

Singing River Health System
(A Component Unit of Jackson County, Mississippi)

Independent Auditor's Reports and Financial Statements

September 30, 2022 and 2021

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
September 30, 2022 and 2021

Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited)	4
Financial Statements	
Balance Sheets	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	14
Supplementary Information	
Schedule of Surety Bonds for Officials and Employees (Unaudited)	50
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report	51



1400 Meadowbrook Road, Suite 300 / Jackson, MS 39211

P 601.948.6700 / F 601.948.6000

forvis.com

Independent Auditor's Report

Board of Trustees
Singing River Health System
Pascagoula, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Singing River Health System (the Health System), a component unit of Jackson County, Mississippi, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Health System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Health System, as of September 30, 2022 and 2021, 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.

Basis for Opinion

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

Emphasis of Matter

As discussed in *Note 2* to the financial statements, on October 1, 2021, the Health System adopted Governmental Accounting Standards Board (GASB) Statement, No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Health System'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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2022 on our consideration of the Health System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health System'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 Health System's internal control over financial reporting and compliance.

FORVIS,LLP

Jackson, Mississippi
December 23, 2022

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2022 and 2021

Introduction

This management's discussion and analysis of the financial performance of Singing River Health System (the Health System) provides an overview of the Health System's financial activities for the years ended September 30, 2022 and 2021. It should be read in conjunction with the accompanying financial statements of the Health System. During 2022, the Health System adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, retroactively restating the amounts reported in the 2021 financial statements. The summarized financial information for the year ended September 30, 2020, included in management's discussion and analysis, was not restated for this adoption.

Financial Highlights

2022

- Cash and investments decreased in 2022 and 2021 by \$19,623,784 and \$30,319,889, or 14.5% and 18.3%, respectively.
- The Health System repaid approximately \$36,508,000 and \$11,808,000 of Medicare advance payments in 2022 and 2021, respectively.
- The Health System's net position increased in 2022 by \$2,518,885, or 1.2%, and decreased \$83,110, or approximately 0% in 2021.
- The Health System reported operating loss in 2022 of approximately \$6,328,000 and operating income of approximately \$547,000 in 2021.

Using This Annual Report

The Health System'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 Health System's financial statements provide information about the activities of the Health System, including resources held by the Health System but restricted for specific purposes by creditors, contributors, grantors, or enabling legislation. The Health System 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 Health System's finances is "Is the System 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 Health System'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 Health System's net position and changes in it. The Health System's total net position—the difference between assets, liabilities, and deferred inflows and outflows of

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2022 and 2021

resources—is one measure of the Health System's financial health or financial position. Over time, increases or decreases in the Health System's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Health System'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 Health System.

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.

The Health System's Net Position

The Health System's net position is the difference between its assets, liabilities, and deferred inflows and outflows of resources reported in the balance sheet. The Health System's net position increased by \$2,518,885 (1.2%) in 2022 over 2021, and decreased by \$83,110 (0%) in 2021 over 2020, as shown in Table 1.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2022 and 2021

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021 (As Restated)	2020
Assets and Deferred Outflows of Resources			
Current assets	\$ 201,942,551	\$ 222,874,687	\$ 246,338,715
Internally designated and trusteeed bond funds	3,648,311	3,640,313	3,636,284
Capital assets, net	181,794,385	196,308,634	200,048,410
Lease assets, net	41,101,857	41,886,344	-
Other assets	9,963,695	12,490,017	10,024,532
Total assets	<u>438,450,799</u>	<u>477,199,995</u>	<u>460,047,941</u>
Deferred Outflows of Resources	<u>2,322,438</u>	<u>2,668,608</u>	<u>3,098,391</u>
Total assets and deferred outflows of resources	<u>\$ 440,773,237</u>	<u>\$ 479,868,603</u>	<u>\$ 463,146,332</u>
Liabilities			
Current liabilities	\$ 91,548,235	\$ 125,494,708	\$ 86,367,111
Long-term debt	29,887,000	34,508,000	42,913,000
Long-term lease liabilities	34,762,521	35,827,839	-
Other long-term liabilities	71,234,182	72,688,847	138,078,581
Total liabilities	<u>227,431,938</u>	<u>268,519,394</u>	<u>267,358,692</u>
Deferred Inflows of Resources - Leases	<u>4,700,668</u>	<u>5,227,463</u>	<u>-</u>
Net Position			
Net investment in capital assets	146,891,917	152,332,759	122,715,777
Restricted expendable	4,094,027	6,031,279	7,030,915
Unrestricted	57,654,687	47,757,708	66,040,948
Total net position	<u>208,640,631</u>	<u>206,121,746</u>	<u>195,787,640</u>
Total liabilities and net position	<u>\$ 440,773,237</u>	<u>\$ 479,868,603</u>	<u>\$ 463,146,332</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2022 and 2021

Table 2: Operating Results and Changes in Net Position

	2022	2021 (As Restated)	2020
Operating Revenues			
Net patient service revenue	\$ 516,409,130	\$ 480,914,749	\$ 367,236,990
Other revenues	36,499,584	30,155,005	23,388,421
Total operating revenues	<u>552,908,714</u>	<u>511,069,754</u>	<u>390,625,411</u>
Operating Expenses			
Salaries and wages	213,925,691	190,068,750	144,133,553
Employee benefits	33,176,435	33,252,636	25,811,370
Professional fees	17,455,964	9,947,100	5,470,878
Supplies	150,348,224	145,051,368	103,755,691
Purchased services	60,349,825	55,638,797	37,743,745
Other expenses	48,683,395	42,621,485	36,764,689
Depreciation and amortization	35,296,973	33,942,158	24,444,181
Total operating expenses	<u>559,236,507</u>	<u>510,522,294</u>	<u>378,124,107</u>
Operating Income (Loss)	<u>(6,327,793)</u>	<u>547,460</u>	<u>12,501,304</u>
Nonoperating Revenues (Expenses)			
Investment income (loss), net	(2,702,768)	433,165	2,185,811
Interest expense	(7,466,297)	(9,053,151)	(10,233,523)
Earnings on equity investments	220,797	308,735	329,343
Noncapital grant revenue	652,908	641,576	360,575
State of Mississippi grant	-	1,317,302	2,563,980
CARES Act grants	18,648,016	5,797,303	4,344,111
Bond issuance costs	-	(368,043)	-
Noncapital contribution - Jackson County	195,300	236,493	287,622
Gain (loss) on disposal of capital assets	(701,278)	56,050	(135,354)
Total nonoperating revenues (expenses)	<u>8,846,678</u>	<u>(630,570)</u>	<u>(297,435)</u>
Increase (Decrease) in Net Position	2,518,885	(83,110)	12,203,869
Net Position, Beginning of Year, As Restated	<u>206,121,746</u>	<u>206,204,856</u>	<u>183,583,771</u>
Net Position, End of Year	<u>\$ 208,640,631</u>	<u>\$ 206,121,746</u>	<u>\$ 195,787,640</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2022 and 2021

Operating Results

The first component of the overall change in the Health System's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. During 2021 and 2020, the Health System reported operating income. The Health System reported an operating loss of approximately \$6,328,000 for 2022.

As shown in Table 2, net patient service revenue has increased approximately \$35,494,000 from 2021 to 2022. The change was primarily the result of additional inpatient and outpatient volumes at Singing River Gulfport, which increased its net patient service revenue by approximately \$31,017,000. Net patient service revenue increased approximately \$113,678,000 in 2021, primarily as a result of acquiring Singing River Gulfport, which contributed \$60,833,000 of additional net patient service revenue. The remainder being attributed to increased volumes as compared to 2020, as 2020 volumes had significant declines due to COVID-19, specifically the emergency department and many outpatient services.

Salaries, wages, and employee benefits increased approximately \$23,781,000 in 2022, as compared to 2021, primarily due to increased pressure on overall Health System staffing and retention. The cost of supplies, purchased services (including contract labor) and other expenses increased 3.7%, 8.5%, and 14.2%, respectively.

In 2021, the acquisition of Singing River Gulfport increased operating expenses by approximately \$76,591,000, attributing to approximately 42% of the change between 2021 and 2020. Other changes related to salaries, wages, and benefits, and supply costs continue to be related to the COVID-19 pandemic.

Salaries and wages and increases in supplies, contract labor, and other expenses are the major driver of the 2022 operating loss. The cost of supplies, contract labor, and other expenses increased 3.7%, 18.6%, and 14.2% respectively.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment activity, noncapital grant revenue, and interest costs. The Health System reported income on investments of \$433,165 during 2021, which was an 80% decline from the \$2,185,811 recognized in 2020. During 2022 the Health System recognized a loss of \$2,702,768, or 724% decrease from 2021, due to the declining financial markets in 2022. The System also received \$18,648,000, \$5,797,303, and \$4,344,111 from the CARES Act in response to the COVID-19 pandemic in 2022, 2021, and 2020 respectively.

Capital Assets

The Health System's investment in a variety of net capital assets was \$181,794,385 as of September 30, 2022, and \$196,308,634 as of September 30, 2021. For more detailed information regarding the Health System's capital assets, please refer to *Note 7*.

Debt

For more detailed information regarding the Health System's debt financing, please refer to *Note 8*.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2022 and 2021

Contacting the Health System's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Health System's accountability for the money it receives. For questions about this report and requests for additional financial information, contact the Chief Financial Officer's office at Singing River Health System 2101 Highway 90, Gautier, MS 39553.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)

Balance Sheets

September 30, 2022 and 2021

Assets and Deferred Outflows of Resources

	2022	2021 (As Restated)
Current Assets		
Cash and cash equivalents	\$ 69,600,788	\$ 81,000,019
Investments	46,283,592	54,508,145
Trusteed bond funds	1,452,600	2,573,654
Patient accounts receivable, net of allowance; 2022 - \$129,761,516, 2021 - \$111,486,434	65,881,310	65,735,515
Other receivables	3,063,516	3,433,592
Lease receivables - current	854,890	1,020,432
Inventories	10,442,139	10,785,382
Prepaid expenses and other	4,363,716	3,817,948
	<u>201,942,551</u>	<u>222,874,687</u>
Noncurrent Cash and Investments		
Trusteed bond funds	-	49
Internally designated for self-insurance funding	3,648,311	3,640,264
Investment in equity investments	4,162,083	4,170,101
	<u>7,810,394</u>	<u>7,810,414</u>
Capital Assets, Net	<u>181,794,385</u>	<u>196,308,634</u>
Lease Assets, Net	<u>41,101,857</u>	<u>41,886,344</u>
Other Assets		
Intangible assets, net	688,012	1,509,878
Long-term lease receivables	4,102,204	4,351,258
Other	1,011,396	2,458,780
	<u>5,801,612</u>	<u>8,319,916</u>
Total assets	<u>438,450,799</u>	<u>477,199,995</u>
Deferred Outflows of Resources	<u>2,322,438</u>	<u>2,668,608</u>
Total assets and deferred outflows of resources	<u>\$ 440,773,237</u>	<u>\$ 479,868,603</u>

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021 (As Restated)
Current Liabilities		
Current installments of long-term debt	\$ 4,621,000	\$ 8,824,000
Current installments of lease liabilities	7,504,109	6,529,811
Current installments of other long-term liabilities	670,561	1,561,802
Current installments of pension settlement liability	4,200,000	4,200,000
Accounts payable	22,604,243	23,271,287
Accrued payroll and employee benefits	21,426,859	19,441,081
Due to third-party payors	29,780,903	59,663,285
Other accrued expenses	740,560	2,003,442
	<hr/>	<hr/>
Total current liabilities	91,548,235	125,494,708
Other Liabilities		
Long-term debt	29,887,000	34,508,000
Long-term lease liabilities	34,762,521	35,827,839
Other long-term liabilities	881,572	1,279,375
Accrued workers' compensation, professional, and general liability costs	7,438,995	6,067,350
Due to third-party payors	-	2,756,282
Pension settlement liability	62,913,615	62,585,840
	<hr/>	<hr/>
Total liabilities	227,431,938	268,519,394
Deferred Inflows of Resources - Leases	<hr/>	<hr/>
	4,700,668	5,227,463
Net Position		
Net investment in capital assets	146,891,917	152,332,759
Restricted expendable for debt service	1,452,600	2,573,703
Restricted expendable for indigent care	2,211,196	3,229,052
Restricted expendable for other obligations	430,231	228,524
Unrestricted	57,654,687	47,757,708
	<hr/>	<hr/>
Total net position	208,640,631	206,121,746
	<hr/>	<hr/>
Total liabilities and net position	\$ 440,773,237	\$ 479,868,603

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2022 and 2021

	2022	2021 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - \$191,101,842, 2021 - \$210,659,054	\$ 516,409,130	\$ 480,914,749
Other revenues	36,499,584	30,155,005
Total operating revenues	552,908,714	511,069,754
Operating Expenses		
Salaries and wages	213,925,691	190,068,750
Employee benefits	33,176,435	33,252,636
Professional fees	17,455,964	9,947,100
Supplies	150,348,224	145,051,368
Purchased services	60,349,825	55,638,797
Other expenses	48,683,395	42,621,485
Depreciation and amortization	35,296,973	33,942,158
Total operating expenses	559,236,507	510,522,294
Operating Income (Loss)	(6,327,793)	547,460
Nonoperating Revenues (Expenses)		
Investment income, net	(2,702,768)	433,165
Interest expense	(7,466,297)	(9,053,151)
Earnings on equity investments	220,797	308,735
Noncapital grant revenue	652,908	641,576
State of Mississippi grant	-	1,317,302
CARES Act grants	18,648,016	5,797,303
Bond issuance costs	-	(368,043)
Noncapital contribution - Jackson County	195,300	236,493
Gain (loss) on disposal of capital assets	(701,278)	56,050
Total nonoperating revenues (expenses)	8,846,678	(630,570)
Increase (Decrease) in Net Position	2,518,885	(83,110)
Net Position, Beginning of Year, As Previously Reported	195,692,795	195,787,640
Adjustment Applicable to Prior Year (Note 2)	-	10,417,216
Net Position, Beginning of Year, As Restated	206,121,746	206,204,856
Net Position, End of Year	\$ 208,640,631	\$ 206,121,746

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021 (As Restated)
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	\$ 483,624,670	\$ 451,015,903
Cash paid to suppliers and others	(276,450,734)	(246,814,411)
Cash paid to or on behalf of employees	(245,968,367)	(224,669,452)
Other cash received	35,481,355	28,114,775
	<u>(3,313,076)</u>	<u>7,646,815</u>
Net cash provided by operating activities		
Cash Flows from Noncapital Financing Activities		
Repayment of pension settlement liability	(4,200,000)	(4,200,000)
Noncapital grant revenue	652,908	641,576
State of Mississippi grant	-	1,317,302
CARES Act grants	18,648,016	1,191,093
Noncapital contribution - Jackson County	1,213,156	1,200,000
	<u>16,314,080</u>	<u>149,971</u>
Net cash provided by noncapital financing activities		
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of capital assets	-	56,050
Purchase of capital assets	(11,620,204)	(20,492,698)
Principal paid on long-term debt	(8,824,000)	(7,695,000)
Principal payments received on lease receivables	1,020,432	902,281
Interest payments received on lease receivables	211,595	219,098
Payment of debt issuance costs	-	(368,043)
Principal paid on lease obligations	(7,578,527)	(6,266,788)
Repayment of other long-term liabilities	(1,469,972)	(1,466,445)
Interest paid on lease obligations	(1,559,388)	(1,606,733)
Interest paid on long-term debt	(1,443,827)	(2,297,632)
	<u>(31,263,891)</u>	<u>(39,015,910)</u>
Net cash used in capital and related financing activities		
Cash Flows from Investing Activities		
Purchase of investments	(815,563)	-
Proceeds from sale of investments	5,064,021	(3,968,542)
Investment income received	1,145,224	1,471,620
Distribution from equity method investments	228,815	437,363
	<u>5,622,497</u>	<u>(2,059,559)</u>
Net cash provided by (used in) investing activities		
Change in Cash and Cash Equivalents	(12,640,390)	(33,278,683)
Cash and Cash Equivalents, Beginning of Year	90,990,400	124,269,083
Cash and Cash Equivalents, End of Year	<u>\$ 78,350,010</u>	<u>\$ 90,990,400</u>

See Notes to Financial Statements

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Statements of Cash Flows (Continued)
Years Ended September 30, 2022 and 2021

	2022	2021 (As Restated)
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by Operating Activities		
Operating income (loss)	\$ (6,327,793)	\$ 547,460
Items not requiring cash		
Depreciation and amortization	35,296,973	33,942,158
Provision for uncollectible accounts	191,101,842	210,659,054
Changes in		
Patient accounts receivable, net	(191,397,597)	(232,716,004)
Amounts due to and from third-party payors	(32,638,664)	(10,276,977)
Inventories and other assets	(64,247)	(260,853)
Deferred inflows of resources - leases	(1,132,630)	(1,046,509)
Accounts payable and accrued liabilities	477,395	6,837,397
Accrued workers' compensation, professional, and general liability costs	1,371,645	(38,910)
	<u>\$ (3,313,076)</u>	<u>\$ 7,646,816</u>
Net cash provided by operating activities	<u>\$ (3,313,076)</u>	<u>\$ 7,646,816</u>
 Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 69,600,788	\$ 81,000,019
Cash and cash equivalents in investments	3,648,311	3,776,414
Cash and cash equivalents in trustee bond funds	1,452,600	2,573,703
Cash and cash equivalents in trustee for self-insurance funding	3,648,311	3,640,264
	<u>\$ 78,350,010</u>	<u>\$ 90,990,400</u>
Total cash and cash equivalents	<u>\$ 78,350,010</u>	<u>\$ 90,990,400</u>
 Noncash Investing, Capital and Financing Activities		
Assets acquired through installment agreements	\$ 180,928	\$ -
Lease obligation for leased assets	\$ 7,487,507	\$ 8,200,233
Capital assets in accounts payable	\$ 131,275	\$ 141,955
Retirement of the 2019 bonds in escrow		
Proceeds received, less cost to issuance	\$ -	\$ 29,414,909
Principal paid on long-term debt	\$ -	\$ 29,414,909
Acquisition of Garden Park Medical Center		
Total assets acquired	\$ -	\$ 19,848,998
Total liabilities assumed	\$ -	\$ 1,608,286

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

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

Nature of Operations and Reporting Entity

Singing River Health System (the Health System) is a component unit of Jackson County, Mississippi, as defined by the Governmental Accounting Standards Board (GASB). The Health System's component unit relationship to Jackson County is principally due to financial accountability as defined by GASB. The Health System is operated by a nine-member Board of Trustees, seven of whom are appointed by the Board of Supervisors of Jackson County, Mississippi. Additionally, the Chief-of-Staff of the Health System serves on the Board.

The Health System is a multidimensional healthcare system consisting of:

- Pascagoula Hospital, a 435-bed hospital and related outpatient care and other facilities principally in Pascagoula, Mississippi.
- Ocean Springs Hospital, a 136-bed hospital and related outpatient care and other facilities principally located in Ocean Springs, Mississippi.
- Singing River Medical Park and Ocean Springs Medical Park, state-of-the-art outpatient services facilities designed to meet the specific needs of patients outside of the hospital setting. These buildings house radiology and imaging services, cardiac rehabilitation, physical therapy, neurosciences, a branch of The Regional Cancer Center, and the Health System's Healthplex.
- The Heart Center, which offers the most comprehensive cardiology program in the region.
- The Regional Cancer Center, which offers a comprehensive and integrated approach to cancer care comprised of expert medical and radiation oncologists, surgeons, radiologists, pharmacists, nurses, and dietitians.
- Five primary care clinics located along the Mississippi Gulf Coast in Hurley, Pascagoula, Vancleave, Ocean Springs and Woolmarket.

Blended Component Units

Singing River Gulfport (SRG) is a component unit of the Health System and is presented as a blended component unit as of September 30, 2022 and 2021 in the Health System's financial statements. As the sole member of this not-for-profit corporation, the Health System exerts control and has a financial benefit relationship. SRG is a 130-bed hospital and related outpatient care and other facilities principally located in Gulfport, Mississippi. All significant intercompany transactions have been eliminated.

SRHS Ambulatory Services, Inc. (SRHSAS) is a component unit of the Health System and is presented as a blended component unit as of September 30, 2022 and 2021 in the Health System's financial statements. As the sole member of this not-for-profit organization, the Health System exerts control and has a financial benefit relationship. SRHSAS is operated by a board of directors, all of whom are appointed by the Health System's Board of Trustees. As of September 30, 2022 and 2021, SRHSAS holds a noncontrolling 24.5% ownership interest in two ambulatory

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

surgery centers, Mississippi Coast Endoscopy and Ambulatory Surgery Center, LLC (MCEASC) and Ocean Springs Surgical and Endoscopy Center, LLC (OSSEC). All significant intercompany transactions have been eliminated.

Anesthesia Services, LLC is a component unit of the Health System and is presented as a blended component unit as of September 30, 2022 and 2021 in the Health System's financial statements. Anesthesia Services, LLC is a wholly-owned subsidiary of the Health System that previously provided management, scheduling, and billing and collection services for certified registered nurse anesthetists. All significant intercompany transactions have been eliminated.

Singing River Health System Foundation (the Foundation) is a component unit of the Health System and is presented as a blended component unit as of September 30, 2022 and 2021 in the Health System's financial statements. The Foundation is a 501(c)(3) nonprofit entity that serves as a supporting organization for the Health System. All significant intercompany transactions have been eliminated.

Budgetary Information

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

Basis of Accounting and Presentation

The financial statements of the Health System have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred outflows and inflows 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 and county contributions, if any) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated, or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county contributions), investment income, and interest on capital asset-related debt are included in nonoperating revenues and expenses. The Health System 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 requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows 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.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Cash Equivalents

Cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less when purchased. The Health System does consider uninvested cash held in investment accounts as cash or cash equivalents. At September 30, 2022 and 2021, cash equivalents consisted primarily of money market accounts with brokers.

Investments and Investment Income

Investments are carried at fair value, principally based on quoted market prices. The investment in surgery centers is reported on the equity method of accounting. Investment income from investments is reported as nonoperating revenue. Investment income includes dividend and interest income, realized gains and losses on investments, and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

Patient accounts receivable are reported at net realizable value after deduction of allowances for estimated uncollectible accounts and third-party contractual discounts. The allowance for uncollectible accounts is based on historical collection information, existing economic conditions and an analysis of currently outstanding amounts. This account is generally increased by charges to a provision for uncollectible accounts and decreased by write-offs of accounts determined by management to be uncollectible. The allowances for third-party discounts are based on the estimated differences between the Health System's established rates and the actual amounts to be received under each contract. Changes in estimates by material amounts are reasonably possible in the near term.

Inventories

Inventories of drugs and other supplies are recorded at the lower of cost or market. Costs are determined using the first-in, first-out method.

Funds Held by Trustees

Funds held by trustees include funds held for debt service and self-insurance funding.

Funds held by trustees for debt service under debt agreements that are required for obligations classified as current liabilities are reported as current assets.

Capital Assets, Net

Capital assets are recorded at cost or, if donated, at acquisition value at the date of receipt. Depreciation is provided over the useful life of each class of depreciable asset using the straight-line method. Major renewals and renovations 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

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

nonoperating revenues (expenses) in the statements of revenues, expenses, and changes in net position.

All capital assets other than land are depreciated using these asset lives:

Land improvements	5 - 25 years
Buildings and improvements	10 - 40 years
Fixed equipment	5 - 25 years
Movable equipment	3 - 20 years

Lease Assets

Lease assets are initially recorded at the initial measurement period of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentive received from the lessor at or before commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

Capital and lease assets are reviewed for impairment when service utility has declined significantly and unexpectedly. 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 a historical cost approach method that best reflects the diminished service utility of the capital asset. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital or lease asset historical cost and related accumulated depreciation or amortization are decreased proportionately, such that the net decrease equals the impairment loss. No impairment losses were recognized in 2022 or 2021.

Cost of Borrowing

Bond issuance costs are expensed as incurred. Deferred loss on refunding and bond discounts and premiums are being amortized over the terms of the related indebtedness using the interest method.

Compensated Absences

The Health System's employees accumulate paid time off, such as 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 is included in accrued payroll and employee benefits. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation related payments such as social security and Medicare taxes computed using rates in effect at that date.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

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, 2022 and 2021, deferred outflows of resources were comprised of deferred loss on refunding of \$2,322,438 and \$2,668,608, respectively. At September 30, 2022 and 2021 (as restated), deferred inflows of resources – leases were comprised of deferred lease income of \$4,700,668 and \$5,227,463, respectively.

Lease Receivable

The Health System is a lessor for noncancellable leases of certain buildings and recognizes a related lease receivable and a deferred inflows of resources. At the commencement of a lease, the Health System initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term.

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

Lease Liability

The Health System is a lessee for noncancellable leases. The Health System recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. At the commencement of a lease, the Health System initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

Risk Management

The Health System is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

medical malpractice, workers' compensation, and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Health System 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 medical malpractice, workers' compensation, and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Net Position

Net position of the Health System is classified into the following components:

- Net investment in capital assets consists of capital and lease assets, net of accumulated depreciation and amortization and reduced by outstanding balances of any borrowings used to finance the purchase or construction of those assets. To the extent debt has been incurred but not yet expended for capital assets, such debt is excluded from the calculation of net investment in capital assets.
- Net position restricted for debt service is amounts deposited with trustees as required by bond indentures or debt agreements.
- Net position restricted for indigent care is amounts recorded under the Health System's Contribution Agreement with Jackson County. They are restricted until the Health System receives the funds and provides indigent care to the community.
- Net position restricted for other obligations is amounts recorded under the Foundation for contributions received.
- Unrestricted net position is remaining net position that does not meet the definition of investment in capital assets, net of related debt or restricted net position.

Net Patient Service Revenue

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

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Charity Care

The Health System provides medical care without charge or at a reduced charge to patients who meet certain criteria under its charity care policy. Because the Health System does not pursue collection of amounts determined to qualify as charity care, these charges are not reported as net patient service revenue and are written off as charity care.

Income Taxes

The Health System is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code. The Health System is also a political subdivision of Jackson County, Mississippi and is operated as a community hospital under related statutes of the State of Mississippi.

Note 2: Change in Accounting Principle

On October 1, 2021 (the effective date), the Health System adopted GASB Statement No. 87, *Leases*, using a retrospective method of adoption to all leases in place and not yet completed at the beginning of the earliest period presented which was October 1, 2020. The statement requires lessees to recognize a lease liability, measured at the present value of payments expected to be made during the lease term, and an intangible lease asset. It requires lessors to recognize a lease receivable, measured at net present value of payments expected to be recovered during the lease term, and deferred inflows of resources. The 2021 financial statements and disclosures were restated to reflect the impact of this adoption.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

The effect of the changes made to the accompanying balance sheet, statement of revenues, expenses, and changes in net position, and statement of cash flows as of and for the year ended September 30, 2021 are as follows:

	2021 (Previously Reported)	Effect of Adoption	2021 (As Restated)
Balance Sheet			
Current Assets			
Other receivables	\$ 3,631,355	\$ (197,763)	\$ 3,433,592
Lease receivables - current	-	1,020,432	1,020,432
Total current assets	222,052,018	822,669	222,874,687
Other Assets			
Long-term lease receivables	-	4,351,258	4,351,258
Capital Assets, Net	212,357,740	(16,049,106)	196,308,634
Lease Assets, Net	-	41,886,344	41,886,344
Total assets	446,188,830	31,011,165	477,199,995
Total assets and deferred outflows of resources	448,857,438	31,011,165	479,868,603
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Current installments of capital lease obligations	1,803,638	(1,803,638)	-
Current installments of lease liabilities	-	6,529,811	6,529,811
Current installments of other long-term liabilities	1,094,964	466,838	1,561,802
Total current liabilities	120,301,697	5,193,011	125,494,708
Other Liabilities			
Capital lease obligations	26,924,261	(26,924,261)	-
Long-term lease liabilities	-	35,827,839	35,827,839
Other long-term liabilities	21,213	1,258,162	1,279,375
Total liabilities	253,164,643	15,354,751	268,519,394
Deferred Inflows of Resources	-	5,227,463	5,227,463
Net Position			
Net investment in capital assets	141,873,892	10,458,867	152,332,759
Unrestricted	47,787,624	(29,916)	47,757,708
Total net position	195,692,795	10,428,951	206,121,746
Total liabilities and net position	448,857,438	31,011,165	479,868,603

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

	2021 (Previously Reported)	Effect of Adoption	2021 (As Restated)
Statement of Revenues, Expenses, and Change in Net Position			
Operating Revenues			
Other revenues	\$ 30,229,876	\$ (74,871)	\$ 30,155,005
Total operating revenues	511,144,625	(74,871)	511,069,754
Operating Expenses			
Other expenses	47,191,288	(4,569,803)	42,621,485
Depreciation and amortization	28,384,228	5,557,930	33,942,158
Total operating expenses	509,534,168	988,126	510,522,294
Operating Income	1,610,457	(1,062,997)	547,460
Nonoperating Revenues (Expenses)			
Investment income, net	214,067	219,098	433,165
Interest expense	(9,908,785)	855,634	(9,053,151)
Total nonoperating revenues (expenses)	(1,705,302)	1,074,732	(630,570)
Increase (Decrease) in Net Position	(94,845)	11,735	(83,110)
Net Position, Beginning of Year	195,787,640	10,417,216	206,204,856
Net Position, End of Year	195,692,795	10,428,951	206,121,746
Statement of Cash Flows			
Cash Flows from Operating Activities			
Cash paid to suppliers and others	\$ (251,193,640)	\$ 4,379,229	\$ (246,814,411)
Other cash received	29,238,657	(1,123,882)	28,114,775
Net cash provided by operating activities	4,391,468	3,255,347	7,646,815
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(20,421,627)	(71,071)	(20,492,698)
Principal payments received on lease receivables	-	902,281	902,281
Interest payments received on lease receivables	-	219,098	219,098
Principal paid on capital lease obligations	(1,331,043)	1,331,043	-
Principal paid on lease obligations	-	(6,266,788)	(6,266,788)
Repayment of other long-term liabilities	(1,021,803)	(444,642)	(1,466,445)
Interest paid on long-term debt and capital lease obligations	(4,759,999)	4,759,999	-
Interest paid on lease obligations	-	(1,606,733)	(1,606,733)
Interest paid on long-term liabilities	-	(2,297,632)	(2,297,632)
Net cash used in capital and related financing activities	(35,541,465)	(1,176,813)	(36,718,278)
Cash Flows from Investing Activities			
Investment income received	1,328,872	142,748	1,471,620
Net cash provided by (used in) investing activities	(2,278,657)	219,098	(2,059,559)

Note 3: Net Patient Service Revenue

The Health System has agreements with third-party payors that provide for payments to the Health System at amounts different from its established rates. These payment arrangements include:

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification system that is based on clinical, diagnostic, and other factors. Inpatient services are paid under the traditional Part A plan or managed care (Medicare Advantage) negotiated rates under Part C. Outpatient services related to Medicare beneficiaries are reimbursed through a prospective payment system commonly known as Ambulatory Payment Classification (APC). Under the APC system, certain medical devices and drugs are reimbursed at cost or average wholesale price. Long-term care services are reimbursed under a prospective payment system that considers the Medicare beneficiaries' severity of illness among other clinical factors. Inpatient nonacute services are paid based on a prospective payment system. The Health System is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission and review by the Medicare Administrative Contractor of annual cost reports.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective reimbursement methodology. The Health System is reimbursed at a prospective rate, which is adjusted annually based on published market basket update.

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

Effective in 2016, the Division of Medicaid (DOM) implemented the MHAP program. The MHAP program is administered by the DOM through the MississippiCAN coordinated care organizations (CCOs). The CCOs subcontract with the hospitals throughout the state for distribution of the MHAP program for purpose of protecting patient access to hospital care. The MHAP program began December 1, 2015, and the MHAP payments and associated tax are distributed and collected in equal monthly installments. For the fiscal years ended September 30, 2022 and 2021, the Health System received approximately \$27,684,000 and \$20,337,000, respectively, from the MHAP program. MHAP amounts are shown as a reduction of contractual adjustments, with the related tax assessment of approximately \$8,000,000 and \$6,030,000 recorded as a reduction of contractual adjustments for the years ended September 30, 2022 and 2021, respectively.

The DSH program is administered by the DOM through MississippiCAN CCOs. The CCOs subcontract with the hospitals throughout the state for distribution of DSH payments for purpose of protecting patient access to hospital care. For the fiscal years ended September 30, 2022 and 2021, the Health System received approximately \$2,900,000 and \$5,608,000, respectively, from the MHAP program. MHAP amounts are shown as a reduction of contractual adjustments, with the related tax assessment of approximately \$2,022,000 and \$2,405,000 recorded as a reduction of contractual adjustments for the years ended September 30, 2022 and 2021, respectively.

At September 2022 and 2021, the Health System recognized a liability of approximately \$23,815,000 and \$22,284,000, respectively, for estimated overpayments from the DSH program due to excess uncompensated cost of care overpayments from 2017 through 2020. Medicaid

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

recouped \$3,983,416 during 2022 in relation to the 2018 overpayments. It is reasonably possible that this estimate could change materially in the near term.

Approximately 62% and 58% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2022 and 2021, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Health System has also entered into payment agreements with certain commercial insurance carriers, Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs). The basis for payment to the Health System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Note 4: Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Health System's deposit policy for custodial credit risk requires compliance with the provisions of state law. The collateral for public entities deposited in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the Health System's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). All deposits with financial institutions must be collateralized in an amount equal to 105% of uninsured deposits and are therefore fully insured. The collateralized and insured bank balance was \$67,164,536 and \$80,609,278 at September 30, 2022 and 2021, respectively. The above amounts exclude deposits held by the Health System's blended component units with bank balances of approximately \$6,907,000 and \$3,941,000 at September 30, 2022 and 2021, respectively. As nongovernmental entities, the blended component units are not subject to collateralization requirements. At September 30, 2022, the blended component units' cash balances exceeded federally insured limits by approximately \$6,244,000.

Investments

The statutes of the State of Mississippi restrict the authorized investments of the Health System to obligations of the U.S. Treasury, agencies and instrumentalities, and certain other types of investments. The Health System's investment policy further limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

At September 30, 2022 and 2021, the Health System had the following investments and maturities:

September 30, 2022	Fair Value	Years			
		< 1	1 – 5	6 – 10	More than 10
Money market funds	\$ 1,796,280	\$ 1,796,280	\$ -	\$ -	\$ -
U.S. government obligations	21,323,138	13,531,765	7,791,373	-	-
Municipal obligations	5,041,955	-	5,041,955	-	-
Mortgage-backed securities	2,874,621	-	1,015,871	549,922	1,308,828
Collateralized mortgage obligations	15,481,561	-	1,756,091	874,457	12,851,013
Mutual funds - equities	279,274	279,274	-	-	-
Mutual funds - fixed income	477,621	477,621	-	-	-
Annuities	315,289	-	-	-	315,289
	<u>\$ 47,589,739</u>	<u>\$ 16,084,940</u>	<u>\$ 15,605,290</u>	<u>\$ 1,424,379</u>	<u>\$ 14,475,130</u>

September 30, 2021	Fair Value	Years			
		< 1	1 – 5	6 – 10	More than 10
Money market funds	\$ 3,801,068	\$ 3,801,068	\$ -	\$ -	\$ -
U.S. government obligations	14,261,210	1,009,060	13,252,150	-	-
Municipal obligations	6,714,945	555,849	6,159,096	-	-
Mortgage-backed securities	4,022,799	-	233,212	1,133,792	2,655,795
Collateralized mortgage obligations	24,266,621	-	2,217,964	1,841,208	20,207,449
Mutual funds - equities	342,303	342,303	-	-	-
Mutual funds - fixed income	554,535	554,535	-	-	-
Annuities	457,861	-	-	-	457,861
	<u>\$ 54,421,342</u>	<u>\$ 6,262,815</u>	<u>\$ 21,862,422</u>	<u>\$ 2,975,000</u>	<u>\$ 23,321,105</u>

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Health System's investment policy manages its exposure to declines in fair value by limiting the maximum effective average maturity of its investment portfolio to three years. The money market funds are presented as an investment with a maturity of less than one year because the average maturity of the funds is less than one year.

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 Health System's investment policy, which conforms to Mississippi state law, limits investments to those rated "A" or better by either Moody's Investor Service or Standard & Poor's. 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.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

At September 30, 2022 and 2021, the Health System's investments not directly guaranteed by the U.S. government were rated as follows:

Investment	Credit Rating
Money market funds	Not rated
Municipal obligations	Aa2
Mortgage-backed securities	Aaa
Collateralized mortgage obligations	Aaa

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Health System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Health System's investment policy requires investments to be held in its name.

Concentration of Credit Risk

The Health System places no limit on the amount that may be invested in any one issuer. However, investment in non-treasury or agency issuers is limited to a maximum of 5%. At September 30, 2022 and 2021, the Health System had no individual investments in excess of 5% of total investments.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	<u>2022</u>	<u>2021</u>
Carrying value		
Deposits	\$ 73,389,939	\$ 87,295,476
Investments	47,589,739	54,421,342
Cash on hand	<u>5,613</u>	<u>5,313</u>
	<u>\$ 120,985,291</u>	<u>\$ 141,722,131</u>
Included in the following balance sheets' captions		
Cash and cash equivalents	\$ 69,600,788	\$ 81,000,019
Investments	46,283,592	54,508,145
Trusted bond funds - required for current liabilities	1,452,600	2,573,654
Trusted bond funds	-	49
Internally designated for self-insurance funding	<u>3,648,311</u>	<u>3,640,264</u>
	<u>\$ 120,985,291</u>	<u>\$ 141,722,131</u>

Investment Income (Loss)

Investment income (loss) for the years ended September 30 consisted of:

	<u>2022</u>	<u>2021</u> <u>(As Restated)</u>
Interest and dividend income	\$ 1,145,224	\$ 1,471,620
Unrealized loss on investments, net	<u>(3,847,992)</u>	<u>(1,038,455)</u>
	<u>\$ (2,702,768)</u>	<u>\$ 433,165</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Note 5: Patient Accounts Receivable

The Health System grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at September 30 consisted of:

	2022	2021
Medicare	\$ 19,282,915	\$ 16,822,956
Medicaid	18,944,877	19,867,246
Other third-party payers	24,133,988	31,099,447
Patients	133,281,046	109,432,300
	195,642,826	177,221,949
Less allowance for uncollectible accounts	129,761,516	111,486,434
	\$ 65,881,310	\$ 65,735,515

Note 6: Lease Receivables

The Health System leases a portion of its office space to various third parties, the terms of which expire 2023 through 2032. Revenue recognized under lease contracts during the years ended September 30, 2022 and 2021 were \$1,369,569 and \$1,265,607, respectively, which includes both lease revenue and interest. The Hospital's current and noncurrent lease receivables are included on the accompanying balance sheets in other receivables and other assets, respectively, for the years ended 2022 and 2021.

Year Ending September 30,	Total to be Collected
2023	\$ 854,890
2024	590,889
2025	572,444
2026	545,234
2027	448,032
2028 - 2032	1,945,605
	\$ 4,957,094

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Note 7: Capital and Lease Assets

Capital assets activity for the years ended September 30 consisted of:

	2022			Ending Balance
	Beginning Balance	Transfers in and Additions	Transfers out Retirements and Other	
Land	\$ 9,047,289	\$ 19,161	\$ -	\$ 9,066,450
Land improvements	7,615,842	38,900	-	7,654,742
Buildings and improvements	247,211,694	6,740,375	(143,667)	253,808,402
Fixed equipment	14,388,141	167,247	-	14,555,388
Movable equipment	309,240,594	6,828,171	(3,297,217)	312,771,548
Construction in progress	5,065,474	7,737,697	(6,609,786)	6,193,385
	<u>592,569,034</u>	<u>21,531,551</u>	<u>(10,050,670)</u>	<u>604,049,915</u>
Less accumulated depreciation for				
Land improvements	5,469,045	234,576	-	5,703,621
Buildings and improvements	144,318,364	8,213,216	506,371	153,037,951
Fixed equipment	12,828,930	210,583	-	13,039,513
Movable equipment	233,644,061	16,819,309	11,075	250,474,445
	<u>396,260,400</u>	<u>25,477,684</u>	<u>517,446</u>	<u>422,255,530</u>
Capital assets, net	<u>\$ 196,308,634</u>	<u>\$ (3,946,133)</u>	<u>\$ (10,568,116)</u>	<u>\$ 181,794,385</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

	2021 (As Restated)			Ending Balance
	Beginning Balance	Transfers in and Additions	Transfers out and Retirements	
Land	\$ 6,072,289	\$ 2,975,000	\$ -	\$ 9,047,289
Land improvements	7,524,591	91,251	-	7,615,842
Buildings and improvements	233,596,459	13,789,711	(174,476)	247,211,694
Fixed equipment	13,946,381	441,760	-	14,388,141
Movable equipment	291,547,074	19,639,880	(1,946,360)	309,240,594
Construction in progress	4,866,902	7,330,834	(7,132,262)	5,065,474
	<u>557,553,696</u>	<u>44,268,436</u>	<u>(9,253,098)</u>	<u>592,569,034</u>
Less accumulated depreciation for				
Land improvements	5,240,163	228,882	-	5,469,045
Buildings and improvements	136,109,674	8,383,166	(174,476)	144,318,364
Fixed equipment	12,650,080	178,850	-	12,828,930
Movable equipment	218,972,026	16,618,395	(1,946,360)	233,644,061
	<u>372,971,943</u>	<u>25,409,293</u>	<u>(2,120,836)</u>	<u>396,260,400</u>
Capital assets, net	<u>\$ 184,581,753</u>	<u>\$ 18,859,143</u>	<u>\$ (7,132,262)</u>	<u>\$ 196,308,634</u>

Construction in progress at September 30, 2022 and 2021, consists of expenditures associated with hospital building improvements.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Lease assets activity for the years ended September 30, 2022 and 2021, consist of the items shown below:

Asset Type	Balance October 1, 2021 (As Restated)	Additions	Terminations	Balance September 30, 2022
Lease assets being amortized				
Buildings	\$ 36,017,231	\$ 4,357,404	\$ 160,348	\$ 40,214,287
Major movable equipment	12,614,438	3,194,549	1,647,702	14,161,285
	<u>48,631,669</u>	<u>7,551,953</u>	<u>1,808,050</u>	<u>54,375,572</u>
Less accumulated amortization				
Buildings	3,686,067	4,758,481	160,348	8,284,200
Major movable equipment	3,059,258	3,577,959	1,647,702	4,989,515
	<u>6,745,325</u>	<u>8,336,440</u>	<u>1,808,050</u>	<u>13,273,715</u>
Lease assets, net	<u>\$ 41,886,344</u>	<u>\$ (784,487)</u>	<u>\$ -</u>	<u>\$ 41,101,857</u>
Asset Type	Balance October 1, 2020 (As Restated)	Additions	Terminations	Balance September 30, 2021 (As Restated)
Lease assets being amortized				
Buildings	\$ 34,387,517	\$ 1,908,989	\$ 279,275	\$ 36,017,231
Major movable equipment	6,220,469	6,393,969	-	12,614,438
	<u>40,607,986</u>	<u>8,302,958</u>	<u>279,275</u>	<u>48,631,669</u>
Less accumulated amortization				
Buildings	-	3,965,342	279,275	3,686,067
Major movable equipment	-	3,059,258	-	3,059,258
	<u>-</u>	<u>7,024,600</u>	<u>279,275</u>	<u>6,745,325</u>
Lease assets, net	<u>\$ 40,607,986</u>	<u>\$ 1,278,358</u>	<u>\$ -</u>	<u>\$ 41,886,344</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Note 8: Long-term Debt and Other Long-term Liabilities

The following is a summary of long-term debt transactions, other than capital leases, for the Health System for the years ended September 30:

Description	2022				
	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Series 2018 (A)	\$ 13,756,000	\$ -	\$ 3,317,000	\$ 10,439,000	\$ 3,446,000
Series 2021 (C)	29,576,000	-	5,507,000	24,069,000	1,175,000
	<u>\$ 43,332,000</u>	<u>\$ -</u>	<u>\$ 8,824,000</u>	<u>\$ 34,508,000</u>	<u>\$ 4,621,000</u>

Description	2021				
	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Series 2018 (A)	\$ 16,831,000	\$ -	\$ 3,075,000	\$ 13,756,000	\$ 3,317,000
Series 2019 (B)	34,361,000	-	34,361,000	-	-
Series 2021(C)	-	29,783,000	207,000	29,576,000	5,507,000
	<u>\$ 51,192,000</u>	<u>\$ 29,783,000</u>	<u>\$ 37,643,000</u>	<u>\$ 43,332,000</u>	<u>\$ 8,824,000</u>

- (A) On December 19, 2018, the Health System issued \$21,347,000 of Limited Tax Hospital Refunding Bonds, Series 2018 (the Series 2018 Bonds). The purpose of the Series 2018 Bonds was to refund the outstanding Series 2011 Bonds. The Series 2018 Bonds bear interest at the taxable fixed rate of 4.78% until the tax-exempt reissuance date at April 2, 2021, on which the interest rate will use the tax-exempt fixed rate of 3.79%. The Series 2018 Bonds mature on July 1, 2035. The unamortized premium on the Series 2018 Bonds at September 30, 2022 and 2021 was approximately \$1,337,000 and \$1,441,000, respectively.
- (B) On April 2, 2019, the Health System issued \$43,119,000 of Limited Tax Hospital Revenue Refunding Bonds, Series 2019 (the Series 2019 Bonds). The purpose of the Series 2019 Bonds was to refund the outstanding Series 2009 Bonds. The Series 2019 Bonds pay interest semiannually (January 1 and July 1) at a fixed rate of 3.95% and principal annually (July 1). The Series 2019 Bonds mature on July 1, 2038. These bonds were refunded with the issuance of the Series 2021 Bonds.
- (C) On March 15, 2021, the Health System issued \$29,783,000 of Limited Tax Hospital Revenue Refunding Bonds, Series 2021 (the Series 2021 Bonds). The purpose of the Series 2021 Bonds was to refund the outstanding Series 2019 Bonds. The Series 2021 Bonds pay interest semiannually (January 1 and July 1) at a fixed rate of 3.20% and principal annually (July 1). The Series 2021 Bonds mature on July 1, 2038. The unamortized premium on the Series 2021 Bonds at September 30, 2022 and 2021 was approximately \$950,000 and \$1,009,000, respectively.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

As the Health System is a political subdivision of the State of Mississippi and is owned by Jackson County, Mississippi, legally available mills have been pledged by Jackson County as additional security for the 2018 and 2021 Revenue Bonds. To date, no such mills have been levied to support these or any other borrowings of the Health System.

Under the terms of the respective loan agreements in connection with the Series 2018 Bonds and Series 2021 Bonds, the Health System is obligated to meet certain financial covenants on March 31 and September 30 each year, including availability of cash, debt service coverage, and limitations on additional debt.

In 2021, the Health System issued the Series 2021 Bonds in the principal amount of \$29,783,000, which were used to advance refund \$29,414,909 of the outstanding bonds [(C) above]. The net proceeds of \$29,414,909 (after payment of \$368,091 in issuance costs) were used to refund the Series 2019 Bonds.

The advance refunding resulted in no difference between the reacquisition price and the net carrying amount of the old debt. The Health System completed the advance refunding to reduce its total debt service payments over the next 20 years by \$1,592,358 and to obtain an economic gain between the present values of the old and new debt service payments of \$1,232,989.

In prior years, the Health System defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Health System's financial statements. At September 30, 2020, \$18,115,000 of bonds outstanding are considered defeased, with \$18,498,004 held in trust to pay the debt service. These bonds were fully retired in 2021.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Debt service requirements on long-term debt September 30, 2022, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 4,621,000	\$ 1,269,192	\$ 5,890,192
2024	1,685,000	1,066,873	2,751,873
2025	1,741,000	993,801	2,734,801
2026	1,804,000	929,893	2,733,893
2027	1,862,000	863,692	2,725,692
2028 - 2032	10,278,000	3,246,224	13,524,224
2033 - 2037	10,633,000	1,309,079	11,942,079
2038 - 2041	1,884,000	60,288	1,944,288
	<u>\$ 34,508,000</u>	<u>\$ 9,739,042</u>	<u>\$ 44,247,042</u>

Other Long-term Liabilities

The Health System is obligated under agreements for long-term liabilities. A schedule of changes in the Health System's long-term liabilities balances for the years ended September 30, is as follows:

Description	2022				
	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
ForcePoint SBITA	\$ 188,752	\$ -	\$ 94,377	\$ 94,375	\$ 94,375
Stryker Defibrillators	248,780	-	248,780	-	-
EA License	678,644	-	678,644	-	-
Stryker SRH	615,001	-	255,001	360,000	270,000
Stryker OSH	1,110,000	-	160,000	950,000	270,000
Fibroscan	-	180,928	33,170	147,758	36,186
	<u>\$ 2,841,177</u>	<u>\$ 180,928</u>	<u>\$ 1,469,972</u>	<u>\$ 1,552,133</u>	<u>\$ 670,561</u>

Description	2021 (As Restated)				
	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
ForcePoint SBITA	\$ 283,128	\$ -	\$ 94,376	\$ 188,752	\$ 94,377
Stryker Defibrillators	497,564	-	248,784	248,780	248,780
EA License	1,357,289	-	678,645	678,644	678,645
Stryker SRH	885,001	-	270,000	615,001	270,000
Stryker OSH	1,270,000	-	160,000	1,110,000	270,000
	<u>\$ 4,292,982</u>	<u>\$ -</u>	<u>\$ 1,451,805</u>	<u>\$ 2,841,177</u>	<u>\$ 1,561,802</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Note 9: Lease Liabilities

The Hospital leases equipment, office, and clinic space, the terms of which expire in various years through 2037. Variable payments based upon the use of the underlying assets are not included in the lease liabilities because they are not fixed in substance.

During the years ended September 30, 2022 and 2021, the Hospital recognized approximately \$2,000,000 and \$1,100,000, respectively, of rental expense for variable payments not previously included in the measurement of the lease liabilities.

The following is a schedule by year of payments for leases as of September 30, 2022.

Year Ending September 30,	Total to be Paid	Principal	Interest
2023	\$ 8,951,672	\$ 7,504,109	\$ 1,447,563
2024	7,814,984	6,623,431	1,191,553
2025	6,898,365	5,929,930	968,435
2026	4,960,511	4,179,108	781,403
2027	3,093,361	2,438,169	655,192
2028 - 2032	10,958,325	8,734,872	2,223,453
2033 - 2037	7,305,550	6,857,011	448,539
	<u>\$ 49,982,768</u>	<u>\$ 42,266,630</u>	<u>\$ 7,716,138</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Lease liabilities activity for the years ended September 30, was:

2002				
Asset Type	Balance October 1, 2021 (As Restated)	Additions	Terminations	Balance September 30, 2022
Buildings	\$ 32,818,382	\$ 4,293,665	\$ 3,321,033	\$ 33,791,014
Major movable equipment	9,539,268	3,193,842	4,257,494	8,475,616
Total lease liabilities	<u>\$ 42,357,650</u>	<u>\$ 7,487,507</u>	<u>\$ 7,578,527</u>	<u>\$ 42,266,630</u>
2021 (As Restated)				
Asset Type	Balance October 1, 2020 (As Restated)	Additions	Terminations	Balance September 30, 2021 (As Restated)
Buildings	\$ 34,260,649	\$ 1,833,763	\$ 3,276,030	\$ 32,818,382
Major movable equipment	6,163,556	6,366,470	2,990,758	9,539,268
Total lease liabilities	<u>\$ 40,424,205</u>	<u>\$ 8,200,233</u>	<u>\$ 6,266,788</u>	<u>\$ 42,357,650</u>

Note 10: Medical Malpractice Claims

The Health System is self-insured for the first \$500,000 of professional and general liability insurance. The Mississippi Tort Claims Act (MTCA) provides a cap of \$500,000 on the amount of damages recoverable against governmental entities, including governmental hospitals. Losses from asserted and unasserted claims identified under the Health System's incident reporting system are accrued based on estimates that incorporate the Health System's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Health System's estimate of losses will change by a material amount in the near term.

The self-insured liability for medical malpractice claims is included in accrued workers' compensation, professional, and general liability costs line on the balance sheets. Activity in the

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Health System's accrued medical malpractice claims liability during 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Balance, October 1	\$ 2,917,260	\$ 4,106,260
Provisions for claims reported and claims incurred but not reported	2,156,735	-
Claims and related expenses paid	<u>(115,000)</u>	<u>(1,189,000)</u>
Balance, September 30	<u>\$ 4,958,995</u>	<u>\$ 2,917,260</u>

Note 11: Workers' Compensation Coverage

The Health System purchases high-deductible workers' compensation insurance with losses limited to \$500,000 per claim, which has the effect that the Health System is largely self-insured.

The self-insurance liability for workers' compensation claims is included in the accrued workers' compensation, professional, and general liability costs line item on the balance sheets. The following is a summary of changes in the Health System's self-insurance liability for workers' compensation coverages for fiscal years 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance, October 1	\$ 3,150,090	\$ 2,000,000
Provisions for claims reported and claims incurred but not reported	972,538	2,990,811
Claims paid	<u>(1,642,628)</u>	<u>(1,840,721)</u>
Balance, September 30	<u>\$ 2,480,000</u>	<u>\$ 3,150,090</u>

Note 12: Employee Health Claims

Substantially all of the Health System's employees and their dependents are eligible to participate in the Health System's employee health insurance plan. The Health System is self-insured for the first \$350,000 for health claims of participating employees and dependents up to an annual aggregate amount. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

A provision is accrued for self-insured employee health claims, including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Health System's estimate will change by a material amount in the near term.

The self-insured liability for employee health claims is included in accrued payroll and employee benefits line on the balance sheets. Activity in the Health System's accrued employee health claims liability during 2022 and 2021 is summarized as follows:

	2022	2021
Balance, October 1	\$ 1,843,511	\$ 2,270,980
Provisions for claims reported and claims incurred but not reported	22,231,605	17,853,906
Claims paid	(21,272,175)	(18,281,375)
Balance, September 30	\$ 2,802,941	\$ 1,843,511

Note 13: Charity Care

The Health System 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 costs of these services and supplies, and equivalent service statistics. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges. The estimated costs incurred to provide charity care were approximately \$11,685,000 and \$6,882,000 for the years ended September 30, 2022 and 2021, respectively.

Note 14: Pension Plan Settlement Obligation

On September 26, 2018, the Fifth Circuit Court of Appeals made a final ruling to uphold a settlement of a class-action lawsuit (the Settlement) related to the Health System's funding of the Singing River Health System Employees' Retirement Plan and Trust (the Plan). The Settlement provides that the Health System fund \$156,400,000 into the Plan trust over a 35-year period. The Settlement also provides that the payment of this \$156,400,000 is the Health System's only obligation to the Plan. The Health System recorded its obligation under the Settlement, discounted at a rate of 6%. The pension settlement liability, included in the accompanying balance sheets, was approximately \$67,114,000 and \$66,786,000 as of September 30, 2022 and 2021, respectively.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

The following is a schedule by fiscal year of future payments to the Plan under the pension settlement liability as of September 30, 2022:

2023	\$ 4,200,000
2024	5,700,000
2025	5,700,000
2026	4,500,000
2027	4,500,000
2028 - 2032	22,500,000
2033 - 2037	22,500,000
2038 - 2042	22,500,000
2043 - 2047	22,500,000
2048 - 2051	<u>18,000,000</u>
	<u>\$ 132,600,000</u>

The Settlement limits the amount of benefits to be paid to participants to the amount of plan fiduciary net position, which includes the future contributions from the Health System under the Settlement at its net present value.

The Plan issues separate standalone financial statements which are available at request from the Health System or on the Health System's website.

Note 15: Other Retirement Plans

The Health System maintains supplementary retirement plans under IRS Code Sections 403(b) and 457(b) which are administered by Diversified Retirement Corporation and Transamerica Retirement Solutions, respectively. The 403(b) plan is a contributory plan with the Health System matching a fixed percentage of base earnings for each eligible employee. To receive an employer contribution, eligible employees must have completed 90 days of continuous service. Contributions by eligible employees are matched by the Health System at a rate of 50% of the first 6% of each employee's eligible compensation that is contributed by the participant to the 403(b) plan. Employees contributing a portion of their eligible salary to the 457(b) plan do not receive a matching employer contribution. All employees are eligible to participate in both plans at the date of hiring. The employee contributions are made on a tax-deferred basis. The benefit to the employee under each plan is the amount contributed plus investment earnings. Employees are fully vested after four or more years of continuous employment.

The Health System's contributions to the 403(b) plan were \$2,337,740 (or 1.1% of covered payroll) and \$2,074,268 (or 1.1% of covered payroll) for the years ended September 30, 2022 and 2021,

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

respectively. Employee contributions to the 403(b) plan totaled \$7,714,007 and \$7,248,828 for the years ended September 30, 2022 and 2021, respectively.

Employee contributions to the 457(b) plan totaled \$1,757,544 and \$1,699,381 for the years ended September 30, 2022 and 2021, respectively.

Note 16: County Fund Receivable

Jackson County entered into a Contribution Agreement with the Health System to fund \$13,600,000 of indigent care provided by the Health System over ten years. The Health System received \$7,600,000 upon the Settlement (*Note 14*) and will receive \$1,200,000 per year for the next three years. As of September 30, 2022 and 2021, the Health System has recorded a receivable of \$2,400,000 and \$3,600,000, respectively, discounted at net present value over five years at the Health System's incremental borrowing rate. Jackson County fund receivable was \$2,211,196 and \$3,229,052 at September 30, 2022 and 2021, respectively, recorded in other receivables for the current portion and other assets for the noncurrent portion on the balance sheets.

Note 17: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset 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
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; 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
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Singing River Health System
(A Component Unit of Jackson County, Mississippi)

Notes to Financial Statements
September 30, 2022 and 2021

Recurring Measurements

The following table presents the fair value measurements of assets 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:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2022				
Money market funds	\$ 1,796,280	\$ 1,480,520	\$ 315,760	\$ -
U.S. government obligations	21,323,138	21,323,138	-	-
Municipal obligations	5,041,955	-	5,041,955	-
Mortgage-backed securities	2,874,621	-	2,874,621	-
Collateralized mortgage obligations	15,481,561	-	15,481,561	-
Mutual funds - equities	279,274	279,274	-	-
Mutual funds - fixed income	477,621	477,621	-	-
Annuities	315,289	-	315,289	-
Total investments by fair value level	<u>\$ 47,589,739</u>	<u>\$ 23,560,553</u>	<u>\$ 24,029,186</u>	<u>\$ -</u>

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2021				
Money market funds	\$ 3,801,068	\$ 3,801,068	\$ -	\$ -
U.S. government obligations	14,261,210	12,558,833	1,702,377	-
Municipal obligations	6,714,945	-	6,714,945	-
Mortgage-backed securities	4,022,799	-	4,022,799	-
Collateralized mortgage obligations	24,266,621	-	24,266,621	-
Mutual funds - equities	342,303	342,303	-	-
Mutual funds - fixed income	554,535	554,535	-	-
Annuities	457,861	-	457,861	-
Total investments by fair value level	<u>\$ 54,421,342</u>	<u>\$ 17,256,739</u>	<u>\$ 37,164,603</u>	<u>\$ -</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

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.

Note 18: Investments in Uncombined Entities

SRHSAS holds a noncontrolling 24.5% ownership interest in two ambulatory surgery centers, MCEASC and OSSEC. SRHSAS accounts for the investments in uncombined entities using the equity method of accounting. SRHAS' investment in the uncombined entities was \$4,162,083 and \$4,170,101 at September 30, 2022 and 2021, respectively. Financial position and results of operations of the investee are summarized below:

Singing River Health System
(A Component Unit of Jackson County, Mississippi)

Notes to Financial Statements
September 30, 2022 and 2021

MCEASC		
	2022	2021
Current assets	\$ 599,940	\$ 785,300
Property and other long-term assets, net	13,846,839	14,161,659
Total assets	14,446,779	14,946,959
Current liabilities	269,734	435,000
Long-term liabilities	5,974,083	6,134,100
Total liabilities	6,243,817	6,569,100
Net assets - without donor restrictions	\$ 8,202,962	\$ 8,377,859
Revenues	\$ 3,394,417	\$ 3,594,494
Deficit of revenues over expenses	\$ (105,697)	\$ (21,262)

OSSEC		
	2022	2021
Current assets	\$ 1,103,834	\$ 1,416,358
Property and other long-term assets, net	12,472,008	12,626,196
Total assets	13,575,842	14,042,554
Current liabilities	254,092	485,903
Long-term liabilities	4,621,102	4,796,212
Total liabilities	4,875,194	5,282,115
Net assets - without donor restrictions	\$ 8,700,648	\$ 8,760,439
Revenues	\$ 5,513,095	\$ 5,571,107
Excess of revenues over expenses	\$ 1,447,375	\$ 1,398,412

Singing River Health System

(A Component Unit of Jackson County, Mississippi)

Notes to Financial Statements September 30, 2022 and 2021

Note 19: 340B Outpatient Drug Discount Program

The Health System participates in the 340B outpatient drug discount program administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (HRSA). Under this program, the Health System received approximately \$16,951,000 and \$7,784,000 in benefits generated from purchases of outpatient pharmaceuticals in 2022 and 2021, respectively. The benefit is presented as a reduction of supplies and other expenses within the statements of revenues, expenses, and changes in net position.

The Health System also contracts with certain local pharmacies to assist them in providing outpatient drugs to the Health System's patients. The Health System purchases outpatient drugs at 340B outpatient drug discount prices to replenish those dispensed to outpatients on the Health System's behalf. The Health System recognized revenue from these contracts of \$27,723,000 and \$21,618,000 recorded in other revenues, with associated costs of goods sold of \$14,357,000 and \$11,569,000 recorded in supplies in 2022 and 2021, respectively.

Regulations associated with the program are complex, and eligibility for the program is determined annually. Changes in the 340B outpatient drug discount program regulations could have a significant impact on the operations of the Health System.

Note 20: Contingencies

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 10*.

General Litigation

The Health System 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 Health System's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts (including lease arrangements). The Health System 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; revenues, expenses, and changes in net position; and cash flows of the Health System. Events could occur that would change this estimate materially in the near term.

Investments

The Health System 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.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Note 21: COVID-19 Pandemic 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.

The extent of the COVID-19 pandemic's adverse impact on the Health System's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Health System's control and ability to forecast.

Because of these and other uncertainties, the Health System cannot estimate the length or severity of the impact of the pandemic on the Health System's business. Decreases in cash flows and results of operations may have an impact on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured patient accounts and self-insured health liability reserves.

Provider Relief Funds

During the years ended September 30, 2022 and 2021, the Health System received approximately \$18,648,000 and \$1,700,000 of Provider Relief Funds. These distributions from the Provider Relief Funds are not subject to repayment, provided the Health System 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 healthcare related expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Health System 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 impact of the pandemic on the Health System's operating results through September 30, 2022, the Health System recognized approximately \$18,648,000 and \$5,797,000 in 2022 and 2021, respectively, related to these general distribution and targeted funds, as Provider Relief Funds are applied after all other assistance is received, including state grants. These payments are recorded as nonoperating revenues – noncapital grant revenue in the statements of revenues, expenses and changes in net position. The unrecognized amount of general distributions and targeted distributions, if any, are recorded as part of other accrued expenses in the accompanying balance sheets.

The Health System has recognized revenue from the Provider Relief Funds based on guidance issued by the HHS as of September 30, 2022. The Health System will continue to monitor compliance with the terms and conditions of the Provider Relief Funds and the effect of the pandemic on the Health System's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Health System is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions may be affected. Additionally, the amounts recorded in the

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

financial statements compared to the Health System's Provider Relief Funds reporting could differ. Provider Relief Funds payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During the year ended September 30, 2020, the Health System requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible healthcare facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other healthcare providers. These amounts are expected to be recaptured by Centers for Medicare and Medicaid Services (CMS) according to the payback provisions.

On September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum, or interest will begin to accrue subsequent to the 29th month at a rate of 4%.

The Health System received approximately \$52,884,000 from these accelerated Medicare payment requests during 2020, and these amounts are recorded in estimated amounts due to third-party payors in the accompanying balance sheets. These are not current income but rather are advanced payments that cannot be recognized as revenue until services in the future are provided. As of September 30, 2022, and 2021, there was approximately \$4,568,000 and \$41,076,000 remaining to be recouped from Medicare.

State Grants Agreement

During the years ended September 30, 2022 and 2021, the Health System received approximately \$0 and \$1,317,000, respectively, 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 Health System is able to use the funds for healthcare related expenses attributable to COVID-19. The Health System met these requirements and recorded approximately \$1,317,000 as nonoperating revenue in fiscal year 2021.

Note 22: Singing River Gulfport Acquisitions

On October 1, 2020, the Health System acquired the assets of Garden Park Medical Center, a 130 licensed bed acute care hospital located in Gulfport, Mississippi in exchange for approximately \$18,241,000. The Health System acquired the hospital to expand the coverage area of the Health System in order to better serve the community. The Health System will operate and maintain this hospital and account for the operations. The acquisition included substantially all assets of the hospital and certain liabilities assumed by the Health System. Total net assets acquired through the acquisition was approximately \$30,507,000.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

Note 23: Subsequent Events

As of November 14, 2022, the County Supervisors has requested proposals from interested parties in acquiring Singing River Health System. Proposals are due by March 10, 2023.

Note 24: Condensed Combining Information

The following tables include condensed balance sheet information for the Health System and its blended component units as of September 30, 2022 and 2021.

	September 30, 2022						
	SRHS	SRHSAS	Anesthesia Services, LLC	Singing River Gulfport	SRHS Foundation	Eliminations	Total
Assets and Deferred Outflows of Resources							
Current assets	\$ 177,728,677	\$ 2,058,382	\$ 2,126,456	\$ 20,420,535	\$ 1,751,219	\$ (2,142,718)	\$ 201,942,551
Capital assets, net	155,821,736	3,192,224	-	22,667,526	112,899	-	181,794,385
Lease assets, net	36,374,389	-	-	4,727,468	-	-	41,101,857
Other assets	75,865,924	4,162,083	-	-	200	(66,416,201)	13,612,006
Deferred outflows of resources	2,322,438	-	-	-	-	-	2,322,438
Total assets and deferred outflows of resources	<u>\$ 448,113,164</u>	<u>\$ 9,412,689</u>	<u>\$ 2,126,456</u>	<u>\$ 47,815,529</u>	<u>\$ 1,864,318</u>	<u>\$ (68,558,919)</u>	<u>\$ 440,773,237</u>
Liabilities							
Current liabilities	\$ 81,871,298	\$ 66,000	\$ 1,108,605	\$ 49,437,278	\$ 7,073	\$ (40,942,019)	\$ 91,548,235
Long-term liabilities	132,730,921	-	-	3,152,782	-	-	135,883,703
Total liabilities	<u>214,602,219</u>	<u>66,000</u>	<u>1,108,605</u>	<u>52,590,060</u>	<u>7,073</u>	<u>(40,942,019)</u>	<u>227,431,938</u>
Deferred inflows of resources	4,700,668	-	-	-	-	-	4,700,668
Net Position							
Net investment in capital assets	121,228,781	3,192,224	-	22,358,013	112,899	-	146,891,917
Restricted expendable	3,663,796	-	-	-	430,231	-	4,094,027
Unrestricted	103,917,700	6,154,465	1,017,851	(27,132,544)	1,314,115	(27,616,900)	57,654,687
Total net position (deficit)	<u>228,810,277</u>	<u>9,346,689</u>	<u>1,017,851</u>	<u>(4,774,531)</u>	<u>1,857,245</u>	<u>(27,616,900)</u>	<u>208,640,631</u>
Total liabilities and net position	<u>\$ 448,113,164</u>	<u>\$ 9,412,689</u>	<u>\$ 2,126,456</u>	<u>\$ 47,815,529</u>	<u>\$ 1,864,318</u>	<u>\$ (68,558,919)</u>	<u>\$ 440,773,237</u>
September 30, 2021 (As Restated)							
	SRHS	SRHSAS	Anesthesia Services, LLC	Singing River Gulfport	SRHS Foundation	Eliminations	Total
Assets and Deferred Outflows of Resources							
Current assets	\$ 201,980,564	\$ 1,702,337	\$ 2,126,456	\$ 17,533,737	\$ 1,669,691	\$ (2,138,098)	\$ 222,874,687
Capital assets, net	171,448,004	3,203,661	-	21,535,938	121,031	-	196,308,634
Lease assets, net	37,247,294	-	-	4,639,050	-	-	41,886,344
Other assets	68,130,450	4,170,101	-	-	200	(56,170,421)	16,130,330
Deferred outflows of resources	2,668,608	-	-	-	-	-	2,668,608
Total assets and deferred outflows of resources	<u>\$ 481,474,920</u>	<u>\$ 9,076,099</u>	<u>\$ 2,126,456</u>	<u>\$ 43,708,725</u>	<u>\$ 1,790,922</u>	<u>\$ (58,308,519)</u>	<u>\$ 479,868,603</u>
Liabilities							
Current liabilities	\$ 118,273,050	\$ 42,000	\$ 1,108,605	\$ 36,234,547	\$ 7,073	\$ (30,170,567)	\$ 125,494,708
Long-term liabilities	139,855,063	-	-	3,169,623	-	-	143,024,686
Total liabilities	<u>258,128,113</u>	<u>42,000</u>	<u>1,108,605</u>	<u>39,404,170</u>	<u>7,073</u>	<u>(30,170,567)</u>	<u>268,519,394</u>
Deferred inflows of resources	5,227,463	-	-	-	-	-	5,227,463
Net Position							
Net investment in capital assets	127,595,441	3,203,661	-	21,412,626	121,031	-	152,332,759
Restricted expendable	5,802,755	-	-	-	228,524	-	6,031,279
Unrestricted	84,721,148	5,830,438	1,017,851	(17,108,071)	1,434,294	(28,137,952)	47,757,708
Total net position	<u>218,119,344</u>	<u>9,034,099</u>	<u>1,017,851</u>	<u>4,304,555</u>	<u>1,783,849</u>	<u>(28,137,952)</u>	<u>206,121,746</u>
Total liabilities and net position	<u>\$ 481,474,920</u>	<u>\$ 9,076,099</u>	<u>\$ 2,126,456</u>	<u>\$ 43,708,725</u>	<u>\$ 1,790,922</u>	<u>\$ (58,308,519)</u>	<u>\$ 479,868,603</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Health System and its blended component units for the years ended September 30, 2022 and 2021.

	Year Ended September 30, 2022						
	SRHS	SRHSAS	Anesthesia Services, LLC	Singing River Gulfport	SRHS Foundation	Eliminations	Total
Operating Revenues							
Net patient service revenue	\$ 424,558,749	\$ -	\$ -	\$ 91,850,381	\$ -	\$ -	\$ 516,409,130
Other revenues	35,265,432	-	-	1,234,152	-	-	36,499,584
Total operating revenues	<u>459,824,181</u>	<u>-</u>	<u>-</u>	<u>93,084,533</u>	<u>-</u>	<u>-</u>	<u>552,908,714</u>
Operating Expenses							
Other operating expenses	424,263,642	54,254	-	99,190,615	451,116	(20,093)	523,939,534
Depreciation and amortization	30,333,258	11,438	-	4,952,277	-	-	35,296,973
Total operating expenses	<u>454,596,900</u>	<u>65,692</u>	<u>-</u>	<u>104,142,892</u>	<u>451,116</u>	<u>(20,093)</u>	<u>559,236,507</u>
Operating Income (Loss)	5,227,281	(65,692)	-	(11,058,359)	(451,116)	20,093	(6,327,793)
Nonoperating Revenues	5,463,652	378,282	-	1,979,273	524,512	500,959	8,846,678
Increase (Decrease) in Net Position	10,690,933	312,590	-	(9,079,086)	73,396	521,052	2,518,885
Net Position, Beginning of Year	<u>218,119,344</u>	<u>9,034,099</u>	<u>1,017,851</u>	<u>4,304,555</u>	<u>1,783,849</u>	<u>(28,137,952)</u>	<u>206,121,746</u>
Net Position (Deficit), End of Year	<u>\$ 228,810,277</u>	<u>\$ 9,346,689</u>	<u>\$ 1,017,851</u>	<u>\$ (4,774,531)</u>	<u>\$ 1,857,245</u>	<u>\$ (27,616,900)</u>	<u>\$ 208,640,631</u>

	Year Ended September 30, 2021 (As Restated)						
	SRHS	SRHSAS	Anesthesia Services, LLC	Singing River Gulfport	SRHS Foundation	Eliminations	Total
Operating Revenues							
Net patient service revenue	\$ 420,082,169	\$ -	\$ -	\$ 60,832,580	\$ -	\$ -	\$ 480,914,749
Other revenues	29,120,896	-	-	1,034,109	-	-	30,155,005
Total operating revenues	<u>449,203,065</u>	<u>-</u>	<u>-</u>	<u>61,866,689</u>	<u>-</u>	<u>-</u>	<u>511,069,754</u>
Operating Expenses							
Other operating expenses	403,586,266	48,315	(19,587)	72,497,139	488,096	(20,093)	476,580,136
Depreciation and amortization	29,836,688	11,438	-	4,094,032	-	-	33,942,158
Total operating expenses	<u>433,422,954</u>	<u>59,753</u>	<u>(19,587)</u>	<u>76,591,171</u>	<u>488,096</u>	<u>(20,093)</u>	<u>510,522,294</u>
Operating Income (Loss)	15,780,111	(59,753)	19,587	(14,724,482)	(488,096)	20,093	547,460
Nonoperating Revenues (Expenses)	(2,099,159)	344,661	-	688,203	756,060	(320,335)	(630,570)
Increase (Decrease) in Net Position	13,680,952	284,908	19,587	(14,036,279)	267,964	(300,242)	(83,110)
Net Position, Beginning of Year, as Previously Reported	194,121,298	8,749,191	998,264	18,240,712	1,515,885	(27,837,710)	195,787,640
Adjustment Applicable to Prior Year (Note 2)	10,317,094	-	-	100,122	-	-	10,417,216
Net Position, Beginning of Year, As Restated	<u>204,438,392</u>	<u>8,749,191</u>	<u>998,264</u>	<u>18,340,834</u>	<u>1,515,885</u>	<u>(27,837,710)</u>	<u>206,204,856</u>
Net Position, End of Year	<u>\$ 218,119,344</u>	<u>\$ 9,034,099</u>	<u>\$ 1,017,851</u>	<u>\$ 4,304,555</u>	<u>\$ 1,783,849</u>	<u>\$ (28,137,952)</u>	<u>\$ 206,121,746</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
September 30, 2022 and 2021

The following tables include condensed combining statements of cash flows information for the Health System and its blended component units for the years ended September 30, 2022 and 2021.

	Year Ended September 30, 2022						
	SRHS	SRHSAS	Anesthesia Services, LLC	Singing River Gulfport	SRHS Foundation	Eliminations	Total
Net Cash Provided by (Used in) Operating Activities	\$ 2,332,007	\$ (22,236)	\$ -	\$ (5,168,887)	\$ (453,960)	\$ -	\$ (3,313,076)
Net Cash Provided by Noncapital Financing Activities	14,602,847	-	-	1,069,686	641,547	-	16,314,080
Net Cash Provided by (Used in) Capital and Related Financing Activities	(25,411,785)	(1)	-	(5,860,237)	8,132	-	(31,263,891)
Net Cash Provided by (Used in) Investing Activities	(5,667,436)	378,282	-	10,906,768	4,883	-	5,622,497
Change in Cash and Cash Equivalents	(14,144,367)	356,045	-	947,330	200,602	-	(12,640,390)
Cash and Cash Equivalents, Beginning of Year	85,654,978	1,702,337	175,878	3,167,352	289,855	-	90,990,400
Cash and Cash Equivalents, End of Year	<u>\$ 71,510,611</u>	<u>\$ 2,058,382</u>	<u>\$ 175,878</u>	<u>\$ 4,114,682</u>	<u>\$ 490,457</u>	<u>\$ -</u>	<u>\$ 78,350,010</u>
	Year Ended September 30, 2021 (As Restated)						
	SRHS	SRHSAS	Anesthesia Services, LLC	Singing River Gulfport	SRHS Foundation	Eliminations	Total
Net Cash Provided by (Used in) Operating Activities	\$ 25,293,019	\$ 104,313	\$ 11,967	\$ (17,285,826)	\$ (476,658)	\$ -	\$ 7,646,815
Net Cash Provided by (Used in) Noncapital Financing Activities	(491,605)	-	-	-	641,576	-	149,971
Net Cash Used in Capital and Related Financing Activities	(30,486,743)	-	(11,438)	(8,445,891)	(71,838)	-	(39,015,910)
Net Cash Provided by (Used in) Investing Activities	(31,313,490)	344,661	-	28,899,069	10,201	-	(2,059,559)
Change in Cash and Cash Equivalents	(36,998,819)	448,974	529	3,167,352	103,281	-	(33,278,683)
Cash and Cash Equivalents, Beginning of Year	122,653,797	1,253,363	175,349	-	186,574	-	124,269,083
Cash and Cash Equivalents, End of Year	<u>\$ 85,654,978</u>	<u>\$ 1,702,337</u>	<u>\$ 175,878</u>	<u>\$ 3,167,352</u>	<u>\$ 289,855</u>	<u>\$ -</u>	<u>\$ 90,990,400</u>

Supplementary Information

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Schedule of Surety Bonds for Officials and Employees (Unaudited)
September 30, 2022

Name	Position	Company	Amount of Bond
Tiffany Murdock	CEO	Western Surety Company	\$ 50,000
Jason McNeil	CFO	Western Surety Company	50,000
Dr. David Spencer, Jr.	Chief of Staff	Western Surety Company	50,000
Dr. Ijlal Babar	Chief of Staff-Elect	Western Surety Company	50,000
Pamela Lindsay	Trustee	Western Surety Company	50,000
Dr. Auwilda Polk	Trustee	Western Surety Company	50,000
Don Barron	Trustee	Western Surety Company	50,000
Erich Nichols	Trustee	Western Surety Company	50,000
Steven Ates	Trustee	Western Surety Company	50,000
Christian Hartley	Trustee	Western Surety Company	50,000
Bonnie Granger	Trustee	Western Surety Company	50,000



1400 Meadowbrook Road, Suite 300 / Jackson, MS 39211

P 601.948.6700 / F 601.948.6000

forvis.com

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
Singing River Health System
Pascagoula, 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 Singing River Health System (the Health System), a component unit of Jackson County, Mississippi, which comprise the balance sheet as of September 30, 2022, 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 December 23, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health System'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 Health System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

Jackson, Mississippi
December 23, 2022