


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

Independent Auditor's Report and Financial Statements

September 30, 2023 and 2022



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

September 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Forrest County General Hospital
Hattiesburg, Mississippi

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Forrest County General Hospital (the Hospital), a component unit of Forrest County, Mississippi, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

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

We did not audit the financial statements of the Forrest County General Hospital Pension Plan (the Pension Plan), a fiduciary component unit of the Hospital, which represent 96%, 96%, and 97%, respectively, and 96%, 96%, and 94%, respectively, of the assets, net position, and additions of the fiduciary activities as of June 30, 2023 and 2022, and the respective changes in financial position for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Plan, are based solely on the reports of the other auditors.

Basis for Opinions

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 Hospital 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 opinions.

Emphasis of Matter

As discussed in *Note 2* to the financial statements, on October 1, 2022, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement, No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are 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 Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Hospital'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 Hospital'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, pension, and other postemployment benefit information 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Surety Bonds for Officials and Employees 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 audits of the 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 November 30, 2023, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

FORVIS,LLP

Jackson, Mississippi
November 30, 2023

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2023 and 2022

Introduction

This management's discussion and analysis of the financial performance of Forrest County General Hospital (the Hospital) provides an overview of the Hospital's financial activities for the fiscal years that ended on September 30, 2023 and 2022. It should be read in conjunction with the accompanying financial statements of the Hospital. Unless otherwise indicated, amounts are in millions. During 2023, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, retroactively restating the amounts reported in the 2022 financial statements. The summarized financial information for the year ended September 30, 2021, included in management's discussion and analysis, was not restated for this adoption.

Financial Highlights

2023

- Total operating revenues increased 10.3% between 2023 and 2022. Current year changes impacting operating revenues include:
 - The Hospital admissions increased in 2023, as a result of the ability to fully staff the Hospital to keep all beds open.
- Operating expenses increased 7.7%. Current year changes impacting operating expenses include:
 - Salaries, wages and employee benefits and contractual services increased collectively by 9.7%, primarily due to increase in contract and agency nurses and retention incentive paid to nurses.

2022

- Total operating revenues decreased (0.5%) between 2022 and 2021. Current year changes impacting operating revenues include:
 - The Hospital admissions decreased in 2022 as a result of staffing shortages, decreasing the ability to staff all beds.
- Operating expenses increased 5.5%. Current year changes impacting operating expenses include:
 - Salaries, wages and employee benefits increased by 9.9%, primarily due to increase in contract nurses and retention incentive paid to nurses.
- The Hospital entered into a contract to acquire Perry County Hospital during the year, which brought the Hospital an additional \$4.2 million and \$5.1 million in operating revenues and expenses, respectively.

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2023 and 2022

Using This Annual Report

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

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

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

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

The Statement of Cash Flows

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

The Hospital's Net Position

The Hospital's net position is the difference between its assets, liabilities and deferred inflows and outflows of resources reported in the balance sheet. The Hospital's net position decreased by approximately \$6,200,000 (1.3%) in 2023 over 2022, and decreased by approximately \$42,700,000 (8.0%) in 2022 over 2021, as shown in Table A-1 and Table A-2. This decrease was primarily due to the significant increase in salaries, wages, and employee benefits paid in 2022 in order to appropriately staff the Hospital to operate at maximum capacity.

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2023 and 2022

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

	2023	2022 (As Restated)	Dollar Change	Percentage Change
Assets and Deferred Outflows of Resources				
Cash and other current assets	\$ 154.4	\$ 153.7	\$ 0.7	0.5%
Patient accounts receivable, net	<u>66.6</u>	<u>67.2</u>	<u>(0.6)</u>	-0.9%
Total current assets	221.0	220.9	0.1	0.0%
Investments and other assets	243.8	227.2	16.6	7.3%
Capital assets, net	272.4	272.9	(0.5)	-0.2%
Lease assets, net	33.4	32.9	0.5	1.5%
Subscription assets, net	6.8	5.7	1.1	19.3%
Deferred outflows of resources	<u>23.5</u>	<u>25.5</u>	<u>(2.0)</u>	-7.8%
Total assets and deferred outflows of resources	<u>\$ 800.9</u>	<u>\$ 785.1</u>	<u>\$ 15.8</u>	2.0%
Liabilities and Deferred Inflows of Resources				
Current liabilities	\$ 89.3	\$ 84.7	\$ 4.6	5.4%
Long-term liabilities	193.3	176.1	17.2	9.8%
Long-term lease liabilities	25.9	23.9	2.0	8.4%
Long-term subscription liabilities	3.6	3.1	0.5	16.1%
Deferred inflows of resources	<u>6.3</u>	<u>8.6</u>	<u>(2.3)</u>	-26.7%
Total liabilities and deferred inflows of resources	<u>318.4</u>	<u>296.4</u>	<u>22.0</u>	7.4%
Net Position				
Net investment in capital assets	132.6	145.9	(13.3)	-9.1%
Restricted	9.7	6.3	3.4	54.0%
Unrestricted	<u>340.2</u>	<u>336.5</u>	<u>3.7</u>	1.1%
Total net position	<u>482.5</u>	<u>488.7</u>	<u>(6.2)</u>	-1.3%
Total liabilities, deferred inflows of resources and net position	<u>\$ 800.9</u>	<u>\$ 785.1</u>	<u>\$ 15.8</u>	2.0%

Table A-1 above shows investments and other assets increased by approximately \$16,600,000 from 2022 to 2023 due to issuance of a note receivable from Forrest General Pine Grove Investment Fund.

Forrest County General Hospital
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September 30, 2023 and 2022

Long-term liabilities increased approximately \$17,200,000 due primarily to the new market tax credit transaction entered into used for financing the new Pine Grove building construction. The remaining difference is due to increase in lease and subscription liabilities related to new lease agreements entered into during the year.

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

	2022 (As Restated)	2021	Dollar Change	Percentage Change
Assets and Deferred Outflows of Resources				
Cash and other current assets	\$ 153.7	\$ 162.0	\$ (8.3)	-5.1%
Patient accounts receivable, net	<u>67.2</u>	<u>65.5</u>	<u>1.7</u>	2.6%
Total current assets	220.9	227.5	(6.6)	-2.9%
Investments and other assets	227.2	245.4	(18.2)	-7.4%
Capital assets, net	272.9	283.4	(10.5)	-3.7%
Lease assets, net	32.9	37.8	(4.9)	-13.0%
Subscription assets, net	5.7	-	5.7	0.0%
Deferred outflows of resources	<u>25.5</u>	<u>13.6</u>	<u>11.9</u>	87.5%
Total assets and deferred outflows of resources	<u>\$ 785.1</u>	<u>\$ 807.7</u>	<u>\$ (22.6)</u>	-2.8%
Liabilities and Deferred Inflows of Resources				
Current liabilities	\$ 84.7	\$ 77.0	\$ 7.7	10.0%
Long-term liabilities	176.1	143.2	32.9	23.0%
Long-term lease liabilities	23.9	26.9	(3.0)	-11.2%
Long-term subscription liabilities	3.1	-	3.1	0.0%
Deferred inflows of resources	<u>8.6</u>	<u>29.2</u>	<u>(20.6)</u>	-70.5%
Total liabilities and deferred inflows of resources	<u>296.4</u>	<u>276.3</u>	<u>20.1</u>	7.3%
Net Position				
Net investment in capital assets	145.9	152.7	(6.8)	-4.5%
Restricted	6.3	3.7	2.6	70.3%
Unrestricted	<u>336.5</u>	<u>375.0</u>	<u>(38.5)</u>	-10.3%
Total net position	<u>488.7</u>	<u>531.4</u>	<u>(42.7)</u>	-8.0%
Total liabilities, deferred inflows of resources and net position	<u>\$ 785.1</u>	<u>\$ 807.7</u>	<u>\$ (22.6)</u>	-2.8%

Forrest County General Hospital
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Table A-2 above shows net cash and other current assets decreased by approximately \$8,300,000 from 2021 to 2022. Investments and other assets reflect a decrease of approximately \$18,200,000 for the same time period due to investment performance.

Long-term liabilities increased by approximately \$32,900,000, due primarily to an increase in the net pension liability of \$38,606,000 due to a decrease in net investment return in 2022, as compared to 2021. The remaining difference in the long term-liabilities is primarily due to payments made on notes payable and amortization of bonds premium.

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

	2023	2022 (As Restated)	Dollar Change	Percentage Change
Operating Revenues				
Net patient service revenue	\$ 639.0	\$ 579.4	\$ 59.6	10.3%
Other	15.6	12.6	3.0	23.9%
Total operating revenues	<u>654.6</u>	<u>592.0</u>	<u>62.6</u>	10.6%
Operating Expenses				
Salaries, wages and employee benefits	344.1	315.1	29.0	9.2%
Supplies and other expenses	289.9	269.6	20.3	7.5%
Depreciation and amortization	42.4	43.5	(1.1)	-2.5%
Total operating expenses	<u>676.4</u>	<u>628.2</u>	<u>48.2</u>	7.7%
Operating Loss	(21.8)	(36.2)	14.4	-39.9%
Nonoperating Revenues (Expenses), Net	<u>8.1</u>	<u>(6.6)</u>	<u>14.7</u>	-222.7%
Income (Loss) Before Capital Grants and Gifts	(13.7)	(42.8)	29.1	-68.1%
Capital Grants and Gifts	<u>7.5</u>	<u>-</u>	<u>7.5</u>	0.0%
Decrease in Net Position	(6.2)	(42.8)	36.6	-85.6%
Beginning Net Position	<u>488.7</u>	<u>531.5</u>	<u>(42.8)</u>	-8.1%
Ending Net Position	<u>\$ 482.5</u>	<u>\$ 488.7</u>	<u>\$ (6.2)</u>	-1.3%

Table A-3 above shows net patient service revenue increased 10.3% consistent from 2022 to 2023 due to increased admissions and surgeries.

Salaries, wages and employee benefits increased \$29,000,000, due primarily to additional seasonal nurses and increased pension expense. Supplies, contractual services, repairs and maintenance, and other expenses increased by approximately \$20,300,000, due primarily to increases in contractual services utilized by the Hospital in order to sustain appropriate staffing and increased admissions and surgeries.

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2023 and 2022

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

	2022 (As Restated)	2021	Dollar Change	Percentage Change
Operating Revenues				
Net patient service revenue	\$ 579.4	\$ 582.5	\$ (3.1)	-0.5%
Other	<u>12.6</u>	<u>12.9</u>	<u>(0.3)</u>	-2.4%
Total operating revenues	<u>592.0</u>	<u>595.4</u>	<u>(3.4)</u>	-0.6%
Operating Expenses				
Salaries, wages and employee benefits	315.1	286.8	28.3	9.9%
Supplies and other expenses	269.6	267.5	2.1	0.8%
Depreciation and amortization	<u>43.5</u>	<u>41.1</u>	<u>2.4</u>	5.8%
Total operating expenses	<u>628.2</u>	<u>595.4</u>	<u>32.8</u>	5.5%
Operating Loss	(36.2)	-	(36.2)	0.0%
Nonoperating Revenues, Net	<u>(6.6)</u>	<u>42.7</u>	<u>(49.3)</u>	-115.5%
Increase (Decrease) in Net Position	(42.8)	42.7	(85.5)	-200.2%
Beginning Net Position, As Restated	<u>531.5</u>	<u>488.7</u>	<u>42.8</u>	8.8%
Ending Net Position	<u>\$ 488.7</u>	<u>\$ 531.4</u>	<u>\$ (42.7)</u>	-8.0%

Table A-4 above shows net patient service revenue decreased by approximately \$3,100,000 from 2021 to 2022. The change was primarily the result of staffing shortages in 2022 that decreased the ability to staff all beds.

Salaries, wages and employee benefits increased \$28,300,000, due primarily to increases in the salaries and additional bonuses for nurses. Supplies, contractual services, repairs and maintenance, and other expenses increased by approximately \$2,100,000, due primarily to increases in contractual services utilized by the Hospital in order to sustain appropriate staffing.

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2023 and 2022

Capital Assets and Debt Financing

Capital Assets

The Hospital's investment in a variety of net capital assets was approximately \$272,400,000 as of September 30, 2023 and approximately \$272,900,000 as of September 30, 2022, as shown in Table A-5 below.

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

	2023	2022 (As Restated)	2021
Land and land improvements	\$ 35.3	\$ 33.2	\$ 31.5
Buildings	353.2	350.9	342.3
Furniture, fixtures and equipment	354.2	344.5	336.0
Total capital assets	742.7	728.6	709.8
Accumulated depreciation	(492.7)	(466.8)	(435.9)
Construction in progress	22.4	11.1	9.5
Capital assets, net	<u>\$ 272.4</u>	<u>\$ 272.9</u>	<u>\$ 283.4</u>

Debt Financing

The Hospital executed a New Market Tax Credit transaction to finance the construction-in-progress related to Pine Grove Building and development for mental health services.

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

Next Year's Operating Plan

The Hospital's Board of Trustees adopted the fiscal year 2024 operating plan in August 2023. The operating plan for 2024 assumes that inpatient admissions will increase from 2023 due to anticipation of fewer staffing shortages in 2024. The plan includes a decrease in net position of approximately \$13,400,000.

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2023 and 2022

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to Administration by telephone at 601.288.7000.

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

Balance Sheets

September 30, 2023 and 2022

Assets and Deferred Outflows of Resources

	2023	2022 (As Restated)
Current Assets		
Cash and cash equivalents	\$ 122,967,633	\$ 79,564,401
Restricted cash	5,092,747	-
Funds held by trustee for self-insurance funding – current	461,909	333,867
Short-term investments	1,261,475	49,999,751
Patient accounts receivable, net of allowance for doubtful accounts of \$72,773,000 in 2023 and \$68,867,000 in 2022	66,614,279	67,208,822
Other receivables	5,462,283	4,775,637
Supplies	10,340,060	10,063,005
Prepaid expenses and other	8,769,546	8,986,759
Total current assets	220,969,932	220,932,242
Noncurrent Cash and Investments		
Funds held by trustee for self-insurance funding	2,742,429	2,303,148
Funds designated by the Board for discretionary purposes	207,366,481	203,050,375
Total noncurrent assets	210,108,910	205,353,523
Capital Assets, Net	272,368,205	272,865,069
Lease Assets, Net	33,421,974	32,885,589
Subscription Assets, Net	6,798,351	5,741,265
Other Assets	31,855,895	17,972,890
Net Other Postemployment Benefit Asset	1,834,112	3,849,815
Deferred Outflows of Resources	23,490,666	25,491,292
Total assets and deferred outflows of resources	\$ 800,848,045	\$ 785,091,685

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2023	2022 (As Restated)
Current Liabilities		
Current installments of long-term debt	\$ 6,222,756	\$ 5,824,267
Current installments of lease liabilities	5,134,514	5,620,310
Current installments of subscription liabilities	2,170,417	2,193,991
Accounts payable	23,196,242	25,960,771
Salaries and wages payable	20,844,439	18,103,855
Payroll taxes and withholdings	4,163,377	4,258,323
Due to third-party payers	12,382,726	8,311,905
Other accrued expenses	15,171,128	14,433,767
	<hr/>	<hr/>
Total current liabilities	89,285,599	84,707,189
Long-term debt	137,348,867	123,755,071
Lease liabilities	25,877,772	23,894,215
Subscription liabilities	3,583,365	3,077,734
Estimated insurance reserves and other	4,255,082	4,252,545
Net pension liability	51,739,890	48,179,483
	<hr/>	<hr/>
Total liabilities	312,090,575	287,866,237
Deferred Inflows of Resources	<hr/>	<hr/>
	6,278,407	8,550,433
Net Position		
Net investment in capital assets	132,559,557	145,931,196
Restricted		
Other post employment benefits	1,834,112	3,849,815
Capital expenditures and other	7,902,194	2,430,128
Unrestricted	340,183,200	336,463,876
	<hr/>	<hr/>
Total net position	482,479,063	488,675,015
Total liabilities, deferred inflows of resources and net position	<hr/> <hr/>	<hr/> <hr/>
	\$ 800,848,045	\$ 785,091,685

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2023 and 2022

	2023	2022 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts of \$61,493,000 in 2023 and \$42,239,000 in 2022	\$ 639,028,152	\$ 579,432,964
Other	15,574,429	12,594,664
	<u>654,602,581</u>	<u>592,027,628</u>
Operating Expenses		
Salaries, wages and employee benefits	344,121,620	315,128,967
Supplies	149,443,613	141,848,026
Contractual services	96,304,233	86,214,631
Repairs, maintenance and other	36,423,204	36,005,187
Insurance	4,262,942	3,558,145
Lease and rentals	3,496,005	1,956,902
Depreciation and amortization	42,369,597	43,484,289
	<u>676,421,214</u>	<u>628,196,147</u>
	<u>(21,818,633)</u>	<u>(36,168,519)</u>
Operating Loss		
Nonoperating Revenues (Expenses)		
Net investment income (loss)	9,228,657	(20,253,375)
Interest expense	(5,254,796)	(5,195,816)
Noncapital grants and gifts received and other	5,967,415	21,027,900
Noncapital grants and gifts paid to others	(1,577,748)	(1,606,219)
Other	(222,021)	(588,052)
	<u>8,141,507</u>	<u>(6,615,562)</u>
	<u>(13,677,126)</u>	<u>(42,784,081)</u>
Loss Before Capital Grants and Gifts		
	<u>7,481,174</u>	<u>-</u>
Capital Grants and Gifts		
	<u>(6,195,952)</u>	<u>(42,784,081)</u>
Decrease in Net Position		
	<u>488,675,015</u>	<u>531,459,096</u>
Net Position, Beginning of Year		
	<u>\$ 482,479,063</u>	<u>\$ 488,675,015</u>
Net Position, End of Year		

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022 (As Restated)
	<u>2023</u>	<u>(As Restated)</u>
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	\$ 644,487,187	\$ 580,331,889
Other cash received	13,812,206	11,258,930
Cash paid to suppliers and others	(305,095,182)	(268,725,993)
Cash paid to or on behalf of employees	<u>(337,474,179)</u>	<u>(310,918,112)</u>
Net cash provided by operating activities	<u>15,730,032</u>	<u>11,946,714</u>
Cash Flows from Noncapital Financing Activities		
Noncapital grants and gifts received and other	5,900,320	21,152,933
Noncapital grants and gifts paid to others	<u>(1,577,748)</u>	<u>(1,606,219)</u>
Net cash provided by noncapital financing activities	<u>4,322,572</u>	<u>19,546,714</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of long-term debt	27,258,394	1,311,006
Principal paid on long-term debt	(12,092,602)	(5,516,695)
Interest paid on long-term debt	(5,026,196)	(5,200,541)
Interest payments of lease liability	842,895	1,097,954
Principal payments received on leases receivable	123,410	60,820
Principal paid on lease liabilities	(6,604,207)	(6,924,961)
Interest paid on lease liabilities	(1,120,711)	(925,242)
Principal paid on subscription liabilities	(3,090,198)	(2,827,798)
Interest paid on subscription liabilities	(174,727)	(170,148)
Purchase of capital assets and lease assets	(31,429,387)	(20,355,037)
Proceeds from receipt of capital grants	7,481,174	-
Purchase of Perry County Hospital	<u>-</u>	<u>(2,900,000)</u>
Net cash used in capital and related financing activities	<u>(23,832,155)</u>	<u>(42,350,642)</u>
Cash Flows from Investing Activities		
Interest and dividends on investments	6,939,708	4,690,886
Proceeds from sale of investments	167,390,221	71,370,928
Purchase of investments	<u>(119,546,826)</u>	<u>(128,459,515)</u>
Net cash provided by (used in) investing activities	<u>54,783,103</u>	<u>(52,397,701)</u>
Increase (Decrease) in Cash and Cash Equivalents	51,003,552	(63,254,915)
Cash and Cash Equivalents, Beginning of Year	<u>86,417,050</u>	<u>149,671,965</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 137,420,602</u></u>	<u><u>\$ 86,417,050</u></u>

See Notes to Financial Statements

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Statements of Cash Flows (Continued)
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> <u>(As Restated)</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	\$ (21,818,633)	\$ (36,168,519)
Items not requiring cash		
Depreciation and amortization	42,369,597	43,484,289
Provision for uncollectible accounts	61,493,490	42,238,537
Changes in		
Patient accounts receivable, net	(60,898,947)	(43,909,474)
Accounts payable and accrued liabilities	1,020,233	8,560,498
Amounts due to and from third-party payers	4,070,821	(2,266,091)
Net pension liability	3,560,407	38,605,733
Net other postemployment benefit asset	2,015,703	(2,139,573)
Deferred inflows of resources - pension and other postemployment benefits	(1,381,458)	(20,720,816)
Deferred outflows of resources - pension and other postemployment benefits	1,811,205	(11,410,941)
Other assets and liabilities	<u>(16,512,386)</u>	<u>(4,326,929)</u>
Net cash provided by operating activities	<u>\$ 15,730,032</u>	<u>\$ 11,946,714</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 128,060,380	\$ 79,564,401
Cash and cash equivalents in funds internally designated and held by trustee for capital acquisition	6,155,884	4,215,634
Cash and cash equivalents in funds held by trustee for self-insurance funding	<u>3,204,338</u>	<u>2,637,015</u>
Total cash and cash equivalents	<u>\$ 137,420,602</u>	<u>\$ 86,417,050</u>
Noncash Investing, Capital and Financing Activities		
Capital asset purchases included in accounts payable	\$ 807,586	\$ 1,135,997
Lease obligation for leased assets	\$ 8,101,968	\$ 2,909,094
Lease obligation for subscription assets	\$ 4,183,520	\$ 1,484,592

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

Statements of Fiduciary Net Position
Years Ended September 30, 2023 and 2022

	2023	2022
	Pension and Other Employee Benefit Trust Funds	Pension and Other Employee Benefit Trust Funds
Assets		
Cash and cash equivalents	\$ 580,878	\$ 462,616
Investment income		
Accrued income	1,103,649	179,327
Investments at fair value		
Money market mutual funds	54,229,135	5,578,280
Treasury bills	1,879,497	-
Mutual funds		
Equities	99,413,106	90,641,537
Fixed income	39,608,661	92,713,228
Investments at contract value	3,752,139	3,660,368
Total investments	198,882,538	192,593,413
Total assets	\$ 200,567,065	\$ 193,235,356
Net Position		
Restricted for		
Pensions	\$ 193,458,867	\$ 186,388,395
Postemployment benefits other than pensions	7,108,198	6,846,961
Total net position	\$ 200,567,065	\$ 193,235,356

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Statements of Changes in Fiduciary Net Position
Years Ended September 30, 2023 and 2022

	2023	2022
	Pension and Other Employee Benefit Trust Funds	Pension and Other Employee Benefit Trust Funds
Additions		
Contributions		
Members	\$ 6,102,252	\$ 5,718,915
Total contributions	6,102,252	5,718,915
Investment earnings		
Net increase (decrease) in fair value of investments	13,494,110	(25,216,803)
Total investment earnings	13,494,110	(25,216,803)
Total additions	19,596,362	(19,497,888)
Deductions		
Benefits paid to participants or beneficiaries	11,876,156	11,333,609
Administrative expense	388,497	403,790
Total deductions	12,264,653	11,737,399
Net Increase (Decrease) in Fiduciary Net Position	7,331,709	(31,235,287)
Fiduciary Net Position, Beginning of Year	193,235,356	224,470,643
Fiduciary Net Position, End of Year	\$ 200,567,065	\$ 193,235,356

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

Notes to Financial Statements September 30, 2023 and 2022

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

Nature of Operations and Reporting Entity

Forrest County General Hospital (the Hospital) is an acute care hospital established by Forrest County, Mississippi (the County) as a special purpose government entity under Mississippi Code Section 41-13-15. The Hospital is owned by the County and per Mississippi statute is governed by a Board of Trustees appointed by the County Board of Supervisors. The Hospital is a component unit of Forrest County, Mississippi.

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

- Highland Community Hospital (HCH), an acute care hospital located in Picayune, Mississippi, over which the Hospital obtained control on May 1, 2006;
- Walthall General Hospital (WGH), a critical access hospital located in Tylertown, Mississippi, over which the Hospital obtained control on October 1, 2010;
- Jefferson Davis General Hospital (JDGH), a critical access hospital and 60-bed nursing home located in Prentiss, Mississippi, over which the Hospital obtained control on July 1, 2011;
- Marion General Hospital (MGH), a hospital located in Columbia, Mississippi, over which the Hospital obtained control on January 1, 2012;
- Pearl River County Hospital and Nursing Home (PRH), a critical access hospital and 120-bed nursing home located in Poplarville, Mississippi, over which the Hospital obtained control on February 1, 2020; and
- Perry County General Hospital (PCH), a critical access hospital located in Richton, Mississippi, over which the Hospital obtained control on December 31, 2021.

The accompanying financial statements also include entities that are blended component units of the Hospital. Those entities are:

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

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

Notes to Financial Statements September 30, 2023 and 2022

- Pine Grove Public Benefit Corporation (PGPB), a nonprofit corporation created as a part of the New Market Tax Credit transaction used to finance the Pine Grove building construction entered into on February 8, 2023.

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

Fiduciary Funds

The Forrest County General Hospital Pension Plan (the Pension Plan) and the Forrest County General Hospital Employee Health Benefit Plan (the OPEB Plan) are single-employer defined benefit plans included in the financial statements as a pension and OPEB trust fiduciary fund. The Board of Trustees of the Hospital performs the governing duties of the Pension Plan and the OPEB Plan, as the Pension Plan and the OPEB Plan do not have a separate board and are fiscally dependent on the Hospital. The fiduciary fund statements are presented as of June 30, 2023 and 2022 for the pension plan and September 30, 2023 and 2022 for the OPEB Plan, each plan's fiscal year-end.

Basis of Accounting and Presentation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows and inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the

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

Notes to Financial Statements **September 30, 2023 and 2022**

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. The Hospital does consider uninvested cash held in investment accounts as cash or cash equivalents. At September 30, 2023, cash equivalents consisted primarily of money market accounts with brokers and IntraFi Cash Service.

Patient Accounts Receivable

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

Notes Receivable

Notes receivable are stated at the outstanding principal amount, net of allowance for uncollectible notes. The Hospital provides an allowance for uncollectible notes, which is based on review of outstanding receivables, historical collection information, and existing economic conditions. No allowance was recorded in 2023. Outstanding notes accrue interest based on the terms of the respective note agreements. A note receivable is considered delinquent when the debtor has missed three or more payments. At that time, the note is placed on nonaccrual status and interest accrual ceases and does not resume until the note is no longer classified as delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower. The Hospital did not have any notes receivable that were considered delinquent for 2023. See *Note 4* for further information.

Supplies

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

Designated Funds and Funds Held by Trustees

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

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

Notes to Financial Statements **September 30, 2023 and 2022**

Investments and Investment Income

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

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

Capital Assets

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

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

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

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.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term, or the useful life of the underlying IT asset.

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

Notes to Financial Statements September 30, 2023 and 2022

Capital, Lease, and Subscription Asset Impairment

The Hospital recognizes the impairment of capital, lease, and subscription assets when events or changes in circumstances suggest that the service utility of the capital and lease asset may have significantly and unexpectedly declined. If such assets are no longer used, they are reported at the lower of carrying value or fair value. If such assets will continue to be used, the impairment loss is measured using the method that best reflects the diminished utility of the capital and lease assets. No asset impairment was recognized during the years ended September 30, 2023 or 2022.

Compensated Absences

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

Risk Management

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

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

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

Notes to Financial Statements September 30, 2023 and 2022

Deferred Outflows/Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net assets 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, 2023 and 2022, deferred outflows of resources and deferred inflows of resources were comprised of the following:

	Deferred Outflows of Resources	
	2023	2022
Deferred loss on refunding (<i>Note 6</i>)	\$ 1,436,198	\$ 1,559,149
Deferred outflow - acquisitions	1,143,390	1,209,860
Pension plan (<i>Note 13</i>)	18,639,917	21,991,270
OPEB Plan (<i>Note 14</i>)	2,271,161	731,013
	\$ 23,490,666	\$ 25,491,292
	Deferred Inflows of Resources	
	2023	2022
Gain on debt refunding of 2019 bonds (<i>Note 6</i>)	\$ 38,369	\$ 48,394
Pension plan (<i>Note 13</i>)	66,355	199,066
OPEB Plan (<i>Note 14</i>)	3,283,655	4,532,406
Leases	2,890,028	3,770,567
	\$ 6,278,407	\$ 8,550,433

Defined Benefit Pension Plan

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

Forrest County General Hospital

(A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements

September 30, 2023 and 2022

Defined Benefit Other Postemployment Benefit Plan

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

Lease Receivable

The Hospital is a lessor for noncancellable leases of certain buildings and recognizes a related lease receivable and a deferred inflow of resources. At the commencement of a lease, the Hospital 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 inflow 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 inflow of resources is recognized as revenue over the life of the lease term.

The Hospital 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 Hospital is a lessee for noncancellable leases. The Hospital 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 Hospital 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 Hospital 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.

Subscription Liability

The Hospital has entered into noncancellable contracts for subscription based intangible assets. The Hospital recognizes a subscription liability and a SBITA asset in the financial statements. At the commencement of a SBITA, the Hospital initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the

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

Notes to Financial Statements **September 30, 2023 and 2022**

subscription liability is reduced by the principal portion of subscription payments made. The SBITA asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

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

Net Position

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation or amortization and reduced by outstanding balances of any borrowings or lease and subscription liabilities incurred to finance the purchase, use, or construction of those assets and any unpaid capital asset related invoices.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Hospital.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets, leases and subscriptions, or restricted net position.

Net Patient Service Revenue

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

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

Charity Care

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

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

Notes to Financial Statements September 30, 2023 and 2022

Income Taxes

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

Note 2: Change in Accounting Principle

On October 1, 2022, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, using a retrospective method of adoption to all subscriptions in place at the beginning of the earliest period presented. The statement requires entities to recognize a subscription liability, measured at the present value of payments expected to be made during the subscription term, and an intangible SBITA asset. The 2022 financial statements and disclosures were restated to reflect the impact of this adoption.

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, 2022 are as follows:

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

Notes to Financial Statements September 30, 2023 and 2022

Balance Sheet

	2022 (Previously Reported)	Effect of Adoption	2022 (As Restated)
Assets and Deferred Outflows of Resources			
Current assets			
Prepaid expenses and other	\$ 9,689,845	\$ (703,086)	\$ 8,986,759
Total current assets	<u>221,635,328</u>	<u>(703,086)</u>	<u>220,932,242</u>
Subscription assets, net	-	5,741,265	5,741,265
Total assets and deferred outflows of resources	<u>\$ 780,053,506</u>	<u>\$ 5,038,179</u>	<u>\$ 785,091,685</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Current installments of subscription liabilities	\$ -	\$ 2,193,991	\$ 2,193,991
Other accrued expenses	14,391,301	42,466	14,433,767
Total current liabilities	<u>82,470,732</u>	<u>2,236,457</u>	<u>84,707,189</u>
Subscription liabilities	-	3,077,734	3,077,734
Total liabilities	<u>282,552,046</u>	<u>5,314,191</u>	<u>287,866,237</u>
Net investment in capital assets	145,461,656	469,540	145,931,196
Unrestricted	337,209,428	(745,552)	336,463,876
Total net position	<u>488,951,027</u>	<u>(276,012)</u>	<u>488,675,015</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 780,053,506</u>	<u>\$ 5,038,179</u>	<u>\$ 785,091,685</u>

Statement of Revenues, Expenses and Change in Net Position

Operating Expenses			
Repairs, maintenance and other	\$ 39,003,133	\$ (2,997,946)	\$ 36,005,187
Depreciation and amortization	40,422,945	3,061,344	43,484,289
Total operating expenses	<u>628,132,749</u>	<u>63,398</u>	<u>628,196,147</u>
Operating Loss	(36,105,121)	(63,398)	(36,168,519)
Nonoperating Revenues (Expenses)			
Interest expense	(4,983,202)	(212,614)	(5,195,816)
Total nonoperating revenues (expenses)	<u>(6,402,948)</u>	<u>(212,614)</u>	<u>(6,615,562)</u>
Decrease in Net Position	(42,508,069)	(276,012)	(42,784,081)
Net Position, Beginning of Year	<u>531,459,096</u>	-	<u>531,459,096</u>
Net Position, End of Year	<u>\$ 488,951,027</u>	<u>\$ (276,012)</u>	<u>\$ 488,675,015</u>

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

Notes to Financial Statements September 30, 2023 and 2022

Statement of Cash Flows

	2022 (Previously Reported)	Effect of Adoption	2022 (As Restated)
Cash Flows from Operating Activities			
Cash paid to suppliers and others	\$ (271,723,939)	\$ 2,997,946	\$ (268,725,993)
Net cash provided by operating activities	8,948,768	2,997,946	11,946,714
Cash Flows from Capital and Related Financing Activities			
Principal paid on subscription liabilities	-	(2,827,798)	(2,827,798)
Interest paid on subscription liabilities	-	(170,148)	(170,148)
Net cash used in capital and related financing activities	(39,352,696)	(2,997,946)	(42,350,642)
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating loss	(36,105,121)	(63,398)	(36,168,519)
Items not requiring cash			
Depreciation and amortization	40,422,945	3,061,344	43,484,289
Net cash provided by operating activities	8,948,768	2,997,946	11,946,714

Note 3: Deposits, Investments and Investment Income

The Hospital's deposits and investments are summarized below as of September 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 88,083,812	\$ 79,564,401
Restricted cash	5,092,747	-
Money market mutual funds	34,883,821	-
Short-term investments		
U.S. Treasury securities	-	49,999,751
Certificates of deposit	1,261,475	-
Designated funds and funds held by trustees		
Cash and cash equivalents	9,360,222	6,852,649
U.S. agency securities	16,659,596	15,940,985
U.S. Treasury securities	34,677,925	31,673,944
State municipal securities	23,744,121	24,717,518
Corporate debt securities	39,517,873	40,912,203
Pooled investment securities	86,611,082	85,590,091
	<u>210,570,819</u>	<u>205,687,390</u>
	<u>\$ 339,892,674</u>	<u>\$ 335,251,542</u>

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

Notes to Financial Statements September 30, 2023 and 2022

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

Credit Risk

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

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

A summary of cash and investments is as follows:

September 30, 2023	Fair Value	Percentage	Credit Rating
Cash and cash equivalents, operating funds	\$ 88,083,812	25.92%	Exempt from disclosure
Cash and cash equivalents, designated and held by trustee	9,360,222	2.75%	Exempt from disclosure
Restricted cash	5,092,747	1.50%	Exempt from disclosure
Money market mutual funds	34,883,821	10.26%	Exempt from disclosure
Certificates of deposit	1,261,475	0.37%	Exempt from disclosure
U.S. agency securities	16,659,596	4.90%	Exempt from disclosure
U.S. Treasury securities	34,677,925	10.20%	Exempt from disclosure
State municipal securities	23,744,121	6.99%	Exempt from disclosure
Corporate debt securities	39,517,873	11.63%	Aa1 - Ba2
Pooled investment securities	<u>86,611,082</u>	<u>25.48%</u>	**
Total cash and investments	<u>\$ 339,892,674</u>	<u>100.00%</u>	
September 30, 2022	Fair Value	Percentage	Credit Rating
Cash and cash equivalents, operating funds	\$ 79,564,401	23.73%	Exempt from disclosure
Cash and cash equivalents, designated and held by trustee	6,852,649	2.05%	Exempt from disclosure
U.S. agency securities	15,940,985	4.76%	Exempt from disclosure
U.S. Treasury securities	81,673,695	24.36%	Exempt from disclosure
State municipal securities	24,717,518	7.37%	Exempt from disclosure
Corporate debt securities	40,912,203	12.20%	Aa1 - Ba2
Pooled investment securities	<u>85,590,091</u>	<u>25.53%</u>	**
Total cash and investments	<u>\$ 335,251,542</u>	<u>100.00%</u>	

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

Notes to Financial Statements September 30, 2023 and 2022

** The pooled investment securities represent the Hospital's investment in the Mississippi Hospital Association investment pool. Although open to all hospitals, the pool is structured to comply with the provisions of Section 27-105-365 of the Mississippi Code Annotated (1972), which establishes guidelines for depository and investment activity for all county and municipal hospital funds. Accordingly, the pooled investment securities are limited to U.S. government and U.S. agencies, certain investment and trust funds, and commercial paper and corporate notes and bonds that have an "A" rating or better.

Concentration of Credit Risk

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

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer (an investment that represents more than 5% of the market value of the total investment portfolio). At both September 30, 2023 and 2022, approximately 12% and 5% of the Hospital's investment portfolio concentrations were invested in bonds of the State of Mississippi and Federal National Mortgage Association, respectively.

Custodial Credit Risk

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

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

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

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

Notes to Financial Statements September 30, 2023 and 2022

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

Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. At September 30, 2023 and 2022, deposits and investments requiring custodial credit risk disclosure totaled approximately \$120,672,000 and \$170,097,000, respectively, were exposed to credit risk by approximately \$2,328,000 and \$1,763,000, respectively.

Interest Rate Risk

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

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

The following is a summary of the Hospital's segmented time distribution investment maturities in years by investment type as of September 30, 2023 and 2022.

September 30, 2023	Fair Value	Years			
		< 1	1 – 5	6 – 10	More than 10
Money market mutual funds	\$ 34,883,821	\$ 34,883,821	\$ -	\$ -	-
U.S. agency securities	16,659,596	4,046,423	12,366,934	246,239	-
U.S. Treasury securities	34,677,925	8,692,534	25,985,391	-	-
State municipal securities	23,744,121	5,100,942	10,667,420	7,975,759	-
Corporate debt securities	39,517,873	3,542,482	23,202,913	12,772,478	-
	<u>\$ 149,483,336</u>	<u>\$ 56,266,202</u>	<u>\$ 72,222,658</u>	<u>\$ 20,994,476</u>	<u>\$ -</u>

September 30, 2022	Fair Value	Years			
		< 1	1 – 5	6 – 10	More than 10
U.S. agency securities	\$ 15,940,985	\$ 1,950,398	\$ 13,744,650	\$ 245,937	\$ -
U.S. Treasury securities	81,673,695	51,368,475	30,305,220	-	-
State municipal securities	24,717,518	2,259,402	14,398,007	8,060,109	-
Corporate debt securities	40,912,203	373,180	21,875,859	18,663,164	-
	<u>\$ 163,244,401</u>	<u>\$ 55,951,455</u>	<u>\$ 80,323,736</u>	<u>\$ 26,969,210</u>	<u>\$ -</u>

Forrest County General Hospital
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Notes to Financial Statements
September 30, 2023 and 2022

The Hospital has \$86,611,081 and \$85,590,091 in 2023 and 2022, respectively, in pooled investment securities whose underlying investments are primarily U.S. government and U.S. agency debt securities with varying maturities as determined by the pool; however, the average maturity is less than five years.

Investment Income (Loss)

Investment income (loss) for the years ended September 30, 2023 and 2022 consisted of:

	2023	2022
Interest and dividend income	\$ 9,070,518	\$ 5,546,134
Realized losses on investments, net	(1,558,125)	(839,717)
Unrealized gains (losses) on investments, net	1,716,264	(24,959,792)
	\$ 9,228,657	\$ (20,253,375)

Note 4: Notes Receivable

The Hospital entered into an agreement on February 8, 2023 to lend \$12,412,900 to Forrest General Pine Grove IF, LLC (Investment Fund). Interest of 1.0% is accrued on the note receivable balance from the date of issuance through maturity, with interest-only payments beginning March 2023 and paid quarterly through December 2030, then \$131,290 quarterly through maturity December 30, 2057. The note was secured by the investments fund's 99.9% membership in SCC Sub-CDE 18, LLC and PBCIF Sub-CDE8, LLC.

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

Notes to Financial Statements September 30, 2023 and 2022

Note 5: Capital, Lease, and Subscription Assets

Capital assets and related activity for the year ended September 30, 2023 consist of the items shown below.

	Balance October 1, 2022	Transfers in and Additions	Transfers Out and Retirements	Balance September 30, 2023
Capital assets not being depreciated				
Land	\$ 16,539,222	\$ 1,876,239	\$ -	\$ 18,415,461
Construction in progress	<u>11,048,604</u>	<u>30,207,598</u>	<u>(18,814,954)</u>	<u>22,441,248</u>
Total book value of capital assets not being depreciated	<u>27,587,826</u>	<u>32,083,837</u>	<u>(18,814,954)</u>	<u>40,856,709</u>
Capital assets being depreciated				
Land improvements	16,692,044	179,066	-	16,871,110
Leasehold improvements	5,506,513	969,835	-	6,476,348
Buildings	350,937,188	2,286,148	(35,878)	353,187,458
Fixed equipment	55,236,267	1,838,048	-	57,074,315
Movable equipment	277,932,572	12,321,080	(5,816,563)	284,437,089
Automotive equipment	<u>5,752,092</u>	<u>641,912</u>	<u>(200,535)</u>	<u>6,193,469</u>
Total book value of capital assets being depreciated	<u>712,056,676</u>	<u>18,236,089</u>	<u>(6,052,976)</u>	<u>724,239,789</u>
Less accumulated depreciation for				
Land improvements	11,992,488	698,473	-	12,690,961
Leasehold improvements	4,404,489	196,192	-	4,600,681
Buildings	193,127,154	12,352,605	(35,878)	205,443,881
Fixed equipment	37,028,177	3,096,266	-	40,124,443
Movable equipment	215,781,123	15,104,223	(5,816,563)	225,068,783
Automotive equipment	<u>4,446,002</u>	<u>554,077</u>	<u>(200,535)</u>	<u>4,799,544</u>
Total accumulated depreciation	<u>466,779,433</u>	<u>32,001,836</u>	<u>(6,052,976)</u>	<u>492,728,293</u>
Capital assets being depreciated, net	<u>245,277,243</u>	<u>(13,765,747)</u>	<u>-</u>	<u>231,511,496</u>
Capital assets, net	<u>\$ 272,865,069</u>	<u>\$ 18,318,090</u>	<u>\$ (18,814,954)</u>	<u>\$ 272,368,205</u>

Construction in progress at September 30, 2023, consists of expenditures associated with the Pine Grove Medical Office Building construction, neurosurgery clinic, and renovation of the trauma clinic. Budgeted costs to complete these projects are \$4,000,000 in fiscal year 2024 and will be funded through operations and the promissory note for construction discussed in Note 6.

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

Notes to Financial Statements September 30, 2023 and 2022

Capital assets and related activity for the year ended September 30, 2022 consist of the items shown below.

	Balance October 1, 2021	Transfers in and Additions	Transfers Out and Retirements	Balance September 30, 2022
Capital assets not being depreciated				
Land	\$ 15,305,142	\$ 1,234,080	\$ -	\$ 16,539,222
Construction in progress	9,516,596	21,429,995	(19,897,987)	11,048,604
	<u>24,821,738</u>	<u>22,664,075</u>	<u>(19,897,987)</u>	<u>27,587,826</u>
Total book value of capital assets not being depreciated				
	<u>24,821,738</u>	<u>22,664,075</u>	<u>(19,897,987)</u>	<u>27,587,826</u>
Capital assets being depreciated				
Land improvements	16,221,830	470,214	-	16,692,044
Leasehold improvements	5,177,019	329,494	-	5,506,513
Buildings	342,282,518	8,654,670	-	350,937,188
Fixed equipment	54,314,037	924,898	(2,668)	55,236,267
Movable equipment	270,973,580	8,399,360	(1,440,368)	277,932,572
Automotive equipment	5,552,363	314,148	(114,419)	5,752,092
	<u>694,521,347</u>	<u>19,092,784</u>	<u>(1,557,455)</u>	<u>712,056,676</u>
Total book value of capital assets being depreciated				
	<u>694,521,347</u>	<u>19,092,784</u>	<u>(1,557,455)</u>	<u>712,056,676</u>
Less accumulated depreciation for				
Land improvements	11,261,753	730,735	-	11,992,488
Leasehold improvements	4,209,700	194,789	-	4,404,489
Buildings	180,774,406	12,352,748	-	193,127,154
Fixed equipment	33,882,541	3,148,304	(2,668)	37,028,177
Movable equipment	201,897,280	15,324,211	(1,440,368)	215,781,123
Automotive equipment	3,924,982	635,439	(114,419)	4,446,002
	<u>435,950,662</u>	<u>32,386,226</u>	<u>(1,557,455)</u>	<u>466,779,433</u>
Total accumulated depreciation				
	<u>435,950,662</u>	<u>32,386,226</u>	<u>(1,557,455)</u>	<u>466,779,433</u>
Capital assets being depreciated, net	<u>258,570,685</u>	<u>(13,293,442)</u>	<u>-</u>	<u>245,277,243</u>
Capital assets, net	<u>\$ 283,392,423</u>	<u>\$ 9,370,633</u>	<u>\$ (19,897,987)</u>	<u>\$ 272,865,069</u>

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

Notes to Financial Statements September 30, 2023 and 2022

Lease assets activity for the year ended September 30, 2023, consist of the items shown below:

	Balance October 1, 2022	Additions	Terminations	Balance September 30, 2023
Lease assets being amortized				
Building	\$ 32,302,644	\$ 2,179,720	\$ 2,270,295	\$ 32,212,069
Equipment	9,049,633	5,922,248	2,923,423	12,048,458
Vehicles	<u>1,656,278</u>	<u>-</u>	<u>503,349</u>	<u>1,152,929</u>
	<u>43,008,555</u>	<u>8,101,968</u>	<u>5,697,067</u>	<u>45,413,456</u>
Less accumulated amortization				
Building	6,480,252	3,863,492	2,270,295	8,073,449
Equipment	2,913,510	3,178,071	2,923,423	3,168,158
Vehicles	<u>729,204</u>	<u>524,020</u>	<u>503,349</u>	<u>749,875</u>
	<u>10,122,966</u>	<u>7,565,583</u>	<u>5,697,067</u>	<u>11,991,482</u>
Lease assets, net	<u>\$ 32,885,589</u>	<u>\$ 536,385</u>	<u>\$ -</u>	<u>\$ 33,421,974</u>

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

	Balance October 1, 2021	Additions	Terminations	Balance September 30, 2022
Lease assets being amortized				
Building	\$ 33,170,733	\$ 749,459	\$ 1,617,548	\$ 32,302,644
Equipment	9,928,893	1,714,068	2,593,328	9,049,633
Vehicles	<u>1,317,322</u>	<u>445,567</u>	<u>106,611</u>	<u>1,656,278</u>
	<u>44,416,948</u>	<u>2,909,094</u>	<u>4,317,487</u>	<u>43,008,555</u>
Less accumulated amortization				
Building	3,969,363	4,128,437	1,617,548	6,480,252
Equipment	2,364,281	3,142,557	2,593,328	2,913,510
Vehicles	<u>317,073</u>	<u>518,742</u>	<u>106,611</u>	<u>729,204</u>
	<u>6,650,717</u>	<u>7,789,736</u>	<u>4,317,487</u>	<u>10,122,966</u>
Lease assets, net	<u>\$ 37,766,231</u>	<u>\$ (4,880,642)</u>	<u>\$ -</u>	<u>\$ 32,885,589</u>

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Subscription asset activity for the year ended September 30, 2023 was:

	2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Subscription assets	\$ 8,627,705	\$ 4,183,520	\$ 1,694,324	\$ 11,116,901
Less accumulated amortization Subscription assets	2,886,440	3,126,434	1,694,324	4,318,550
Subscription assets, net	\$ 5,741,265	\$ 1,057,086	\$ -	\$ 6,798,351

Subscription asset activity for the year ended September 30, 2022, was:

	2022			
	Beginning Balance (As Restated)	Additions	Disposals	Ending Balance
Subscription assets	\$ 7,318,016	\$ 1,484,592	\$ 174,903	\$ 8,627,705
Less accumulated amortization Subscription assets	-	3,061,343	174,903	2,886,440
Subscription assets, net	\$ 7,318,016	\$ (1,576,751)	\$ -	\$ 5,741,265

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

Notes to Financial Statements September 30, 2023 and 2022

Note 6: Long-term Debt

A summary of long-term obligation transactions for the Hospital for the years ended September 30, 2023 and 2022 follows.

Description	Balance October 1, 2022	Additions	Retired	Amortization	Balance September 30, 2023	Due Within One Year
Series 2019A (A)	\$ 63,530,000	\$ -	\$ -	\$ -	\$ 63,530,000	\$ -
Series 2019B (B)	23,505,000	-	1,715,000	-	21,790,000	2,000,000
BancorpSouth (C)	16,254,571	-	1,365,868	-	14,888,703	1,401,801
BancorpSouth (D)	7,861,157	-	1,318,071	-	6,543,086	1,353,206
BancorpSouth (E)	6,073,446	-	1,171,096	-	4,902,350	1,202,374
Trustmark (F)	794,933	-	257,421	-	537,512	265,375
Trustmark (G)	1,311,006	10,688,394	6,265,146	-	5,734,254	-
NMTC Debt (H)	-	16,570,000	-	-	16,570,000	-
Unamortized Bond Premium	10,249,225	-	-	(1,173,507)	9,075,718	-
	<u>\$ 129,579,338</u>	<u>\$ 27,258,394</u>	<u>\$ 12,092,602</u>	<u>\$ (1,173,507)</u>	<u>\$ 143,571,623</u>	<u>\$ 6,222,756</u>

Description	Balance October 1, 2021	Additions	Retired	Amortization	Balance September 30, 2022	Due Within One Year
Series 2019A (A)	\$ 63,530,000	\$ -	\$ -	\$ -	\$ 63,530,000	\$ -
Series 2019B (B)	25,075,000	-	1,570,000	-	23,505,000	1,715,000
BancorpSouth (C)	17,557,861	-	1,303,290	-	16,254,571	1,365,868
BancorpSouth (D)	9,117,490	-	1,256,333	-	7,861,157	1,318,071
BancorpSouth (E)	7,210,811	-	1,137,365	-	6,073,446	1,167,907
Trustmark (F)	1,044,640	-	249,707	-	794,933	257,421
Trustmark (G)	-	1,311,006	-	-	1,311,006	-
Unamortized Bond Premium	11,470,445	-	-	(1,221,220)	10,249,225	-
	<u>\$ 135,006,247</u>	<u>\$ 1,311,006</u>	<u>\$ 5,516,695</u>	<u>\$ (1,221,220)</u>	<u>\$ 129,579,338</u>	<u>\$ 5,824,267</u>

- (A) On July 25, 2019, the Hospital issued \$63,530,000 in Series 2019A Revenue Refunding Bonds bearing interest at 3.00% to 5.00% to advance refund \$70,000,000 of Series 2010 Build America Revenue Bonds and to pay certain expenses incurred in connection with the issuance of the bonds. The total bond proceeds were \$72,786,065, resulting in an issuance premium of \$9,256,065. The net proceeds of \$71,950,737 (after payment of \$835,328 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2010 Build America Revenue Bonds. As a result, the 2010 Series Bonds are considered to be defeased, and the liability for those bonds has been removed from the Hospital's balance sheets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,950,737. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged

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

Notes to Financial Statements **September 30, 2023 and 2022**

to interest expense through the year 2039 using the effective interest method. The Hospital completed the advance refunding to reduce its total debt service payments over the next 20 years by \$18,442,057 and to obtain an economic gain between the present values of the old and new debt service payments of \$12,081,158. The unamortized loss on refinancing of the debt was \$1,436,198 and \$1,559,149 at September 30, 2023 and 2022, respectively, and is included in the balance sheets as a deferred outflow of resources.

- (B) On October 3, 2019, the Hospital issued \$26,365,000 in Series 2019B Revenue Refunding Bonds bearing interest at 5.00% to advance refund \$30,155,000 of Series 2009 Revenue Refunding Bonds (Series 2009 Bonds) and to pay certain expenses incurred in connection with the issuance of the bonds. The total bond proceeds were \$31,080,518, resulting in an issuance premium of \$4,853,935. The net proceeds of \$30,826,061 (after payment of \$392,875 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2009 Bonds. As a result, the Series 2009 Bonds are considered to be defeased, and the liability for those bonds has been removed from the Hospital's balance sheets. The unamortized gain on refunding of the debt was \$38,369 and \$48,394 at September 30, 2023 and 2022, respectively, and is included in the balance sheets as a deferred inflow of resources.

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

- (C) Promissory note dated January 25, 2018, bearing interest at 3.55%; collateralized by Hospital revenues; due from February 20, 2018 to January, 20, 2033. On May 3, 2021, this note was refinanced, changing the interest rate to 2.87%. The current principal balance at the time of refinancing and maturity date remain the same as stated in the original note.
- (D) Promissory note dated April 9, 2018, bearing interest at 4.17%; collateralized by real property; due from May 9, 2018 to April 9, 2028. On May 3, 2021, this note was refinanced, changing the interest rate to 2.63%. The current principal balance at the time of refinancing and maturity date remain the same as stated in the original note.
- (E) Promissory note dated August 31, 2018, bearing interest at 4.57%; collateralized by real property; due from September 30, 2018 to August 31, 2027. On May 3, 2021, this note was refinanced, changing the interest rate to 2.63%. The current principal balance at the time of refinancing and maturity date remain the same as stated in the original note.
- (F) Promissory note dated September 17, 2020, bearing interest at 3.05%; collateralized by real property; due from September 17, 2020 to September 17, 2025.

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- (G) Promissory note for construction of Pine Grove building which can be drawn up to \$12,000,000 dated June 13, 2022, bearing interest at 3.64%; collateralized by real property; due from June 15, 2024 to June 13, 2029.
- (H) The Hospital executed loan agreements on February 8, 2023 that provide borrowings of \$8,730,000 from SCC Sub-CDE 18, LLC and \$7,840,000 from PBCIF Sub-CDE 8, LLC. The loans financed the construction of a new Pine Grove medical office building. The notes were secured by security interest and lien on the property.

Under the terms of the loan agreements, the loans had an interest rate of 1.18614%, payable quarterly in arrears to the lenders. The Hospital is not permitted to prepay any portion of the principal of the loans until the seventh anniversary date.

Under the terms of the loan agreements, the Hospital had certain compliance requirements, including compliance reporting and maintaining its status as a qualified active low-income community business (QALICB), as defined by the Internal Revenue Code. After seven years, the Investment Fund owner can execute its put option to have the Hospital acquire its interest in the Investment Fund, as defined in the put/call agreement.

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

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

Years Ending September 30	Principal	Interest	Total
2024	\$ 6,222,756	\$ 4,931,402	\$ 11,154,158
2025	7,167,974	4,620,164	11,788,138
2026	7,146,341	4,365,749	11,512,090
2027	7,411,136	4,101,679	11,512,815
2028	7,856,199	3,773,213	11,629,412
2029 - 2033	39,131,179	13,650,916	52,782,095
2034 - 2038	33,531,451	6,178,689	39,710,140
2039 - 2043	16,445,531	1,060,084	17,505,615
Thereafter	<u>9,583,338</u>	<u>830,883</u>	<u>10,414,221</u>
	<u>\$ 134,495,905</u>	<u>\$ 43,512,779</u>	<u>\$ 178,008,684</u>

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Note 7: Leases Receivable

The Hospital leases a portion of its office space to various third parties, the terms of which expire 2023 through 2037. Revenue recognized under lease contracts during the years ended September 30, 2023 and 2022 was \$1,500,378 and \$1,247,768, respectively, which includes both lease revenue and interest. The Hospital's current and noncurrent lease receivable are included on the accompanying balance sheets in other receivables and other assets, respectively, for the years ended 2023 and 2022.

The following is a schedule by year of receipts under the leases as of September 30, 2023.

	Principal	Interest
2024	\$ 534,873	\$ 100,998
2025	521,857	81,858
2026	526,784	62,671
2027	544,028	43,256
2028	357,776	25,919
2029-2033	404,041	46,781
2034-2037	130,218	9,669
	\$ 3,019,577	\$ 371,152

Note 8: Lease Liabilities

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

During the years ended September 30, 2023 and 2022, the Hospital recognized approximately \$3,496,005 and \$1,956,902, respectively, of rental expense for variable payments not previously included in the measurement of the lease liability.

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The following is a schedule by year of payments under the leases as of September 30, 2023.

Year Ending September 30,	Total to be		
	Paid	Principal	Interest
2024	\$ 6,234,128	\$ 5,134,514	\$ 1,099,614
2025	5,096,045	4,166,809	929,236
2026	4,260,640	3,475,913	784,727
2027	3,248,874	2,579,104	669,770
2028	2,954,628	2,386,968	567,660
2029 - 2033	10,025,648	8,447,279	1,578,369
2034 - 2037	5,136,925	4,821,699	315,226
	<u>\$ 36,956,888</u>	<u>\$ 31,012,286</u>	<u>\$ 5,944,602</u>

Lease liability activity for the years ended September 30 was:

Asset Type	Balance October 1, 2022	Additions	Payments	Balance September 30, 2023
Building	\$ 22,861,016	\$ 2,179,720	\$ 3,022,066	\$ 22,018,670
Equipment	5,709,895	5,922,248	3,053,239	8,578,904
Vehicles	943,614	-	528,902	414,712
Total lease liability	<u>\$ 29,514,525</u>	<u>\$ 8,101,968</u>	<u>\$ 6,604,207</u>	<u>\$ 31,012,286</u>

Asset Type	Balance October 1, 2021	Additions	Payments	Balance September 30, 2022
Building	\$ 25,018,990	\$ 749,459	\$ 2,907,433	\$ 22,861,016
Equipment	7,502,258	1,714,068	3,506,431	5,709,895
Vehicles	1,009,144	445,567	511,097	943,614
Total lease liability	<u>\$ 33,530,392</u>	<u>\$ 2,909,094</u>	<u>\$ 6,924,961</u>	<u>\$ 29,514,525</u>

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Note 9: Subscription Liabilities

The Hospital has various SBITAs, the terms of which expire in various years through 2027. Variable payments of certain subscriptions are based upon the Consumer Price Index (Index). The subscriptions were measured based upon the Index at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

The following is a schedule by year of payments under the SBITAs as of September 30, 2023:

Year Ending	Total to Be Paid	Principal	Interest
2024	\$ 2,340,363	\$ 2,170,417	\$ 169,946
2025	2,047,960	1,951,933	96,027
2026	1,098,542	1,051,454	47,088
2027	595,512	579,978	15,534
	<u>\$ 6,082,377</u>	<u>\$ 5,753,782</u>	<u>\$ 328,595</u>

Subscription liability activity for the years ended September 30 was:

Asset Type	Balance October 1, 2022	Additions	Payments	Balance September 30, 2023
Subscription liabilities	<u>\$ 5,271,725</u>	<u>\$ 3,572,255</u>	<u>\$ 3,090,198</u>	<u>\$ 5,753,782</u>

Asset Type	Balance October 1, 2021 (As Restated)	Additions	Payments	Balance September 30, 2022
Subscription liabilities	<u>\$ 6,658,650</u>	<u>\$ 1,440,872</u>	<u>\$ 2,827,797</u>	<u>\$ 5,271,725</u>

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Notes to Financial Statements September 30, 2023 and 2022

Note 10: Other Accrued Expenses

Other accrued expenses consist of the following:

	<u>2023</u>	<u>2022</u> (As Restated)
Patient credit balances	\$ 9,131,213	\$ 8,735,940
Reserve for incurred but not reported employee health claims	1,183,000	1,204,000
Malpractice - current	461,909	333,867
Workers' compensation - current	1,090,000	1,180,000
Revenue received in advance	660,848	727,943
Accrued interest expense	1,141,886	1,148,143
Other	1,502,272	1,103,874
	<u>\$ 15,171,128</u>	<u>\$ 14,433,767</u>

Note 11: Net Patient Service Revenue

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

- **Medicare** – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain other Medicare reimbursement items are paid based on other retroactive-determination methodologies. WGH, JDGH, PRH, and PCH are classified as critical access hospitals and are reimbursed based on the reasonable costs of providing care to Medicare program beneficiaries. MGH and HCH are not classified as critical access hospitals, but are receiving payments based on reasonable costs through the Rural Community Hospital Demonstration Project. The demonstration project ends on September 30, 2027 for HCH and September 30, 2026 for MGH. The Hospital is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary. Revenue from the Medicare program (including Medicare managed care) accounted for approximately 55% and 54% of the Hospital's net patient service revenue for the years ended September 30, 2023 and 2022, respectively.
- **Medicaid** – Inpatient and certain outpatient services rendered to Medicaid program beneficiaries are generally paid based upon prospective reimbursement methodologies

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established by the State of Mississippi. Inpatient services are reimbursed using a prospective-payment system based on All Patient Refined Diagnosis Related Groups (APR-DRG). Outpatient services are reimbursed using an Ambulatory Payment Classification (APC) methodology, similar to the Medicare payment model. The Hospital is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits by the State of Mississippi Medicaid Program. Revenue from the Medicaid program (including Medicaid managed care) accounted for approximately 22% of the Hospital's net patient service revenue for both years ended September 30, 2023 and 2022. This includes revenue from the programs described below.

Beginning July 1, 2015, Upper Payment Limit (UPL) payments were phased out, and the Division of Medicaid (DOM) implemented the Mississippi Hospital Access Payment (MHAP) program. The program is administered by DOM through the Mississippi CAN coordinated care organizations (CCOs). The CCOs subcontract with hospitals throughout the state for distribution of MHAP for the purpose of protecting patient access to hospital care. The net benefit for the Hospital associated with the MHAP program was \$37,733,254 and \$26,618,000 for the years ended September 30, 2023 and 2022, respectively. The Hospital also participates in a voluntary disproportionate share program (DSH) available to certain qualifying hospitals in the state Medicaid program. The net program benefit for the Hospital was approximately \$4,266,000 and \$6,550,000 for 2023 and 2022, respectively. Both MHAP and DSH are recognized as net patient service revenue in the accompanying statements of revenues, expenses and changes in net position.

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

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

The composition of net patient service revenue follows:

	2023	2022
Gross patient service revenue	\$ 2,213,417,407	\$ 1,897,549,797
Less provisions for		
Contractual, charity and other adjustments	(1,512,895,765)	(1,275,878,296)
Bad debts	(61,493,490)	(42,238,537)
Net patient service revenue	\$ 639,028,152	\$ 579,432,964

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Note 12: Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The level of charity care provided for 2023 and 2022 is shown in the table below.

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

	2023	2022
Charges foregone, based on established rates	\$ 30,915,318	\$ 31,876,122
Estimated costs and expenses incurred to provide charity care	9,177,412	10,551,732
Equivalent percentage of charity care patients to all patients served	1.40%	1.68%

Note 13: Pension Plans

Defined Contribution Pension Plan

The Hospital has a defined contribution pension plan that allows for employee and employer contributions. The plan was established on July 1, 2011, and only full-time employees hired after that date are eligible to receive Hospital contributions to the plan. Hospital contributions were approximately \$2,402,000 and \$1,985,000 during 2023 and 2022, respectively. The Hospital's contributions are vested after five years of service. Forfeitures are used to offset future employer contributions. At September 30, 2023 and 2022, forfeitures were approximately \$244,000 and \$356,000, respectively. Employee contributions were approximately \$5,671,000 and \$4,819,000 during 2023 and 2022, respectively.

Defined Benefit Pension Plan

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

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when issued or by writing the administration of the Hospital at P.O. Box 16389, Hattiesburg, Mississippi 39404 or calling 601.288.7000.

Benefits Provided

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

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

The employees covered by the Pension Plan at June 30, 2023 and 2022 follow:

	2023	2022
Active participants	715	801
Vested former employees	453	433
Retirees and beneficiaries	670	621
	1,838	1,855

Contributions

The Hospital's Board of Trustees has the authority to establish and amend the contribution requirements of the Hospital. The Board of Trustees establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Pension Plan members are not required or permitted to contribute any portion of their salary to fund the Pension Plan. The Hospital is required to contribute to the Pension Plan at actuarially determined rates at a percentage of annual covered payroll. For the fiscal year ended September 30, 2023, the Hospital contributed \$6,102,252 (or 10% of covered payroll) to the Pension Plan. For the fiscal year ended September 30, 2022, the Hospital contributed \$5,718,915 (or 10% of covered payroll) to the Pension Plan.

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Net Pension Liability

The Hospital's net pension liability was measured as of June 30, 2023 and 2022, as reported as of September 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 and 2022, respectively.

The total pension liability in the June 30, 2023 and 2022 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

In 2023 and 2022, mortality rates were based on 125% of the PubG-2010 Total Dataset Mortality Table, adjusted with the MP-2021 Improvement Scale.

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

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

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

Target Allocations				
Asset Class	Tier One Near-Term Sub Portfolio	Tier Two Mid-Term Sub Portfolio	Tier Three Long-term Sub Portfolio	Tactical Asset Allocation Portfolio
Cash/fixed income	60.00%	40.00%	20.00%	40.00%
Equities	40.00%	60.00%	80.00%	60.00%
Total	100.00%	100.00%	100.00%	100.00%
Long-Term Expected Rate of Return (Arithmetic Mean)				
Asset Class	June 30, 2023		June 30, 2022	
Cash/fixed income	3.50% - 4.00%		3.50% - 4.00%	
Equities	7.00% - 8.00%		7.00% - 8.00%	

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Discount Rate

The discount rate used to measure the total pension liability was 7.25% for both years ended June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that Hospital contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	2023		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	\$ 234,567,878	\$ 186,388,395	\$ 48,179,483
Changes for the year			
Service cost	1,593,431	-	1,593,431
Interest	16,705,067	-	16,705,067
Experience gains	3,825,557	-	3,825,557
Change in assumptions	-	-	-
Contributions	-	6,102,252	(6,102,252)
Net investment loss	-	12,825,954	(12,825,954)
Benefit payments	(11,493,176)	(11,493,176)	-
Administrative expense	-	(364,558)	364,558
Net changes	10,630,879	7,070,472	3,560,407
Balance, end of year	\$ 245,198,757	\$ 193,458,867	\$ 51,739,890

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	2022		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	\$ 225,622,849	\$ 216,049,099	\$ 9,573,750
Changes for the year			
Service cost	1,825,614	-	1,825,614
Interest	16,094,628	-	16,094,628
Benefit changes	-	-	-
Experience gains	1,586,118	-	1,586,118
Change in assumptions	345,849	-	345,849
Contributions	-	5,718,915	(5,718,915)
Net investment income	-	(24,074,437)	24,074,437
Benefit payments	(10,907,180)	(10,907,180)	-
Administrative expense	-	(398,002)	398,002
	8,945,029	(29,660,704)	38,605,733
Net changes			
Balance, end of year	\$ 234,567,878	\$ 186,388,395	\$ 48,179,483

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

	1% Decrease	Current Discount Rate 7.25%	1% Increase
	Hospital's net pension liability	\$ 80,020,660	\$ 51,739,890

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

For the years ended September 30, 2023 and 2022, the Hospital recognized pension expense of \$13,050,790 and \$11,001,849, respectively. At September 30, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,490,079	\$ -
Changes in assumptions	192,139	66,355
Net difference between projected and actual earnings on pension plan investments	12,389,764	-
Hospital's contributions made subsequent to the measurement date of the net pension liability	1,567,935	-
	\$ 18,639,917	\$ 66,355
	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,719,891	\$ -
Changes in assumptions	1,483,670	199,066
Net difference between projected and actual earnings on pension plan investments	15,389,262	-
Hospital's contributions made subsequent to the measurement date of the net pension liability	1,398,447	-
	\$ 21,991,270	\$ 199,066

At September 30, 2023 and 2022, the Hospital reported \$1,567,935 and \$1,398,447, respectively, as deferred outflows of resources related to pensions resulting from Hospital contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net pension liability in future periods. Other amounts reported as deferred outflows of

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resources and deferred inflows of resources at September 30, 2023 related to pensions will be recognized in pension expense as follows:

2024	\$	4,925,663
2025		2,805,252
2026		9,177,782
2027		96,930
	\$	17,005,627

Note 14: Other Postemployment Benefit Plan

Plan Description

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

Benefits Provided

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

Monthly contributions required by retirees depend on the service period at time of retirement and the type of coverage (single or family). Employees are eligible to retire and receive medical benefits under the OPEB Plan if their age plus years of service are greater than or equal to 70 (Rule of 70). Qualifying retirees may only participate in the medical plans offered to active employees until the earlier of age 65, or the date the retiree becomes Medicare eligible. Employees covered by the benefit terms as of the measurement date of September 30, 2022 and 2021 were as follows:

	2023	2022
Actives (covered)	699	805
Retirees (covered)	41	50

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The following table summarizes the monthly contribution rates for employees retiring on or after January 1, 2023.

Coverage Options	Plan A	Plan B	Plan C
Single	\$ 189	\$ 256	\$ 299
Retiree + 1 child	284	388	463
Retiree + 2 children	348	487	594
Retiree + spouse	351	469	582
Family	403	537	675

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

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

Contributions

The Hospital's governing body has the authority to establish and amend the contribution requirements of the Hospital and active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended September 30, 2023 and 2022, the Hospital contributed \$0 to the OPEB Plan.

Net OPEB Assets

The Hospital's net OPEB assets of \$1,834,112 and \$3,849,815 were measured as of September 30, 2022 and 2021, respectively, for the years ended September 30, 2023 and 2022, respectively, and the total OPEB asset used to calculate the net OPEB asset was determined by actuarial valuations as of October 1, 2022 and 2021. Due to the significance of favorable claims activity and changes in actuarial assumptions, management had an actuarial valuation completed as of October 1, 2022. There were no other changes between the measurement date of the net OPEB asset and the Hospital's reporting date that are expected to have a significant effect on the net OPEB asset.

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

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The total OPEB asset in the October 1, 2021 and 2022 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0%
Health care cost trend rates	6.00% for 2021, decreasing uniformly to 5.50% over 2 years, to an ultimate rate of 4.04% 6.50% for 2022, decreasing uniformly to 5.20% over 3 years, to an ultimate rate of 3.94%
Investment rate of return	6.0%, net of OPEB Plan investment expense, including inflation
Retirees' share of benefit-related costs	81% of projected health insurance premiums for retirees choosing Plan A; 90% of projected health insurance premiums for retirees choosing Plan B; 100% of projected health insurance premiums for retirees choosing Plan C

Mortality rates were based on 125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2020.

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

The long-term expected rate of return on the OPEB Plan investments was based primarily on historical returns on OPEB Plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation for each major asset class is 60% equities and 40% fixed income. The beginning estimate of rates of return for each major asset class is 7.00% to 8.00% annually for equities and 5.00% for fixed income.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0% at October 1, 2021 and 2022. The projection of cash flows used to determine the discount rate assumed that Hospital contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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**Notes to Financial Statements
September 30, 2023 and 2022**

Changes in the Net OPEB Asset/Liability

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

	2023		
	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Asset/Liability (a) - (b)
Balance, beginning of year	\$ 4,571,729	\$ 8,421,544	\$ (3,849,815)
Changes for the year			
Service cost	27,441	-	27,441
Interest	250,383	-	250,383
Difference between expected and actual experience	577,590	-	577,590
Change in actuarial assumptions	11,828	-	11,828
Contributions - employer	-	-	-
Net investment income	-	(1,142,673)	1,142,673
Benefit payments	(426,122)	(426,122)	-
Plan administrative expenses	-	(5,788)	5,788
Net changes	441,120	(1,574,583)	2,015,703
Balance, end of year	\$ 5,012,849	\$ 6,846,961	\$ (1,834,112)

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	2022		
	Total OPEB Liability (a)	OPEB Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, beginning of year	\$ 5,426,301	\$ 7,136,543	\$ (1,710,242)
Changes for the year			
Service cost	30,788	-	30,788
Interest	314,975	-	314,975
Difference between expected and actual experience	(741,519)	-	(741,519)
Change in actuarial assumptions	(43,800)	-	(43,800)
Contributions - employer	-	294,905	(294,905)
Net investment income	-	1,431,997	(1,431,997)
Benefit payments	(415,016)	(415,016)	-
Plan administrative expenses	-	(26,885)	26,885
Net changes	(854,572)	1,285,001	(2,139,573)
Balance, end of year	\$ 4,571,729	\$ 8,421,544	\$ (3,849,815)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate and Healthcare Cost Trend Rates

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

	1% Decrease 5.00%	Current Trend 6.00%	1% Increase 7.00%
Hospital's net OPEB asset	\$ (1,322,299)	\$ (1,834,112)	\$ (2,284,565)

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Notes to Financial Statements September 30, 2023 and 2022

The net OPEB asset of the Hospital has been calculated using healthcare cost trend rates of 6.50% to grade uniformly to 5.20% over a three-year period. The following presents the net OPEB asset using healthcare cost trend rates 1% higher and 1% lower than the current healthcare cost trend rates.

	5.50% to 4.20% Over 3 Years and Following the Getzen Model Thereafter	6.50% to 5.20% Over 3 years and Following the Getzen Model Thereafter	7.50% to 6.20% Over 3 Years and Following the Getzen Model Thereafter
Hospital's net OPEB asset	\$ (2,300,759)	\$ (1,834,112)	\$ (1,300,726)

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

For the years ended September 30, 2023 and 2022, the Hospital recognized OPEB credit of \$773,196 and \$1,073,561, respectively. At September 30, 2023 and 2022, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB Plan investments	\$ 1,344,100	\$ 619,136
Difference between expected and actual experience	462,072	2,635,319
Change in assumptions	464,989	29,200
Hospital's contributions made subsequent to the measurement date of the net OPEB liability	-	-
	\$ 2,271,161	\$ 3,283,655

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	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB Plan investments	\$ 72,186	\$ 832,556
Difference between expected and actual experience	-	3,663,350
Change in actuarial assumptions	658,827	36,500
Hospital's contributions made subsequent to the measurement date of the net OPEB liability	-	-
	\$ 731,013	\$ 4,532,406

At both September 30, 2023 and 2022, the Hospital reported \$0 as deferred outflows of resources related to OPEB resulting from Hospital contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net OPEB asset/liability at October 1, 2022 and 2021, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2023 related to OPEB will be recognized in OPEB expense as follows:

2024	\$ (559,798)
2025	(595,886)
2026	(170,803)
2027	313,993
	\$ (1,012,494)

**Forrest County General Hospital
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**Notes to Financial Statements
September 30, 2023 and 2022**

OPEB Plan's Fiduciary Net Position

At the September 30, 2022 and 2021 measurement dates, trust assets were comprised of the following:

	2022	2021
Cash and cash equivalents	\$ 476,483	\$ 416,252
Tweedy Browne Global Value	998,405	1,171,545
Vanguard Russell 2000 Index Fund	601,178	1,167,272
Vanguard Russell 1000 Index Fund	1,111,927	1,966,034
Vanguard Value Index Fund	557,306	464,013
PIMCO Foreign Bond Funds	878,216	802,508
Vanguard Total Bond Market Index Fund	2,216,769	2,433,920
Accrued income	6,677	-
	\$ 6,846,961	\$ 8,421,544

Note 15: Pension and Other Postemployment Benefit Plan Financial Statements

The following tables include financial information for the Pension and OPEB Plans as of June 30, 2023 and 2022, and September 30, 2023 and 2022, respectively.

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September 30, 2023 and 2022

Fiduciary Activities – Statements of Fiduciary Net Position

	2023		
	Pension June 30	OPEB September 30	Pension and Other Employee Benefit Trust Funds
Assets			
Cash and cash equivalents	\$ -	\$ 580,878	\$ 580,878
Investment income			
Accrued income	1,042,289	61,360	1,103,649
Investments at fair value			
Money market mutual funds	54,118,131	111,004	54,229,135
Treasury bills	-	1,879,497	1,879,497
Mutual funds			
Equities	95,710,537	3,702,569	99,413,106
Fixed income	38,835,771	772,890	39,608,661
Investments at contract value	<u>3,752,139</u>	<u>-</u>	<u>3,752,139</u>
Total investments	<u>192,416,578</u>	<u>6,465,960</u>	<u>198,882,538</u>
Total assets	<u>\$ 193,458,867</u>	<u>\$ 7,108,198</u>	<u>\$ 200,567,065</u>
Net Position			
Restricted for			
Pensions	\$ 193,458,867	\$ -	\$ 193,458,867
Postemployment benefits other than pension	<u>-</u>	<u>7,108,198</u>	<u>7,108,198</u>
Total net position	<u>\$ 193,458,867</u>	<u>\$ 7,108,198</u>	<u>\$ 200,567,065</u>

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Notes to Financial Statements
September 30, 2023 and 2022

	2022		
	Pension June 30	OPEB September 30	Pension and Other Employee Benefit Trust Funds
Assets			
Cash and cash equivalents	\$ -	\$ 462,616	\$ 462,616
Investment income			
Accrued income	172,650	6,677	179,327
Investments at fair value			
Money market mutual funds	5,564,413	13,867	5,578,280
Mutual funds			
Equities	87,372,721	3,268,816	90,641,537
Fixed income	89,618,243	3,094,985	92,713,228
Investments at contract value	<u>3,660,368</u>	<u>-</u>	<u>3,660,368</u>
Total investments	<u>186,215,745</u>	<u>6,377,668</u>	<u>192,593,413</u>
Total assets	<u>\$ 186,388,395</u>	<u>\$ 6,846,961</u>	<u>\$ 193,235,356</u>
Net Position			
Restricted for			
Pensions	\$ 186,388,395	\$ -	\$ 186,388,395
Postemployment benefits other than pension	<u>-</u>	<u>6,846,961</u>	<u>6,846,961</u>
Total net position	<u>\$ 186,388,395</u>	<u>\$ 6,846,961</u>	<u>\$ 193,235,356</u>

Forrest County General Hospital
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September 30, 2023 and 2022

Fiduciary Activities – Statements of Changes in Fiduciary Net Position

	2023		
	Pension June 30	OPEB September 30	Pension and Other Employee Benefit Trust Funds
Additions			
Contributions			
Members	\$ 6,102,252	\$ -	\$ 6,102,252
Total contributions	<u>6,102,252</u>	<u>-</u>	<u>6,102,252</u>
Investment earnings			
Net increase in fair value of investments	12,825,954	668,156	13,494,110
Total investment earnings	<u>12,825,954</u>	<u>668,156</u>	<u>13,494,110</u>
Total additions	<u>18,928,206</u>	<u>668,156</u>	<u>19,596,362</u>
Deductions			
Benefits paid to participants or beneficiaries	11,493,176	382,980	11,876,156
Administrative expense	364,558	23,939	388,497
Total deductions	<u>11,857,734</u>	<u>406,919</u>	<u>12,264,653</u>
Net Increase in Fiduciary Net Position	7,070,472	261,237	7,331,709
Fiduciary Net Position, Beginning of Year	<u>186,388,395</u>	<u>6,846,961</u>	<u>193,235,356</u>
Fiduciary Net Position, End of Year	<u>\$ 193,458,867</u>	<u>\$ 7,108,198</u>	<u>\$ 200,567,065</u>

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	2022		
	Pension June 30	OPEB September 30	Pension and Other Employee Benefit Trust Funds
Additions			
Contributions			
Members	\$ 5,718,915	\$ -	\$ 5,718,915
Total contributions	<u>5,718,915</u>	<u>-</u>	<u>5,718,915</u>
Investment earnings			
Net decrease in fair value of investments	<u>(24,074,437)</u>	<u>(1,142,366)</u>	<u>(25,216,803)</u>
Total investment earnings	<u>(24,074,437)</u>	<u>(1,142,366)</u>	<u>(25,216,803)</u>
Total additions	<u>(18,355,522)</u>	<u>(1,142,366)</u>	<u>(19,497,888)</u>
Deductions			
Benefits paid to participants or beneficiaries	10,907,180	426,429	11,333,609
Administrative expense	<u>398,002</u>	<u>5,788</u>	<u>403,790</u>
Total deductions	<u>11,305,182</u>	<u>432,217</u>	<u>11,737,399</u>
Net Decrease in Fiduciary Net Position	<u>(29,660,704)</u>	<u>(1,574,583)</u>	<u>(31,235,287)</u>
Fiduciary Net Position, Beginning of Year	<u>216,049,099</u>	<u>8,421,544</u>	<u>224,470,643</u>
Fiduciary Net Position, End of Year	<u>\$ 186,388,395</u>	<u>\$ 6,846,961</u>	<u>\$ 193,235,356</u>

Note 16: Fiduciary Activities

Pension Plan

The Pension Plan issues a financial report available for all participants that includes financial statements and required supplementary information. The report may be obtained at www.mshospitaltransparency.com when issued or by writing the administration of the Hospital at P. O. Box 16389, Hattiesburg, Mississippi 39404 or calling 601.288.7000.

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Other Postemployment Benefit Plan

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 OPEB Plan's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities, or the State of Mississippi; bonds of any city, county, school district, or special road district of the State of Mississippi; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At September 30, 2023 and 2022, none of the OPEB Plan's deposits were exposed to custodial credit risk.

Investments

Investment policy decisions are established and maintained by the Retirement Committee charged with overseeing the OPEB Plan, as authorized by the Hospital's Board of Trustees. The OPEB Plan relies on the Pension Plan investment policy, as it does not have a separate investment policy. The Retirement Committee is responsible for the administration and supervision of the OPEB Plan and its investments.

Interest Rate Risk

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

Interest rate risk inherent in the portfolio is measured by monitoring the segment time distribution of the investments in the portfolio. The weighted average maturity for fixed income mutual funds is approximately eight years for both 2023 and 2022.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the OPEB Plan's policy to limit its investments in corporate bonds to investment grade fixed income securities rated at least BBB-/Baa3 by Standard & Poor's and Moody's Investors Service.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the OPEB Plan will not be able to recover the value of its investment or collateral securities that are

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in the possession of an outside party. The investment policy does not address how investments are to be held.

Concentration of Credit Risk

The OPEB Plan does not have a policy to limit its holdings in any one issuer. At September 30, 2022 and 2021, all the OPEB Plan's investments were held through its trustee and custodian.

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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying fiduciary 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, 2023 and 2022.

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2023				
Money market mutual funds	\$ 111,004	\$ 111,004	\$ -	\$ -
Treasury bills	1,879,497	1,879,497	-	-
Mutual funds				
Fixed income	772,890	772,890	-	-
Equities	3,702,569	3,702,569	-	-
	<u>\$ 6,465,960</u>	<u>\$ 6,465,960</u>	<u>\$ -</u>	<u>\$ -</u>

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Notes to Financial Statements September 30, 2023 and 2022

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2022				
Money market mutual funds	\$ 13,867	\$ 13,867	\$ -	\$ -
Mutual funds				
Fixed income	3,094,985	3,094,985	-	-
Equities	3,268,816	3,268,816	-	-
	<u>\$ 6,377,668</u>	<u>\$ 6,377,668</u>	<u>\$ -</u>	<u>\$ -</u>

Investments

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

Note 17: Concentrations of Credit Risk

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

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

	2023		2022	
Medicare	\$ 41,971,002	30.1 %	\$ 44,156,178	32.4 %
Medicaid	15,650,897	11.2	16,869,666	12.4
Other third-party payers	38,586,423	27.7	38,088,630	28.0
Patients	43,179,233	31.0	36,961,551	27.2
	<u>139,387,555</u>	<u>100.0</u>	<u>136,076,025</u>	<u>100.0</u>
Less allowance for uncollectible accounts	72,773,276	52.2	68,867,203	50.6
	<u>\$ 66,614,279</u>	<u>47.8 %</u>	<u>\$ 67,208,822</u>	<u>49.4 %</u>

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Notes to Financial Statements September 30, 2023 and 2022

Note 18: Risk Management

Medical Malpractice and General Liability Risks

Annual estimated provisions are accrued based on actuarially determined amounts for the self-insured portion of medical malpractice and general liability claims, including an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported, and is included in other accrued expenses and estimated insurance reserves and other on the accompanying balance sheets.

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

The following is a summary of changes in the Hospital's self-insurance liability for professional and general liability costs for fiscal 2023 and 2022.

	2023	2022
Balance, October 1	\$ 2,732,894	\$ 2,659,669
Provisions for claims reported and claims incurred but not reported	887,001	397,856
Claims and related expenses paid	(388,732)	(324,631)
Balance, September 30	\$ 3,231,163	\$ 2,732,894

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

Employee Health Insurance

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

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A summary of changes in the Hospital's self-insurance liability for employee health coverage (included in other accrued expenses in the accompanying balance sheets) for fiscal 2023 and 2022 follows.

	2023	2022
Balance, October 1	\$ 1,204,000	\$ 1,145,000
Provisions for claims reported and claims incurred but not reported	12,934,723	13,115,985
Claims paid	(12,955,723)	(13,056,985)
Balance, September 30	\$ 1,183,000	\$ 1,204,000

Workers' Compensation

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

The following is a summary of changes in the Hospital's actuarially determined self-insurance liability for workers' compensation coverage for fiscal 2023 and 2022.

	2023	2022
Balance, October 1	\$ 2,867,791	\$ 2,991,406
Provisions for claims reported and claims incurred but not reported	747,828	1,059,040
Claims paid	(1,031,789)	(1,182,655)
Balance, September 30	\$ 2,583,830	\$ 2,867,791

Note 19: Disclosures About Fair Value of Assets and Liabilities

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are

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observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023 and 2022.

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observer able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2023	Total Fair Value			
Investments				
Money market mutual funds	\$ 34,883,821	\$ 34,883,821	\$ -	\$ -
U.S. agency securities	16,659,596	-	16,659,596	-
U.S. Treasury securities	34,677,925	-	34,677,925	-
State municipal securities	23,744,121	-	23,744,121	-
Corporate debt securities	39,517,873	-	39,517,873	-
Pooled investment securities	86,611,082	-	86,611,082	-
Total investments by fair value level	<u>\$ 236,094,418</u>	<u>\$ 34,883,821</u>	<u>\$ 201,210,597</u>	<u>\$ -</u>
Derivative Instrument				
Interest rate swap	<u>\$ 8,005</u>	<u>\$ -</u>	<u>\$ 8,005</u>	<u>\$ -</u>
		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observer able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2022	Total Fair Value			
Investments				
U.S. agency securities	\$ 15,940,985	\$ -	\$ 15,940,985	\$ -
U.S. Treasury securities	81,673,695	-	81,673,695	-
State municipal securities	24,717,518	-	24,717,518	-
Corporate debt securities	40,912,203	-	40,912,203	-
Pooled investment securities	85,590,091	-	85,590,091	-
	<u>\$ 248,834,492</u>	<u>\$ -</u>	<u>\$ 248,834,492</u>	<u>\$ -</u>
Derivative Instrument				
Interest rate swap	<u>\$ (165,726)</u>	<u>\$ -</u>	<u>\$ (165,726)</u>	<u>\$ -</u>

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Notes to Financial Statements September 30, 2023 and 2022

Investments

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

Interest Rate Swap Agreement

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

Note 20: Contingencies

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 18*.

Admitting Physicians

For both years ended September 30, 2023 and 2022, admissions by physicians employed by a large, multi-specialty physician practice located adjacent to the Hospital accounted for approximately 79% of the Hospital's gross revenues.

General Litigation

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

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

Notes to Financial Statements September 30, 2023 and 2022

Pension and Other Postretirement Benefit Obligations

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

Investments

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

Note 21: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic.

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

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the impact of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an impact on 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, 2023 and 2022, the Hospital received approximately \$0 and \$18,695,000 from the general other targeted distributions from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds. These distributions from the Provider Relief Funds are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare related expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

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

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

Notes to Financial Statements September 30, 2023 and 2022

impact of the pandemic on the Hospital's operating results through September 30, 2023, the Hospital recognized approximately \$0 and \$19,842,000 in 2023 and 2022, respectively, related to these general distribution and targeted funds, as Provider Relief Funds are applied for after all other assistance is received, including state grants. These payments are recorded as nonoperating revenues – noncapital grants and gifts received and other in our statements of revenues, expenses and changes in net position. The unrecognized amount of general distributions and targeted distributions are recorded as part of other accrued expenses in the accompanying balance sheets.

The Hospital has recognized revenue from the Provider Relief Funds based on guidance issued by HHS as of September 30, 2023. The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Funds and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions may be affected. Additionally, the amounts recorded in the financial statements compared to the Hospital's Provider Relief Funds reporting could differ. Provider Relief Funds payments are subject to government oversight, including potential audits.

Note 22: Condensed Combining Information

The following tables include condensed balance sheet information for the Hospital and its blended component units as of September 30, 2023 and 2022.

Forrest County General Hospital

(A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements

September 30, 2023 and 2022

September 30, 2023										
Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Pine Grove Public Benefit Corporation	Eliminations	Total	
Assets and Deferred Outflows of Resources										
Current assets	\$ 197,998,370	\$ 933,665	\$ 9,091	\$ 1,826,426	\$ -	\$ 11,132,034	\$ 3,972,742	\$ 5,097,604	\$ -	\$ 220,969,932
Noncurrent cash and investments	207,962,019	-	-	-	-	2,146,891	-	-	-	210,108,910
Capital assets, net	253,687,008	1,434,290	-	554,705	-	6,191,894	-	10,500,308	-	272,368,205
Lease assets, net	33,181,403	-	-	-	-	240,571	-	-	-	33,421,974
Subscription assets, net	6,549,577	-	-	-	-	248,774	-	-	-	6,798,351
Other assets	33,247,321	327,073	-	-	103,587	12,026	-	-	-	33,690,007
Intercompany receivables	192,606,075	-	204,941	-	1,334,370	-	-	(194,145,386)	-	-
Deferred outflows of resources	23,490,666	-	-	-	-	-	-	-	-	23,490,666
Total assets and deferred outflows of resources	\$ 948,722,439	\$ 2,695,028	\$ 214,032	\$ 2,381,131	\$ 1,437,957	\$ 19,972,190	\$ 3,972,742	\$ 15,597,912	\$ (194,145,386)	\$ 800,848,045
Liabilities and Deferred Inflows of Resources										
Current liabilities	\$ 87,737,764	\$ 4,416	\$ -	\$ 46,620	\$ -	\$ 1,496,799	\$ -	\$ -	\$ -	\$ 89,285,599
Intercompany payables	188,597,237	443,746	-	5,087,833	-	-	-	16,570	(194,145,386)	-
Long-term liabilities	205,769,011	-	-	-	-	465,965	-	16,570,000	-	222,804,976
Deferred inflows of resources	6,278,407	-	-	-	-	-	-	-	-	6,278,407
Total liabilities and deferred inflows of resources	488,382,419	448,162	-	5,134,453	-	1,962,764	-	16,586,570	(194,145,386)	318,368,982
Net investment in capital assets	137,150,384	1,434,290	-	554,705	-	5,755,016	-	(12,334,838)	-	132,559,557
Restricted	1,834,112	-	-	-	-	-	2,809,447	5,092,747	-	9,736,306
Unrestricted	321,355,524	812,576	214,032	(3,308,027)	1,437,957	12,254,410	1,163,295	6,253,433	-	340,183,200
Total net position	460,340,020	2,246,866	214,032	(2,753,322)	1,437,957	18,009,426	3,972,742	(988,658)	-	482,479,063
Total liabilities, deferred inflows of resources and net position	\$ 948,722,439	\$ 2,695,028	\$ 214,032	\$ 2,381,131	\$ 1,437,957	\$ 19,972,190	\$ 3,972,742	\$ 15,597,912	\$ (194,145,386)	\$ 800,848,045

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

Notes to Financial Statements September 30, 2023 and 2022

	September 30, 2022 (As Restated)								
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Eliminations	Total
Assets and Deferred Outflows of Resources									
Current assets	\$ 206,820,603	\$ 930,404	\$ 10,132	\$ 1,646,249	\$ -	\$ 8,026,300	\$ 3,498,554	\$ -	\$ 220,932,242
Noncurrent cash and investments	203,280,089	-	-	-	-	2,073,434	-	-	205,353,523
Capital assets, net	265,166,984	1,543,362	-	693,060	-	5,461,663	-	-	272,865,069
Lease assets, net	32,712,226	-	-	-	-	173,363	-	-	32,885,589
Subscription assets, net	5,520,716	-	-	-	-	220,549	-	-	5,741,265
Other assets	21,709,624	(32,021)	-	-	133,067	12,035	-	-	21,822,705
Intercompany receivables	177,150,170	-	204,916	-	1,217,962	-	-	(178,573,048)	-
Deferred outflows of resources	25,491,292	-	-	-	-	-	-	-	25,491,292
Total assets and deferred outflows of resources	\$ 937,851,704	\$ 2,441,745	\$ 215,048	\$ 2,339,309	\$ 1,351,029	\$ 15,967,344	\$ 3,498,554	\$ (178,573,048)	\$ 785,091,685
Liabilities and Deferred Inflows of Resources									
Current liabilities	\$ 83,016,091	\$ 4,416	\$ -	\$ 66,050	\$ -	\$ 1,620,632	\$ -	\$ -	\$ 84,707,189
Intercompany payables	173,693,880	35,551	-	4,843,617	-	-	-	(178,573,048)	-
Long-term liabilities	202,384,957	-	-	-	-	774,091	-	-	203,159,048
Deferred inflows of resources	8,550,433	-	-	-	-	-	-	-	8,550,433
Total liabilities and deferred inflows of resources	467,645,361	39,967	-	4,909,667	-	2,394,723	-	(178,573,048)	296,416,670
Net Position									
Net investment in capital assets	139,106,631	1,543,362	-	693,060	-	4,588,143	-	-	145,931,196
Restricted	3,849,815	-	-	-	-	-	2,430,128	-	6,279,943
Unrestricted	327,249,897	858,416	215,048	(3,263,418)	1,351,029	8,984,478	1,068,426	-	336,463,876
Total net position	470,206,343	2,401,778	215,048	(2,570,358)	1,351,029	13,572,621	3,498,554	-	488,675,015
Total liabilities, deferred inflows of resources and net position	\$ 937,851,704	\$ 2,441,745	\$ 215,048	\$ 2,339,309	\$ 1,351,029	\$ 15,967,344	\$ 3,498,554	\$ (178,573,048)	\$ 785,091,685

Forrest County General Hospital

(A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements

September 30, 2023 and 2022

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component units for the years ended September 30, 2023 and 2022.

	September 30, 2023									
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Pine Grove Public Benefit Corporation	Eliminations	Total
Operating Revenues										
Net patient service revenue	\$ 620,315,469	\$ -	\$ -	\$ -	\$ -	\$ 20,338,874	\$ -	\$ -	\$ (1,626,191)	\$ 639,028,152
Other	11,619,471	186,000	-	920,704	-	2,187,728	1,184,352	-	(523,826)	15,574,429
Total operating revenues	<u>631,934,940</u>	<u>186,000</u>	<u>-</u>	<u>920,704</u>	<u>-</u>	<u>22,526,602</u>	<u>1,184,352</u>	<u>-</u>	<u>(2,150,017)</u>	<u>654,602,581</u>
Operating Expenses										
Other operating expenses	615,208,169	6,195	1,050	970,558	71,091	18,371,121	712,000	861,450	(2,150,017)	634,051,617
Depreciation and amortization	41,051,667	109,072	-	138,355	-	1,070,503	-	-	-	42,369,597
Total operating expenses	<u>656,259,836</u>	<u>115,267</u>	<u>1,050</u>	<u>1,108,913</u>	<u>71,091</u>	<u>19,441,624</u>	<u>712,000</u>	<u>861,450</u>	<u>(2,150,017)</u>	<u>676,421,214</u>
Operating Income (Loss)	<u>(24,324,896)</u>	<u>70,733</u>	<u>(1,050)</u>	<u>(188,209)</u>	<u>(71,091)</u>	<u>3,084,978</u>	<u>472,352</u>	<u>(861,450)</u>	<u>-</u>	<u>(21,818,633)</u>
Nonoperating Revenues (Expenses)										
Net investment income	8,974,625	3,262	34	5,245	-	243,655	1,836	-	-	9,228,657
Interest expense	(5,089,458)	-	-	-	-	(38,130)	-	(127,208)	-	(5,254,796)
Other	3,092,232	(228,907)	-	-	158,019	1,146,302	-	-	-	4,167,646
Total nonoperating revenues (expenses)	<u>6,977,399</u>	<u>(225,645)</u>	<u>34</u>	<u>5,245</u>	<u>158,019</u>	<u>1,351,827</u>	<u>1,836</u>	<u>(127,208)</u>	<u>-</u>	<u>8,141,507</u>
Income (Loss) Before Capital Items	<u>(17,347,497)</u>	<u>(154,912)</u>	<u>(1,016)</u>	<u>(182,964)</u>	<u>86,928</u>	<u>4,436,805</u>	<u>474,188</u>	<u>(988,658)</u>	<u>-</u>	<u>(13,677,126)</u>
Capital Grants and Gifts	<u>7,481,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,481,174</u>
Increase (Decrease) in Net Position	<u>(9,866,323)</u>	<u>(154,912)</u>	<u>(1,016)</u>	<u>(182,964)</u>	<u>86,928</u>	<u>4,436,805</u>	<u>474,188</u>	<u>(988,658)</u>	<u>-</u>	<u>(6,195,952)</u>
Net Position, Beginning of Year	<u>470,206,343</u>	<u>2,401,778</u>	<u>215,048</u>	<u>(2,570,358)</u>	<u>1,351,029</u>	<u>13,572,621</u>	<u>3,498,554</u>	<u>-</u>	<u>-</u>	<u>488,675,015</u>
Net Position, End of Year	<u>\$ 460,340,020</u>	<u>\$ 2,246,866</u>	<u>\$ 214,032</u>	<u>\$ (2,753,322)</u>	<u>\$ 1,437,957</u>	<u>\$ 18,009,426</u>	<u>\$ 3,972,742</u>	<u>\$ (988,658)</u>	<u>\$ -</u>	<u>\$ 482,479,063</u>

Forrest County General Hospital

(A Component Unit of Forrest County, Mississippi)

Notes to Financial Statements

September 30, 2023 and 2022

	September 30, 2022 (As Restated)								
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Eliminations	Total
Operating Revenues									
Net patient service revenue	\$ 564,343,309	\$ -	\$ -	\$ -	\$ -	\$ 16,484,820	\$ -	\$ (1,395,165)	\$ 579,432,964
Other	8,782,221	186,180	-	1,119,552	-	2,073,286	1,136,509	(703,084)	12,594,664
Total operating revenues	<u>573,125,530</u>	<u>186,180</u>	<u>-</u>	<u>1,119,552</u>	<u>-</u>	<u>18,558,106</u>	<u>1,136,509</u>	<u>(2,098,249)</u>	<u>592,027,628</u>
Operating Expenses									
Other operating expenses	567,506,559	11,050	1,131	1,194,618	38,149	17,528,447	530,153	(2,098,249)	584,711,858
Depreciation and amortization	42,041,832	109,718	-	128,866	-	1,203,873	-	-	43,484,289
Total operating expenses	<u>609,548,391</u>	<u>120,768</u>	<u>1,131</u>	<u>1,323,484</u>	<u>38,149</u>	<u>18,732,320</u>	<u>530,153</u>	<u>(2,098,249)</u>	<u>628,196,147</u>
Operating Income (Loss)	<u>(36,422,861)</u>	<u>65,412</u>	<u>(1,131)</u>	<u>(203,932)</u>	<u>(38,149)</u>	<u>(174,214)</u>	<u>606,356</u>	<u>-</u>	<u>(36,168,519)</u>
Nonoperating Revenues (Expenses)									
Net investment income (loss)	(20,074,509)	4,418	40	6,013	-	(190,905)	1,568	-	(20,253,375)
Interest expense	(5,148,990)	-	-	-	-	(46,826)	-	-	(5,195,816)
Other	18,863,023	(670,951)	-	-	241,280	400,277	-	-	18,833,629
Total nonoperating revenues (expenses)	<u>(6,360,476)</u>	<u>(666,533)</u>	<u>40</u>	<u>6,013</u>	<u>241,280</u>	<u>162,546</u>	<u>1,568</u>	<u>-</u>	<u>(6,615,562)</u>
Increase (Decrease) in Net Position	(42,783,337)	(601,121)	(1,091)	(197,919)	203,131	(11,668)	607,924	-	(42,784,081)
Net Position, Beginning of Year	<u>512,989,680</u>	<u>3,002,899</u>	<u>216,139</u>	<u>(2,372,439)</u>	<u>1,147,898</u>	<u>13,584,289</u>	<u>2,890,630</u>	<u>-</u>	<u>531,459,096</u>
Net Position, End of Year	<u>\$ 470,206,343</u>	<u>\$ 2,401,778</u>	<u>\$ 215,048</u>	<u>\$ (2,570,358)</u>	<u>\$ 1,351,029</u>	<u>\$ 13,572,621</u>	<u>\$ 3,498,554</u>	<u>\$ -</u>	<u>\$ 488,675,015</u>

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

Notes to Financial Statements

September 30, 2023 and 2022

The following tables include condensed combining statements of cash flows information for the Hospital and its blended component units for the years ended September 30, 2023 and 2022.

	September 30, 2023									
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Pine Grove Public Benefit Corporation	Eliminations	Total
Net Cash Provided by (Used in) Operating Activities	\$ 13,246,217	\$ 588,000	\$ (1,075)	\$ 304,661	\$ (158,019)	\$ 2,127,632	\$ 472,353	\$ (849,737)	\$ -	\$ 15,730,032
Net Cash Provided by Noncapital Financing Activities	823,996	-	-	-	-	3,498,576	-	-	-	4,322,572
Net Cash Provided by (Used in) Capital and Related Financing Activities	(27,507,719)	-	-	-	-	(2,266,920)	-	5,942,484	-	(23,832,155)
Net Cash Provided by (Used in) Investing Activities	55,131,997	(584,739)	34	5,245	158,019	70,712	1,835	-	-	54,783,103
Increase (Decrease) in Cash and Cash Equivalents	41,694,491	3,261	(1,041)	309,906	-	3,430,000	474,188	5,092,747	-	51,003,552
Cash and Cash Equivalents, Beginning of Year	75,978,562	930,404	10,132	1,339,411	-	4,659,987	3,498,554	-	-	86,417,050
Cash and Cash Equivalents, End of Year	<u>\$ 117,673,053</u>	<u>\$ 933,665</u>	<u>\$ 9,091</u>	<u>\$ 1,649,317</u>	<u>\$ -</u>	<u>\$ 8,089,987</u>	<u>\$ 3,972,742</u>	<u>\$ 5,092,747</u>	<u>\$ -</u>	<u>\$ 137,420,602</u>

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

Notes to Financial Statements
September 30, 2023 and 2022

	September 30, 2022 (As Restated)								
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Eliminations	Total
Net Cash Provided by (Used in) Operating Activities	\$ 12,371,016	\$ (238,651)	\$ (25)	\$ (115,460)	\$ (241,280)	\$ (435,768)	\$ 606,882	\$ -	\$ 11,946,714
Net Cash Provided by Noncapital Financing Activities	19,021,404	-	-	-	-	525,310	-	-	19,546,714
Net Cash Used in Capital and Related Financing Activities	(41,368,964)	(6)	-	(200,400)	-	(781,272)	-	-	(42,350,642)
Net Cash Provided by (Used in) Investing Activities	<u>(52,294,871)</u>	<u>(390,745)</u>	<u>40</u>	<u>6,013</u>	<u>241,280</u>	<u>39,014</u>	<u>1,568</u>	<u>-</u>	<u>(52,397,701)</u>
Increase (Decrease) in Cash and Cash Equivalents	(62,271,415)	(629,402)	15	(309,847)	-	(652,716)	608,450	-	(63,254,915)
Cash and Cash Equivalents, Beginning of Year	<u>138,249,977</u>	<u>1,559,806</u>	<u>10,117</u>	<u>1,649,258</u>	<u>-</u>	<u>5,312,703</u>	<u>2,890,104</u>	<u>-</u>	<u>149,671,965</u>
Cash and Cash Equivalents, End of Year	<u>\$ 75,978,562</u>	<u>\$ 930,404</u>	<u>\$ 10,132</u>	<u>\$ 1,339,411</u>	<u>\$ -</u>	<u>\$ 4,659,987</u>	<u>\$ 3,498,554</u>	<u>\$ -</u>	<u>\$ 86,417,050</u>

Required Supplementary Information

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 1,593,431	\$ 1,825,614	\$ 2,051,672	\$ 2,617,170	\$ 2,802,670	\$ 3,091,562	\$ 3,302,712	\$ 3,530,410	\$ 3,740,713	\$ 3,832,463
Interest	16,705,067	16,094,628	16,488,559	16,327,946	15,507,856	14,823,878	14,098,001	13,267,635	12,440,681	11,696,789
Differences between expected and actual experience	3,825,557	1,586,118	5,803,314	3,502,267	1,514,956	(587,916)	(165,919)	1,186,135	1,333,643	(187,704)
Change in assumptions	-	345,849	(464,488)	8,502,729	-	-	-	-	-	-
Benefit payments	<u>(11,493,176)</u>	<u>(10,907,180)</u>	<u>(47,265,882)</u>	<u>(9,072,621)</u>	<u>(7,584,183)</u>	<u>(7,624,734)</u>	<u>(6,398,362)</u>	<u>(6,207,933)</u>	<u>(5,589,011)</u>	<u>(4,389,427)</u>
Net change in total pension liability	10,630,879	8,945,029	(23,386,825)	21,877,491	12,241,299	9,702,790	10,836,432	11,776,247	11,926,026	10,952,121
Total pension liability - beginning	<u>234,567,878</u>	<u>225,622,849</u>	<u>249,009,674</u>	<u>227,132,183</u>	<u>214,890,884</u>	<u>205,188,094</u>	<u>194,351,662</u>	<u>182,575,415</u>	<u>170,649,389</u>	<u>159,697,268</u>
Total pension liability - ending (a)	<u>\$ 245,198,757</u>	<u>\$ 234,567,878</u>	<u>\$ 225,622,849</u>	<u>\$ 249,009,674</u>	<u>\$ 227,132,183</u>	<u>\$ 214,890,884</u>	<u>\$ 205,188,094</u>	<u>\$ 194,351,662</u>	<u>\$ 182,575,415</u>	<u>\$ 170,649,389</u>
Plan Fiduciary Net Position										
Contributions	\$ 6,102,252	\$ 5,718,915	\$ 6,094,296	\$ 4,997,214	\$ 10,063,476	\$ 10,063,476	\$ 30,063,476	\$ 10,063,476	\$ 9,782,490	\$ 10,496,076
Net investment income (loss)	12,825,954	(24,074,437)	46,732,309	7,731,083	11,120,790	14,722,571	18,424,809	(2,210,133)	5,766,222	14,838,259
Benefit payments	(11,493,176)	(10,907,180)	(47,265,882)	(9,072,622)	(7,584,183)	(7,624,734)	(6,398,362)	(6,207,933)	(5,589,011)	(4,389,427)
Administrative expense	<u>(364,558)</u>	<u>(398,002)</u>	<u>(713,260)</u>	<u>(374,856)</u>	<u>(364,184)</u>	<u>(352,565)</u>	<u>(317,168)</u>	<u>(295,012)</u>	<u>(338,826)</u>	<u>(397,436)</u>
Net change in plan fiduciary net position	7,070,472	(29,660,704)	4,847,463	3,280,819	13,235,899	16,808,748	41,772,755	1,350,398	9,620,875	20,547,472
Plan fiduciary net position - beginning	<u>186,388,395</u>	<u>216,049,099</u>	<u>211,201,636</u>	<u>207,920,817</u>	<u>194,684,918</u>	<u>177,876,170</u>	<u>136,103,415</u>	<u>134,753,017</u>	<u>125,132,142</u>	<u>104,584,670</u>
Plan fiduciary net position - ending (b)	<u>\$ 193,458,867</u>	<u>\$ 186,388,395</u>	<u>\$ 216,049,099</u>	<u>\$ 211,201,636</u>	<u>\$ 207,920,817</u>	<u>\$ 194,684,918</u>	<u>\$ 177,876,170</u>	<u>\$ 136,103,415</u>	<u>\$ 134,753,017</u>	<u>\$ 125,132,142</u>
Net pension liability - ending (a) - (b)	<u>\$ 51,739,890</u>	<u>\$ 48,179,483</u>	<u>\$ 9,573,750</u>	<u>\$ 37,808,038</u>	<u>\$ 19,211,366</u>	<u>\$ 20,205,966</u>	<u>\$ 27,311,924</u>	<u>\$ 58,248,247</u>	<u>\$ 47,822,398</u>	<u>\$ 45,517,247</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79%	79%	96%	85%	92%	91%	87%	70%	74%	73%
Covered Payroll	\$ 52,800,621	\$ 58,524,431	\$ 62,473,412	\$ 63,499,147	\$ 66,860,831	\$ 72,436,009	\$ 76,926,859	\$ 80,727,008	\$ 84,626,337	\$ 86,263,018
Net Pension Liability as a Percentage of Covered Payroll	98%	82%	15%	60%	29%	28%	36%	72%	57%	53%

Note: This schedule is reported as of the plan fiscal year of June 30.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 6,102,250	\$ 5,718,916	\$ 6,094,298	\$ 4,997,212	\$ 5,758,919	\$ 6,397,344	\$ 8,516,539	\$ 8,562,658	\$ 8,939,534	\$ 10,496,078
Contributions in relation to the actuarially determined contribution	<u>6,102,252</u>	<u>5,718,915</u>	<u>6,094,296</u>	<u>4,997,214</u>	<u>10,063,476</u>	<u>10,063,476</u>	<u>30,063,476</u>	<u>10,063,476</u>	<u>9,782,490</u>	<u>10,496,075</u>
Contribution (excess) deficiency	<u>\$ (2)</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ (2)</u>	<u>\$ (4,304,557)</u>	<u>\$ (3,666,132)</u>	<u>\$ (21,546,937)</u>	<u>\$ (1,500,818)</u>	<u>\$ (842,956)</u>	<u>\$ 3</u>
Covered payroll	\$ 52,800,621	\$ 58,524,431	\$ 62,473,412	\$ 63,499,147	\$ 66,860,831	\$ 72,436,009	\$ 76,926,859	\$ 80,727,008	\$ 84,626,337	\$ 86,263,018
Contributions as a percentage of covered payroll	11.56%	9.77%	9.76%	7.87%	15.05%	13.89%	39.08%	12.47%	11.56%	12.17%

Note: This schedule is reported as of the plan fiscal year-end of June 30.

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

Methods and assumptions used to determine contribution rates:
Valuation date: July 1, 2023
Remaining amortization period: 12 years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial cost method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method
Amortization method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method
Asset valuation method	Fair market value	Fair market value	Fair market value	Fair market value	Fair market value	Fair market value	Fair market value	Fair market value	Fair market value	Fair market value
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Salary increases	1.5% - 4.0%, based on age, including inflation	1.5% - 4.0%, based on age, including inflation	1.5% - 4.0%, based on age, including inflation	1.5% - 4.0%, based on age, including inflation	2.0% - 4.5%, based on age, including inflation	2.0% - 4.5%, based on age, including inflation	2.0% - 4.5%, based on age, including inflation	2.0% - 4.5%, based on age, including inflation	2.0% - 4.5%, based on age, including inflation	2.0% - 4.5%, based on age, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation
Retirement Age	65	65	65	65	65	65	65	65	65	65
Mortality	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2021	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2021	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2020	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2019	RP-2000 Combined Healthy Mortality Table projected using Scale AA	RP-2000 Combined Healthy Mortality Table projected using Scale AA	RP-2000 Combined Healthy Mortality Table projected using Scale AA	RP-2000 Combined Healthy Mortality Table projected using Scale AA	RP-2000 Combined Healthy Mortality Table projected using Scale AA	IRS 2014 Static Mortality Table projected using Scale AA

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

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

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

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Asset/Liability							
Service cost	\$ 27,441	\$ 30,788	\$ 32,635	\$ 302,061	\$ 347,946	\$ 410,388	\$ 390,846
Interest	250,383	314,975	387,273	372,639	386,399	519,745	497,299
Differences between expected and actual	577,590	(741,519)	(1,503,937)	(569,984)	(4,006,538)	-	-
Change in actuarial assumptions	11,828	(43,800)	293,544	-	1,080,635	-	-
Benefit payments	<u>(426,122)</u>	<u>(415,016)</u>	<u>(366,510)</u>	<u>(347,803)</u>	<u>(218,518)</u>	<u>(574,046)</u>	<u>(592,057)</u>
Net change in total OPEB asset/liability	441,120	(854,572)	(1,156,995)	(243,087)	(2,410,076)	356,087	296,088
Total OPEB asset/liability - beginning	<u>4,571,729</u>	<u>5,426,301</u>	<u>6,583,296</u>	<u>6,826,383</u>	<u>9,236,459</u>	<u>8,880,372</u>	<u>8,584,284</u>
Total OPEB asset/liability - ending (a)	<u>\$ 5,012,849</u>	<u>\$ 4,571,729</u>	<u>\$ 5,426,301</u>	<u>\$ 6,583,296</u>	<u>\$ 6,826,383</u>	<u>\$ 9,236,459</u>	<u>\$ 8,880,372</u>
Plan Fiduciary Net Position							
Contributions	\$ -	\$ 294,905	\$ 366,510	\$ 2,603,916	\$ 711,140	\$ 1,493,458	\$ 1,595,051
Net investment income	(1,142,673)	1,431,997	437,465	221,483	318,959	269,922	240,612
Benefit payments	(426,122)	(415,016)	(366,510)	(347,803)	(218,518)	(574,046)	(592,057)
Other	<u>(5,788)</u>	<u>(26,885)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(1,574,583)	1,285,001	437,465	2,477,596	811,581	1,189,334	1,243,606
Plan fiduciary net position - beginning	<u>8,421,544</u>	<u>7,136,543</u>	<u>6,699,078</u>	<u>4,221,482</u>	<u>3,409,901</u>	<u>2,220,567</u>	<u>976,961</u>
Plan fiduciary net position - ending (b)	<u>\$ 6,846,961</u>	<u>\$ 8,421,544</u>	<u>\$ 7,136,543</u>	<u>\$ 6,699,078</u>	<u>\$ 4,221,482</u>	<u>\$ 3,409,901</u>	<u>\$ 2,220,567</u>
Net OPEB asset/liability - ending (a) - (b)	<u>\$ (1,834,112)</u>	<u>\$ (3,849,815)</u>	<u>\$ (1,710,242)</u>	<u>\$ (115,782)</u>	<u>\$ 2,604,901</u>	<u>\$ 5,826,558</u>	<u>\$ 6,659,805</u>
OPEB Liability	137%	184%	132%	102%	62%	37%	25%
Covered Payroll	\$ 45,121,715	\$ 48,530,578	\$ 52,963,804	\$ 60,290,013	\$ 61,707,726	\$ 65,964,267	\$ 75,249,772
Net OPEB Asset/Liability as a Percentage of Covered Payroll	-4%	-8%	-3%	0%	4%	9%	9%

This schedule is presented as of the measurement date for the fiscal year (e.g. September 30, 2022 measurement date information for September 30, 2023 fiscal year.)

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ -	\$ -	\$ 23,795	\$ 519,112	\$ 937,045	\$ 1,007,606	\$ 1,066,717
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>294,905</u>	<u>366,510</u>	<u>2,603,916</u>	<u>711,140</u>	<u>1,493,457</u>	<u>1,595,051</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ (294,905)</u>	<u>\$ (342,715)</u>	<u>\$ (2,084,804)</u>	<u>\$ 225,905</u>	<u>\$ (485,851)</u>	<u>\$ (528,334)</u>
Covered payroll	\$ 45,121,715	\$ 48,530,578	\$ 52,963,804	\$ 131,576,632	\$ 129,156,605	\$ 146,557,573	\$ 142,288,906
Contributions as a percentage of covered payroll	0%	1%	1%	2%	1%	1%	1%

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

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

Methods and assumptions used to determine contribution rates:
Valuation date: October 1, 2022
Remaining amortization period: 20 years (open)

	2023	2022	2021	2020	2019	2018	2017	2016
Actuarial cost method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method
Amortization method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method
Asset valuation method	Fair market value	Fair market value	Fair market value	Fair market value	Fair market value	Fair market value	Fair market value	Fair market value
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Healthcare cost trend rates	6.0% to grade uniformly to 5.5% over a 2-year period, to ultimate rate of 4.04% in 2075	6.0% to grade uniformly to 5.5% over a 2-year period, to ultimate rate of 4.04% in 2075	8.0% to grade uniformly to 3.5% over a 3-year period, to ultimate rate of 3.94% in 2075	8.0% to grade uniformly to 3.5% over a 3-year period, to ultimate rate of 3.94% in 2075	8.0% to grade uniformly to 3.5% over a 3-year period, to ultimate rate of 3.94% in 2075	8.0% to grade uniformly to 5.0% over a 12 year period	8.0% to grade uniformly to 5.0% over a 12 year period	8.0% to grade uniformly to 5.0% over a 12 year period
Salary increases	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Investment rate of return	6.0%, net of investment expense, including inflation	6.0%, net of investment expense, including inflation	6.0%, net of investment expense, including inflation	6.0%, net of investment expense, including inflation	6.0%, net of investment expense, including inflation	6.0%, net of investment expense, including inflation	6.0%, net of investment expense, including inflation	6.0%, net of investment expense, including inflation
Retirement Age	65	65	65	65	65	65	65	65
Mortality	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2021	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2020	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2019	RP-2000 Mortality Table, projected from the base year to the valuation year between 7 and 15 years beyond the valuation year under scale AA	IRS Static Mortality Table for the Year of Valuation (Separate Male/Female Tables)	IRS Static Mortality Table for the Year of Valuation (Separate Male/Female Tables)	IRS Static Mortality Table for the Year of Valuation (Separate Male/Female Tables)	IRS Static Mortality Table for the Year of Valuation (Separate Male/Female Tables)

Supplementary Information

Forrest County General Hospital
(A Component Unit of Forrest County, Mississippi)
Schedule of Surety Bonds for Officials and Employees
September 30, 2022

Name	Position	Company	Amount of Bond
Richard W. Preusch	Board Chairman	Travelers Casualty & Surety	\$ 100,000
Eric K. Steele	Board Vice Chairman	Travelers Casualty & Surety	100,000
Peggy Answorth	Board Secretary	Travelers Casualty & Surety	100,000
Jana Causey	Board Member	Travelers Casualty & Surety	100,000
Dr. Marcus L. Hogan	Board Member	Travelers Casualty & Surety	100,000
Employee Blanket Bond	All Others	Travelers Casualty & Surety	100,000



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Forrest County General Hospital
Hattiesburg, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of Forrest County General Hospital (the Hospital) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated November 30, 2023, which contained an *Emphasis of Matter* paragraph regarding a change in accounting principles. Our report includes a reference to other auditors who audited the financial statements of the Forrest County General Hospital Pension Plan, a fiduciary component unit of the Hospital, as described in our report on the Hospital's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

Jackson, Mississippi
November 30, 2023