ 1,934,176</u>	<u>\$ 945,576</u>	<u>\$ 14,863,468</u>	<u>\$ 2,393,539</u>	<u>\$ (154,112,892)</u>	<u>\$ 783,514,620</u>		
Liabilities and Deferred Inflows of Resources											
Current liabilities	\$ 64,669,347	\$ 118,884	\$ -	\$ 15,536	\$ -	\$ 1,416,985	\$ 1,367	\$ -	\$ 66,222,119		
Intercompany payables	146,595,091	2,932,220	-	4,585,581	-	-	-	(154,112,892)	-		
Long-term liabilities	240,562,966	-	-	-	-	853,116	-	-	241,416,082		
Deferred inflows of resources	5,920,939	-	-	-	-	-	-	-	5,920,939		
Total liabilities and deferred inflows of resources	<u>457,748,343</u>	<u>3,051,104</u>	<u>-</u>	<u>4,601,117</u>	<u>-</u>	<u>2,270,101</u>	<u>1,367</u>	<u>(154,112,892)</u>	<u>313,559,140</u>		
Net Position											
Net investment in capital assets	159,818,837	1,876,391	8,387	582,885	-	4,560,065	2,109	-	166,848,674		
Unrestricted	296,299,790	(1,535,783)	223,684	(3,249,826)	945,576	8,033,302	2,390,063	-	303,106,806		
Total net position	<u>456,118,627</u>	<u>340,608</u>	<u>232,071</u>	<u>(2,666,941)</u>	<u>945,576</u>	<u>12,593,367</u>	<u>2,392,172</u>	<u>-</u>	<u>469,955,480</u>		
Total liabilities, deferred inflows of resources and net position	<u>\$ 913,866,970</u>	<u>\$ 3,391,712</u>	<u>\$ 232,071</u>	<u>\$ 1,934,176</u>	<u>\$ 945,576</u>	<u>\$ 14,863,468</u>	<u>\$ 2,393,539</u>	<u>\$ (154,112,892)</u>	<u>\$ 783,514,620</u>		

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component units for the years ended September 30, 2020 and 2019.

	September 30, 2020								
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Eliminations	Total
Operating Revenues									
Net patient service revenue	\$ 530,088,573	\$ -	\$ -	\$ -	\$ 14,968,339	\$ -	\$ (1,098,237)	\$ 543,958,675	
Other	8,582,079	186,000	-	1,788,598	-	1,867,223	833,379	(988,801)	12,268,478
Total operating revenues	538,670,652	186,000	-	1,788,598	-	16,835,562	833,379	(2,087,038)	556,227,153
Operating Expenses									
Other operating expenses	506,187,754	13,749	3,054	1,204,918	30,526	16,073,380	921,963	(2,023,688)	522,411,656
Depreciation and amortization	33,872,955	111,655	8,388	138,730	-	949,996	-	-	35,081,724
Total operating expenses	540,060,709	125,404	11,442	1,343,648	30,526	17,023,376	921,963	(2,023,688)	557,493,380
Operating Income (Loss)	(1,390,057)	60,596	(11,442)	444,950	(30,526)	(187,814)	(88,584)	(63,350)	(1,266,227)
Nonoperating Revenues (Expenses)									
Net investment income	11,768,450	30,818	269	23,953	-	127,579	1,207	-	11,952,276
Interest expense	(4,672,487)	-	-	-	-	(53,191)	-	-	(4,725,678)
Other	12,712,853	(246,829)	-	-	132,340	50,728	-	63,350	12,712,442
Total nonoperating revenues (expenses), net	19,808,816	(216,011)	269	23,953	132,340	125,116	1,207	63,350	19,939,040
Increase (Decrease) in Net Position	18,418,759	(155,415)	(11,173)	468,903	101,814	(62,698)	(87,377)	-	18,672,813
Net Position, Beginning of Year	456,118,627	340,608	232,071	(2,666,941)	945,576	12,593,367	2,392,172	-	469,955,480
Net Position, End of Year	\$ 474,537,386	\$ 185,193	\$ 220,898	\$ (2,198,038)	\$ 1,047,390	\$ 12,530,669	\$ 2,304,795	\$ -	\$ 488,628,293

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements
September 30, 2020 and 2019

September 30, 2019									
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Eliminations	Total
Operating Revenues									
Net patient service revenue	\$ 520,509,799	\$ -	\$ -	\$ -	\$ 15,496,440	\$ -	\$ (1,038,752)	\$ 534,967,487	
Other	7,576,674	186,000	-	1,255,289	-	2,169,929	1,364,836	(1,262,411)	11,290,317
Total operating revenues	528,086,473	186,000	-	1,255,289	-	17,666,369	1,364,836	(2,301,163)	546,257,804
Operating Expenses									
Other operating expenses	493,613,188	(4,289)	73	941,104	7,393	16,556,428	1,710,590	(2,257,489)	510,566,998
Depreciation and amortization	31,727,626	111,655	10,585	132,921	-	889,261	-	-	32,872,048
Total operating expenses	525,340,814	107,366	10,658	1,074,025	7,393	17,445,689	1,710,590	(2,257,489)	543,439,046
Operating Income (Loss)	2,745,659	78,634	(10,658)	181,264	(7,393)	220,680	(345,754)	(43,674)	2,818,758
Nonoperating Revenues (Expenses)									
Net investment income	13,616,153	30,127	285	15,333	-	166,889	1,324	-	13,830,111
Interest expense	(5,732,675)	-	-	-	-	(60,789)	-	-	(5,793,464)
Other	(2,626,746)	681,928	-	-	93,265	-	-	43,674	(1,807,879)
Total nonoperating revenues (expenses)	5,256,732	712,055	285	15,333	93,265	106,100	1,324	43,674	6,228,768
Increase (Decrease) in Net Position	8,002,391	790,689	(10,373)	196,597	85,872	326,780	(344,430)	-	9,047,526
Net Position, Beginning of Year	448,116,236	(450,081)	242,444	(2,863,538)	859,704	12,266,587	2,736,602	-	460,907,954
Net Position, End of Year	<u>\$ 456,118,627</u>	<u>\$ 340,608</u>	<u>\$ 232,071</u>	<u>\$ (2,666,941)</u>	<u>\$ 945,576</u>	<u>\$ 12,593,367</u>	<u>\$ 2,392,172</u>	<u>\$ -</u>	<u>\$ 469,955,480</u>

Forrest County General Hospital (A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements September 30, 2020 and 2019

The following tables include condensed combining statements of cash flows information for the Hospital and its blended component units for the years ended September 30, 2020 and 2019.

	September 30, 2020									
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Eliminations	Total	
Net Cash Provided by (Used in) Operating Activities	\$ 37,836,774	\$ 246,806	\$ (3,054)	\$ 987,112	\$ (132,340)	\$ 383,737	\$ (89,042)	\$ -	\$ 39,229,993	
Net Cash Provided by Noncapital Financing Activities	57,491,982	-	-	-	-	24,000	-	-	57,515,982	
Net Cash Used in Capital and Related Financing Activities	(35,968,932)	(246,830)	(1)	(271,838)	-	(68,620)	-	-	(36,556,221)	
Net Cash Provided by (Used in) Investing Activities	<u>8,987,290</u>	<u>30,818</u>	<u>269</u>	<u>23,953</u>	<u>132,340</u>	<u>54,065</u>	<u>1,207</u>	<u>-</u>	<u>9,229,942</u>	
Increase (Decrease) in Cash and Cash Equivalents	68,347,114	30,794	(2,786)	739,227	-	393,182	(87,835)	-	69,419,696	
Cash and Cash Equivalents, Beginning of Year	<u>117,645,078</u>	<u>1,515,321</u>	<u>14,662</u>	<u>855,067</u>	<u>-</u>	<u>4,428,188</u>	<u>2,381,312</u>	<u>-</u>	<u>126,839,628</u>	
Cash and Cash Equivalents, End of Year	<u>\$ 185,992,192</u>	<u>\$ 1,546,115</u>	<u>\$ 11,876</u>	<u>\$ 1,594,294</u>	<u>\$ -</u>	<u>\$ 4,821,370</u>	<u>\$ 2,293,477</u>	<u>\$ -</u>	<u>\$ 196,259,324</u>	

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements
September 30, 2020 and 2019

	September 30, 2019								
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Eliminations	Total
Net Cash Provided by (Used in) Operating Activities	\$ 24,061,378	\$ (1,444,013)	\$ (45)	\$ 231,015	\$ (93,265)	\$ 983,312	\$ (296,095)	\$ -	\$ 23,442,287
Net Cash Used in Noncapital Financing Activities		(656,906)	-	-	-	-	-	-	(656,906)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(33,783,073)	1,443,997	1	(7,919)	-	(781,107)	-	-	(33,128,101)
Net Cash Provided by Investing Activities	<u>2,267,437</u>	<u>30,127</u>	<u>285</u>	<u>15,333</u>	<u>93,265</u>	<u>47,381</u>	<u>1,324</u>	<u>-</u>	<u>2,455,152</u>
Increase (Decrease) in Cash and Cash Equivalents	(8,111,164)	30,111	241	238,429	-	249,586	(294,771)	-	(7,887,568)
Cash and Cash Equivalents, Beginning of Year	<u>125,756,242</u>	<u>1,485,210</u>	<u>14,421</u>	<u>616,638</u>	<u>-</u>	<u>4,178,602</u>	<u>2,676,083</u>	<u>-</u>	<u>134,727,196</u>
Cash and Cash Equivalents, End of Year	<u>\$ 117,645,078</u>	<u>\$ 1,515,321</u>	<u>\$ 14,662</u>	<u>\$ 855,067</u>	<u>\$ -</u>	<u>\$ 4,428,188</u>	<u>\$ 2,381,312</u>	<u>\$ -</u>	<u>\$ 126,839,628</u>

Required Supplementary Information

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Schedule of Changes in the Hospital's Net Pension Liability and Related Ratios
Years Ended September 30

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 2,617,170	\$ 2,802,670	\$ 3,091,562	\$ 3,302,712	\$ 3,530,410	\$ 3,740,713	\$ 3,832,463
Interest	16,327,946	15,507,856	14,823,878	14,098,001	13,267,635	12,440,681	11,696,789
Differences between expected and actual experience	3,502,267	1,514,956	(587,916)	(165,919)	1,186,135	1,333,643	(187,704)
Change in assumptions	8,502,729	-	-	-	-	-	-
Benefit payments	(9,072,621)	(7,584,183)	(7,624,734)	(6,398,362)	(6,207,933)	(5,589,011)	(4,389,427)
Net change in total pension liability	21,877,491	12,241,299	9,702,790	10,836,432	11,776,247	11,926,026	10,952,121
Total pension liability - beginning	<u>227,132,183</u>	<u>214,890,884</u>	<u>205,188,094</u>	<u>194,351,662</u>	<u>182,575,415</u>	<u>170,649,389</u>	<u>159,697,268</u>
Total pension liability - ending (a)	<u>\$ 249,009,674</u>	<u>\$ 227,132,183</u>	<u>\$ 214,890,884</u>	<u>\$ 205,188,094</u>	<u>\$ 194,351,662</u>	<u>\$ 182,575,415</u>	<u>\$ 170,649,389</u>
Plan Fiduciary Net Position							
Contributions	\$ 4,997,214	\$ 10,063,476	\$ 10,063,476	\$ 30,063,476	\$ 10,063,476	\$ 9,782,490	\$ 10,496,076
Net investment income (loss)	7,731,083	11,120,790	14,722,571	18,424,809	(2,210,133)	5,766,222	14,838,259
Benefit payments	(9,072,621)	(7,584,183)	(7,624,734)	(6,398,362)	(6,207,933)	(5,589,011)	(4,389,427)
Administrative expense	(374,857)	(364,184)	(352,565)	(317,168)	(295,012)	(338,826)	(397,436)
Net change in plan fiduciary net position	3,280,819	13,235,899	16,808,748	41,772,755	1,350,398	9,620,875	20,547,472
Plan fiduciary net position - beginning	<u>207,920,817</u>	<u>194,684,918</u>	<u>177,876,170</u>	<u>136,103,415</u>	<u>134,753,017</u>	<u>125,132,142</u>	<u>104,584,670</u>
Plan fiduciary net position - ending (b)	<u>\$ 211,201,636</u>	<u>\$ 207,920,817</u>	<u>\$ 194,684,918</u>	<u>\$ 177,876,170</u>	<u>\$ 136,103,415</u>	<u>\$ 134,753,017</u>	<u>\$ 125,132,142</u>
Net pension liability - ending (a) - (b)	<u>\$ 37,808,038</u>	<u>\$ 19,211,366</u>	<u>\$ 20,205,966</u>	<u>\$ 27,311,924</u>	<u>\$ 58,248,247</u>	<u>\$ 47,822,398</u>	<u>\$ 45,517,247</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85%	92%	91%	87%	70%	74%	73%
Covered Payroll	\$ 63,499,147	\$ 66,860,831	\$ 72,436,009	\$ 76,926,859	\$ 80,727,008	\$ 84,626,337	\$ 86,263,018
Net Pension Liability as a Percentage of Covered Payroll	60%	29%	28%	36%	72%	57%	53%

Note to Schedule:

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Schedule of the Hospital's Pension Contributions
Years Ended September 30

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 4,997,214	\$ 5,568,494	\$ 6,237,738	\$ 7,986,740	\$ 8,551,127	\$ 8,845,316	\$ 10,106,942
Contributions in relation to the actuarially determined contribution	<u>4,997,214</u>	<u>10,063,476</u>	<u>10,063,476</u>	<u>30,063,476</u>	<u>10,063,476</u>	<u>9,782,490</u>	<u>10,496,076</u>
Contribution excess	<u><u>\$ -</u></u>	<u><u>\$ (4,494,982)</u></u>	<u><u>\$ (3,825,738)</u></u>	<u><u>\$ (22,076,736)</u></u>	<u><u>\$ (1,512,349)</u></u>	<u><u>\$ (937,174)</u></u>	<u><u>\$ (389,134)</u></u>
Covered payroll	\$ 63,499,147	\$ 66,860,831	\$ 72,436,009	\$ 76,926,859	\$ 80,727,008	\$ 84,626,337	\$ 86,263,018
Contributions as a percentage of covered payroll	8%	15%	14%	39%	12%	12%	12%

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal method (level percentage of pay)

Amortization method: Level dollar amount, closed method

Remaining amortization period: 14 years

Asset valuation method: Fair market value

Inflation: 2.5%

Salary increases: 1.5% - 4.0%, based on age, including inflation

Investment rate of return: 7.25%, net of pension plan investment expense, including inflation

Retirement age: 65

Mortality: 125% of the PubG-2010 Total Dataset Mortality Table, adjusted with the MP-2019 Impairment Schedule

Other information: Plan is frozen to new participants effective July 1, 2011

Note to Schedule

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)**

**Schedule of Changes in the Hospital's
Net OPEB Asset/Liability and Related Ratios
Years Ended September 30**

	2020	2019	2018	2017
Total OPEB Asset/Liability				
Service cost	\$ 302,061	\$ 347,946	\$ 410,388	\$ 390,846
Interest	372,639	386,399	519,745	497,299
Differences between expected and actual	(569,984)	(4,006,538)	-	-
Change in actuarial assumptions	-	1,080,635	-	-
Benefit payments	<u>(347,803)</u>	<u>(218,518)</u>	<u>(574,046)</u>	<u>(592,057)</u>
Net change in total OPEB asset/liability	(243,087)	(2,410,076)	356,087	296,088
Total OPEB asset/liability - beginning	<u>6,826,383</u>	<u>9,236,459</u>	<u>8,880,372</u>	<u>8,584,284</u>
Total OPEB asset/liability - ending (a)	<u>\$ 6,583,296</u>	<u>\$ 6,826,383</u>	<u>\$ 9,236,459</u>	<u>\$ 8,880,372</u>
Plan Fiduciary Net Position				
Contributions	\$ 2,603,916	\$ 711,140	\$ 1,493,458	\$ 1,595,051
Net investment income	221,483	318,959	269,922	240,612
Refunds of contributions	<u>(347,803)</u>	<u>(218,518)</u>	<u>(574,046)</u>	<u>(592,057)</u>
Net change in plan fiduciary net position	2,477,596	811,581	1,189,334	1,243,606
Plan fiduciary net position - beginning	<u>4,221,482</u>	<u>3,409,901</u>	<u>2,220,567</u>	<u>976,961</u>
Plan fiduciary net position - ending (b)	<u>\$ 6,699,078</u>	<u>\$ 4,221,482</u>	<u>\$ 3,409,901</u>	<u>\$ 2,220,567</u>
Net OPEB asset/liability - ending (a) - (b)	<u>\$ (115,782)</u>	<u>\$ 2,604,901</u>	<u>\$ 5,826,558</u>	<u>\$ 6,659,805</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability				
Covered Payroll	102%	62%	37%	25%
Net OPEB Asset/Liability as a Percentage of Covered Payroll	\$ 131,576,632	\$ 129,156,605	\$ 146,557,573	\$ 142,288,906
	0%	2%	4%	5%

This schedule is presented as of the measurement date for the fiscal year (e.g. September 30, 2019 measurement date information for September 30, 2020 fiscal year).

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Schedule of the Hospital's OPEB Contributions
Years Ended September 30

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 301,186	\$ 519,112	\$ 937,045	\$ 1,007,606	\$ 1,066,717
Contributions in relation to the actuarially determined contribution	<u>366,150</u>	<u>2,603,916</u>	<u>711,140</u>	<u>1,493,458</u>	<u>1,595,051</u>
Contribution (excess) deficiency	<u>\$ (64,964)</u>	<u>\$ (2,084,804)</u>	<u>\$ 225,905</u>	<u>\$ (485,852)</u>	<u>\$ (528,334)</u>
Covered payroll	\$ 135,523,931	\$ 131,576,632	\$ 129,156,605	\$ 146,557,573	\$ 142,288,906
Contributions as a percentage of covered payroll	0%	2%	1%	1%	1%

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal method (level percentage of pay)
 Amortization method: Level percentage of pay, closed method
 Remaining amortization period: 19 years
 Asset valuation method: Fair market value
 Inflation: 2.5%
 Health care cost trend rates: 8.0% to grade uniformly to 3.5% over a 3-year period, to ultimate rate of 3.94% in 2075
 Salary increases: 3.0%
 Investment rate of return: 6.0%, net of investment expense, including inflation
 Retirement age: 65
 Mortality: IRS Static Mortality Tables For Year of Valuation (Separate Male/Female Tables)

This schedule is presented on a fiscal year-end basis.

Other Information

**Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)**

**Schedule of Surety Bonds for Officials and Employees
September 30, 2020**

Name	Position	Company	Amount of Bond
Richard W. Preusch	Board Chairman	Travelers Casualty & Surety	\$ 100,000
John M. Keene	Board Vice Chairman	Travelers Casualty & Surety	100,000
Eric Steele	Board Secretary	Travelers Casualty & Surety	100,000
James L. Cartlidge	Board Member	Travelers Casualty & Surety	100,000
Dr. Marcus L. Hogan	Board Member	Travelers Casualty & Surety	100,000
Amy Arrington	Board Member	Travelers Casualty & Surety	100,000
Dr. Kate N. Aseme Winborne	Board Member	Travelers Casualty & Surety	100,000
Employee Blanket Bond	All Others	Travelers Casualty & Surety	100,000

**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***

Independent Auditor's Report

Board of Trustees
Forrest County General Hospital
Hattiesburg, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Forrest County General Hospital (the Hospital), a component unit of Forrest County, Mississippi, which comprise the balance sheet as of September 30, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Jackson, Mississippi
January 14, 2021