



**South Central Regional Medical Center  
(Laurel, Mississippi)  
(A Component Unit of Jones County)**

**FINANCIAL STATEMENTS**

**For the Years Ended September 30, 2023 and 2022**

**South Central Regional Medical Center  
Laurel, Mississippi  
(A Component Unit of Jones County)**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
South Central Regional Medical Center  
Laurel, Mississippi

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of South Central Regional Medical Center (the Medical Center), a component unit of Jones 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 Medical Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central Regional Medical Center, as of September 30, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***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 Medical Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 Medical Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The schedule of surety bonds for officers and employees is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, and Cost Principles, and Audit Requirements for Federal Awards*, is also 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of surety bonds for officers and employees are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center'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 Medical Center's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

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

Metairie, Louisiana  
December 19, 2023

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Management's Discussion and Analysis  
September 30, 2023 and 2022**

This section of South Central Regional Medical Center's (Medical Center) annual financial report presents background information and our analysis of the Medical Center's financial performance during the fiscal years that ended on September 30, 2023 and 2022. Please read it in conjunction with the financial statements in this report.

**2023**

**FINANCIAL HIGHLIGHTS**

The Medical Center's total net position decreased by \$23,199,000 or 18.7 percent, from the prior year. All of this decrease results from the recognition of expenses over revenues.

At the end of the 2023 fiscal year, the assets of the Medical Center exceeded liabilities and deferred inflows by \$100,765,000. Of this excess amount, \$70,711,000 (unrestricted) may be used to meet ongoing obligations to the Medical Center's employees, patients and creditors, \$27,076,000 is invested in capital assets, net of related debt and \$2,978,000 is restricted for debt service and for self-insurance. The Medical Center is self-insured for general and professional liability claims and has established a self-insurance fund in accordance with the requirements of the Mississippi Tort Claims Board. At September 30, 2023, the Medical Center had \$2,167,000 deposited into this restricted account to be used exclusively for general and professional liability claims and related claim defense expenses. All related liabilities and incurred but not reported (IBNR) amounts are recorded in the financial statements and further defined in the notes to the financial statements. At September 30, 2023, the Medical Center had a current ratio of 2.91.

Total operating revenue decreased \$4.8 million or 2.5 percent. This was due primarily to a decrease of \$7.7 million in net patient service revenue which consisted primarily of increases in contractual allowances offset by an increase in other operating revenue of \$2.8 million or 73%. Operating expenses, excluding depreciation and amortization, increased by \$10.0 million from 2022 to 2023. This increase was due primarily to increases in salaries and professional fees.

**2022**

**FINANCIAL HIGHLIGHTS**

The Medical Center's total net position increased by \$209,000 or 0.2 percent, from the prior year. All of this increase results from the recognition of revenue over expenses.

At the end of the 2022 fiscal year, the assets of the Medical Center exceeded liabilities by \$123,964,000. Of this excess amount, \$94,938,000 (unrestricted) may be used to meet ongoing obligations to the Medical Center's employees, patients and creditors, \$25,858,000 is invested in capital assets, net of related debt and \$3,168,000 is restricted for debt service and for self-insurance. The Medical Center is self-insured for general and professional liability claims and has established a self-insurance fund in accordance with the requirements of the Mississippi Tort Claims Board. At September 30, 2022, the Medical Center had \$2,601,000 deposited into this restricted account to be used exclusively for general and professional liability claims and related claim defense expenses. All related liabilities and incurred but not reported (IBNR) amounts are recorded in the financial statements and further defined in the notes to the financial statements. At September 30, 2022, the Medical Center had a current ratio of 4.36.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Management's Discussion and Analysis  
September 30, 2023 and 2022**

Total operating revenue decreased \$3.4 million or 1.8 percent. This was due primarily to a decrease of \$5.1 million in net patient service revenue which consisted primarily of decreases in inpatient volumes. Operating expenses, excluding depreciation and amortization, decreased by \$1.1 million from 2021 to 2022. This decrease was due primarily to decreases in supplies and other.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four components - the Management's Discussion and Analysis of Financial Condition and Operating Results (this section), the Independent Auditors' Report, the Financial Statements and Supplementary Information.

*The Financial Statements* of the Medical Center report the financial position of the Medical Center and the results of its operations and its cash flows. The financial statements are prepared on the accrual basis of accounting. These statements offer short-term and long-term financial information about the Medical Center's activities.

*The Statements of Net Position* include all of the Medical Center's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Medical Center's creditors (liabilities) for both the current year and two prior years. They also provide the basis for evaluating the capital structure of the Medical Center, and assessing the liquidity and financial flexibility of the Medical Center.

All of the revenues and expenses are accounted for in the *Statements of Revenues, Expenses and Changes in Net Position*. These statements measure the performance of the Medical Center's operations and can be used to determine whether the Medical Center has been able to recover all of its costs through its patient service revenue and other revenue sources.

The primary purpose of the *Statements of Cash Flows* is to provide information about the Medical Center's cash from operations, investment and financing activities. The statements of cash flows outline where the cash comes from, what the cash is used for and the changes in the cash balance during the reporting period.

The annual report also includes *Notes to the Financial Statements* that are essential to gain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report. Following the notes to the financial statements is a section containing supplementary information that provides additional information as required.

## **FINANCIAL ANALYSIS OF THE MEDICAL CENTER**

The statements of net position and the statements of revenues, expenses and changes in net position report information about the Medical Center's activities. These statements report the net position of the Medical Center and changes in net position. Increases or improvements, as well as decreases or declines in the net position, are one indicator of the financial state of the Medical Center. Other non-financial factors that should also be considered include changes in economic conditions, population growth (including uninsured and working poor) and new or changed government legislation.



**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Management's Discussion and Analysis  
September 30, 2023 and 2022**

**2023**

**Net Position**

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

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

	Fiscal Year <b>2023</b>	Fiscal Year 2022	Dollar Change	Total Percent Change
		<i>(Restated)</i>		
Current and other assets	\$ 97,247	\$ 119,018	\$ (21,771)	-18.3%
Capital assets	<b>106,391</b>	109,589	(3,198)	-2.9%
<b>Total assets</b>	<b>\$ 203,638</b>	\$ 228,607	\$ (24,969)	-10.9%
Long-term obligations outstanding	\$ 79,314	\$ 83,731	\$ (4,417)	-5.3%
Other liabilities	<b>23,333</b>	20,548	2,785	13.6%
<b>Total liabilities</b>	<b>102,647</b>	104,279	(1,632)	-1.6%
Deferred inflows	<b>225</b>	363	(138)	-38.0%
Net investment in capital assets	<b>27,076</b>	25,858	1,218	4.7%
Restricted	<b>2,978</b>	3,168	(190)	-6.0%
Unrestricted	<b>70,712</b>	94,939	(24,227)	-25.5%
<b>Total net position</b>	<b>100,766</b>	123,965	(23,199)	-18.7%
<b>Total liabilities and net position</b>	<b>\$ 203,638</b>	\$ 228,607	\$ (24,969)	-10.9%

Total assets decreased 10.9 percent due to a decrease in cash and investments of \$16 million. The receivables decreased by \$6.0 million.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Management's Discussion and Analysis  
September 30, 2023 and 2022**

**2022**

**Net Position**

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

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

<i>September 30,</i>	Fiscal Year 2022	Fiscal Year 2021	Dollar Change	Total Percent Change
	<i>(Restated)</i>			
Current and other assets	\$ 119,018	\$ 133,350	\$ (14,332)	-10.7%
Capital assets	109,589	105,434	4,155	3.9%
<b>Total assets</b>	<b>\$ 228,607</b>	<b>\$ 238,784</b>	<b>\$ (10,177)</b>	<b>-4.3%</b>
Long-term debt outstanding	\$ 83,731	\$ 77,274	\$ 6,457	8.4%
Other liabilities	20,548	37,307	(16,759)	-44.9%
<b>Total liabilities</b>	<b>104,279</b>	<b>114,581</b>	<b>(10,302)</b>	<b>-9.0%</b>
Deferred inflows	363	448	(85)	-19.0%
Net investment in capital assets	25,858	28,160	(2,302)	-8.2%
Restricted	3,168	2,093	1,075	51.4%
Unrestricted	94,939	93,502	1,437	1.5%
<b>Total net position</b>	<b>123,965</b>	<b>123,755</b>	<b>210</b>	<b>0.2%</b>
<b>Total liabilities and net position</b>	<b>\$ 228,607</b>	<b>\$ 238,784</b>	<b>\$ (10,177)</b>	<b>-4.3%</b>

Total assets decreased 4.3 percent due to a decrease in cash and investments of \$12 million. The receivables decreased by \$3 million. These decreases were offset by an increase to the capital assets of \$4 million.

Effective October 1, 2022, the Medical Center adopted GASB 96 – *Subscription Based IT Arrangements*. The changes as a result of that adoption are include in the fiscal year 2022 financial information.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Management's Discussion and Analysis  
September 30, 2023 and 2022**

**2023**

**Summary of Revenue and Expenses**

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

**Condensed Statements of Revenues and Expenses  
(In Thousands)**

<i>September 30,</i>	<b>Fiscal Year 2023</b>	Fiscal Year 2022	Dollar Change	Total Percent Change
		<i>(Restated)</i>		
Net patient service revenue	\$ 179,310	\$ 186,988	\$ (7,678)	-4.1%
Other operating revenue excluding interest income	<b>6,692</b>	3,859	2,833	73.4%
<b>Total operating revenue</b>	<b>186,002</b>	190,847	(4,845)	-2.5%
Salaries and benefits	<b>122,718</b>	121,463	1,255	1.0%
Professional fees, supplies, maintenance, other	<b>72,397</b>	63,682	8,715	13.7%
<b>Total operating expenses before depreciation / amortization</b>	<b>195,115</b>	185,145	9,970	5.4%
Earnings (loss) before interest depreciation and amortization (EBITDA)	<b>(9,113)</b>	5,702	(14,815)	-259.8%
Depreciation and amortization expense	<b>12,015</b>	12,294	(279)	-2.3%
<b>Operating income (loss)</b>	<b>(21,128)</b>	(6,592)	(14,536)	220.5%
Investment and grant income	<b>166</b>	(1,627)	1,793	-110.2%
Income from joint ventures	<b>72</b>	437	(365)	-83.5%
Gain (loss) on sale of capital assets	<b>85</b>	146	(61)	-42%
CARES Act funding	-	10,170	(10,170)	100.0%
Interest expense	<b>(2,394)</b>	(2,325)	(69)	3.0%
<b>Total nonoperating revenues</b>	<b>(2,071)</b>	6,801	(8,872)	-130.5%
<b>Increase (decrease) in net position</b>	<b>\$ (23,199)</b>	\$ 209	\$ (23,408)	-11200.0%

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Management's Discussion and Analysis  
September 30, 2023 and 2022**

**2023**

**Operating Revenue**

During fiscal year 2023, the Medical Center derived approximately 96.4 percent of its total operating revenues from net patient service revenues. Operating revenues include revenues from the Medicare and Medicaid programs, patients or their third-party carriers who pay for care in the Medical Center's facilities.

The following table represents the relative percentage of gross charges billed for patient services by payer for the fiscal years ended September 30, 2023 and 2022:

<i>September 30,</i>	<b>Fiscal Year 2023</b>	Fiscal Year 2022
Medicare	<b>49.9%</b>	49.7%
Medicaid	<b>16.6%</b>	17.0%
Other	<b>33.5%</b>	33.3%
	<b>100.0%</b>	100.0%

**2023**

**OPERATING AND FINANCIAL PERFORMANCE**

The following summarizes the changes in the Medical Center's statements of revenues, expenses and changes in net position for 2023 as compared to 2022:

- During 2023, the Medical Center had patient days and admissions of 29,438 and 6,598, respectively. As compared to 2022, patient days decreased by 10.4 percent and admissions increased by 0.3 percent.
- Outpatient and emergency registrations were 91,949 and 91,739, respectively, in 2023 and 2022, which corresponds to an increase of 0.2 percent.
- Surgical cases decreased by 3.1 percent to 2,962 in 2023 from 3,058 in 2022.
- Net patient service revenue decreased as stated in the Financial Highlights. Net patient service revenue decreased to \$179.3 million in 2023 from \$187.0 million in 2022.
- Salaries increased \$2.1 million to \$108.5 million in 2023 from \$106.4 million in 2022.

**South Central Regional Medical Center**  
**(A Component Unit of Jones County)**  
**Management's Discussion and Analysis**  
**September 30, 2023 and 2022**

**2022**

**Summary of Revenue and Expenses**

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

**Condensed Statements of Revenues and Expenses**  
**(In Thousands)**

<i>September 30,</i>	Fiscal Year 2022	Fiscal Year 2021	Dollar Change	Total Percent Change
	<i>(Restated)</i>			
Net patient service revenue	\$ 186,988	\$ 192,119	\$ (5,131)	-2.7%
Other operating revenue excluding interest income	3,859	2,148	1,711	79.7%
<b>Total operating revenue</b>	<b>190,847</b>	<b>194,267</b>	<b>(3,420)</b>	<b>-1.8%</b>
Salaries and benefits	121,463	119,663	1,800	1.5%
Professional fees, supplies, maintenance, other	63,682	66,594	(2,912)	-4.4%
<b>Total operating expenses before depreciation / amortization</b>	<b>185,145</b>	<b>186,257</b>	<b>(1,112)</b>	<b>-0.6%</b>
Earnings before interest depreciation and amortization (EBITDA)	5,702	8,010	(2,308)	-28.8%
Depreciation and amortization expense	12,294	9,998	2,296	23.0%
<b>Operating income (loss)</b>	<b>(6,592)</b>	<b>(1,988)</b>	<b>(4,604)</b>	<b>231.6%</b>
Investment and grant income	(1,627)	1,318	(2,945)	-223.4%
Income from joint ventures	437	137	300	219.0%
Gain(loss) on sale of capital assets	146	4	142	3550.0%
CARES Act Funding	10,170	6,696	3,474	51.9%
Interest expense	(2,325)	(2,294)	(31)	1.4%
<b>Total nonoperating revenues</b>	<b>6,801</b>	<b>5,861</b>	<b>940</b>	<b>16.0%</b>
<b>Increase in net position</b>	<b>\$ 209</b>	<b>\$ 3,873</b>	<b>\$ (3,664)</b>	<b>-94.6%</b>

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Management's Discussion and Analysis  
September 30, 2023 and 2022**

**2022**

**Operating Revenue**

During fiscal year 2022, the Medical Center derived approximately 98.0 percent of its total operating revenues from net patient service revenues. Operating revenues include revenues from the Medicare and Medicaid programs, patients or their third-party carriers who pay for care in the Medical Center's facilities.

The following table represents the relative percentage of gross charges billed for patient services by payer for the fiscal years ended September 30, 2022 and 2021:

<i>September 30,</i>	Fiscal Year 2022	Fiscal Year 2021
Medicare	49.7%	50.6%
Medicaid	17.0%	16.0%
Other	33.3%	33.4%
	100.0%	100.0%

**2022**

**OPERATING AND FINANCIAL PERFORMANCE**

The following summarizes the changes in the Medical Center's statements of revenues, expenses and changes in net position for 2022 as compared to 2021:

- During 2022, the Medical Center had patient days and admissions of 32,852 and 6,578, respectively. As compared to 2021, patient days decreased by 12.6 percent and admissions decreased by 12.5 percent.
- Outpatient and emergency registrations were 91,739 and 92,409, respectively, in 2022 and 2021, which corresponds to a decrease of 0.7 percent.
- Surgical cases increased by 10.0 percent to 3,058 in 2022 from 2,779 in 2021.
- Net patient service revenue decreased as stated in the Financial Highlights. Net patient service revenue decreased to \$187.0 million in 2022 from \$192.1 million in 2021.
- Salaries increased \$2.7 million to \$106.4 million in 2022 from \$103.8 million in 2021.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Management's Discussion and Analysis  
September 30, 2023 and 2022**

**2023**

**CAPITAL ASSETS**

<b>Capital Assets (In Thousands)</b>				
<i>September 30,</i>	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2022</b>	<b>Dollar Change</b>	<b>Total Percent Change</b>
		<i>(Restated)</i>		
Land and land improvements	\$ <b>8,904</b>	\$ 7,500	\$ 1,404	18.7%
Building and leasehold improvements	<b>106,918</b>	107,634	(716)	-0.7%
Equipment	<b>82,051</b>	80,572	1,479	1.8%
Right of use assets	<b>25,228</b>	23,811	1,417	6.0%
Subtotal	<b>223,101</b>	219,517	3,584	1.6%
Less: Accumulated depreciation	<b>(121,213)</b>	(110,594)	(10,619)	9.6%
Construction in progress	<b>101,888</b> <b>4,503</b>	108,923 666	(7,035) 3,837	-6.5% 576.1%
<b>Net capital asset</b>	<b>\$ 106,391</b>	\$ 109,589	\$ (3,198)	-2.9%

Net capital assets decreased approximately \$3.1 million or 2.9 percent due to the Medical Center's depreciation exceeding purchases. Before depreciation, capital assets increased \$7.4 million due to construction in progress and other additions partially offset by the disposals of property.

**2023**

**LONG-TERM DEBT AND LIABILITIES**

At year-end, the Medical Center had \$79.3 million in long-term debt and liabilities including SBITAs. Total long-term debt and liabilities represents 77.2 percent of the Medical Center's total liabilities as of year-end. More detailed information about the long-term debt and liabilities is presented in the notes to the financial statements.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Management's Discussion and Analysis  
September 30, 2023 and 2022**

**2022**

**CAPITAL ASSETS**

<i>September 30,</i>	<b>Capital Assets (In Thousands)</b>			
<i>(Restated)</i>	Fiscal Year 2022	Fiscal Year 2021	Dollar Change	Total Percent Change
Land and land improvements	\$ 7,500	\$ 7,991	\$ (491)	-6.1%
Building and leasehold improvements	107,634	108,351	(717)	-0.7%
Equipment	80,572	74,615	5,957	8.0%
Right of use assets	23,811	11,328	12,483	110.2%
Subtotal	219,517	202,285	17,232	8.5%
Less: Accumulated depreciation	(110,594)	(101,876)	(8,718)	8.6%
Construction in progress	108,923 666	100,409 5,026	8,514 (4,360)	8.5% -86.7%
Net capital asset	\$ 109,589	\$ 105,435	\$ 4,154	3.9%

Net capital assets increased approximately \$4.0 million or 3.9 percent due to adoption of GASB 96 requiring SBITAs to be included in right of use assets offset by the Medical Center's depreciation. Before depreciation, capital assets increased \$17.2 million due to the inclusion of SBITAs and other additions partially offset by the disposals of property.

**2022**

**LONG-TERM DEBT AND LIABILITIES**

At year-end, the Medical Center had \$83.7 million in long-term debt and liabilities. Total long-term debt and liabilities represents 80.2 percent of the Medical Center's total liabilities as of year-end. More detailed information about the long-term debt and liabilities is presented in the notes to the financial statements.

Effective October 1, 2022, the Medical Center adopted GASB 96 – *Subscription Based IT Arrangements*. The changes as a result of that adoption are included in the fiscal year 2022 financial information.

**THE MEDICAL CENTER'S CASH FLOWS**

Changes in the Medical Center's cash flows are consistent with changes in operating income and nonoperating revenues and expenses, discussed earlier.



**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Management's Discussion and Analysis  
September 30, 2023 and 2022**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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

- Medicare reimbursement changes;
- Medicaid reimbursement changes, as well as the continuation at the current or increased level of the MHAP, Disproportionate Share and Upper Payment Limit programs;
- Increased number of uninsured and working poor;
- Ongoing competition for services;
- Supply chain concerns as well as the increases in cost of supplies, including pharmaceutical and medical supplies;
- Ability to recruit Medical Center personnel
- Ability to continue recruiting medical staff physicians to maintain the high level of services offered to our service area;
- Continued growth of service levels in the ancillary departments;
- Continuation of the excellent working relationship between the Medical Staff, the Board and the Medical Center administration;

**IMPACT OF COVID-19**

South Central Regional Medical Center, as have all of the healthcare facilities in the United States, has been and continues to be significantly impacted by the spread of the Coronavirus Disease 2019 (Covid- 19) pandemic. Since the Public Health Emergency declaration by the President of the United States on March 13, 2020, the Medical Center has experienced and continues to experience a significant reduction in services provided in our hospital, physician clinics, home care agencies and nursing homes. Elective surgeries were suspended for a period of time and have yet achieved the service levels of prior years. Health care professionals have raised concerns that patients are forgoing important care, such as chronic disease management, which can further jeopardize their health and as an additional consequence, reductions in revenue for health systems are anticipated in the future until the pandemic subsides.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Management's Discussion and Analysis  
September 30, 2023 and 2022**

**IMPACT OF COVID-19 (Continued)**

In 2022, the Medical Center received under the CARES Act \$10.1 million, which has reduced the negative financial impact of the pandemic.

In 2021, the Medical Center repaid the \$19.8 million in Medicare accelerated payments as of September 30, 2022.

For more detail on the Covid-19 pandemic, see the notes to the financial statements.

**South Central Regional Medical Center**  
**(A Component Unit of Jones County)**  
**Statements of Net Position**

<i>September 30,</i>	<b>2023</b>	<b>2022</b> <i>(Restated)</i>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 14,122,300	\$ 29,630,718
Certificates of deposit	10,186,501	-
Investments	1,630,733	16,965,089
Patient accounts receivable, net of allowance for uncollectible accounts of approximately \$33,355,698 in 2023 and \$25,529,995 in 2022	42,361,291	48,303,407
Estimated third-party payer settlements	521,242	1,073,705
Inventories	7,151,013	6,482,312
Lease receivable	77,805	138,082
Other current assets	2,984,813	3,296,544
Total current assets	<b>79,035,698</b>	105,889,857
Assets limited as to use, net of amount required for current liabilities	2,978,140	3,167,557
Certificates of deposit, noncurrent	6,000,000	-
Capital assets, net	106,390,528	109,589,053
Lease receivable	147,462	225,266
Other assets	9,085,620	9,734,822
Total assets	<b>\$ 203,637,448</b>	<b>\$ 228,606,555</b>
<b>Liabilities and Net Position</b>		
Current liabilities		
Current maturities of long-term debt and lease obligations	\$ 3,084,550	\$ 2,924,032
Current portion of subscriptions payable	3,040,921	3,109,277
Accounts payable, trade	13,522,654	10,349,945
Accrued salaries and compensated absences	7,163,464	7,541,872
Other current liabilities	320,807	330,718
Total current liabilities	<b>27,132,396</b>	24,255,844
Accrued self-insurance costs	2,325,777	2,325,777
Long-term debt and lease obligations, less current maturities	70,364,302	72,628,630
Subscriptions payable, less current portion	2,824,520	5,069,102
Total liabilities	<b>102,646,995</b>	104,279,353
Deferred inflow of resources		
Leases	225,267	363,348
Net position		
Net investment in capital assets	27,076,235	25,858,012
Restricted - expendable for		
Debt service	811,494	567,294
Use in self-insurance programs	2,166,646	2,600,263
Unrestricted	70,710,811	94,938,285
Total net position	<b>100,765,186</b>	123,963,854
Total liabilities, deferred inflows, and net position	<b>\$ 203,637,448</b>	<b>\$ 228,606,555</b>

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

**South Central Regional Medical Center**  
**(A Component Unit of Jones County)**  
**Statements of Revenues, Expenses and Changes in Net Position**

<i>For the years ended September 30,</i>	<b>2023</b>	2022 <i>(Restated)</i>
<b>Operating Revenue</b>		
Net patient service revenue, net of provision for bad debts of \$29,883,758 in 2023 and \$24,048,610 in 2022	<b>\$ 179,310,902</b>	\$ 186,987,743
Other operating revenue	<b>6,691,769</b>	3,859,197
<b>Total operating revenue</b>	<b>186,002,671</b>	190,846,940
<b>Operating Expenses</b>		
Salaries and wages	<b>108,468,231</b>	106,414,986
Professional fees	<b>17,047,092</b>	8,914,103
Employee benefits	<b>14,251,079</b>	15,047,523
Supplies and other	<b>44,380,435</b>	44,932,384
Maintenance and utilities	<b>10,969,044</b>	9,836,533
Depreciation and amortization	<b>12,014,731</b>	12,294,358
<b>Total operating expenses</b>	<b>207,130,612</b>	197,439,887
<b>Operating loss</b>	<b>(21,127,941)</b>	(6,592,947)
<b>Nonoperating Revenue (Expenses)</b>		
Interest expense	<b>(2,393,565)</b>	(2,324,893)
Unrestricted gifts and bequests	<b>63,367</b>	48,177
Gain on sale of capital assets	<b>84,865</b>	146,377
Joint venture income	<b>72,016</b>	437,219
Investment income (loss)	<b>102,590</b>	(1,675,060)
CARES Act funding	<b>-</b>	10,170,043
<b>Total nonoperating revenue</b>	<b>(2,070,727)</b>	6,801,863
<b>Increase (decrease) in net position</b>	<b>(23,198,668)</b>	208,916
<b>Net Position - beginning of year</b>	<b>123,963,854</b>	123,754,938
<b>Net Position - end of year</b>	<b>\$ 100,765,186</b>	\$ 123,963,854

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

**South Central Regional Medical Center**  
**(A Component Unit of Jones County)**  
**Statements of Cash Flows**

<i>For the years ended September 30,</i>	<b>2023</b>	2022 <i>(Restated)</i>
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 185,877,497	\$ 172,789,802
Payments to suppliers and contractors	(70,230,014)	(62,497,989)
Payments to employees	(123,097,718)	(121,354,087)
Other receipts and payments, net	6,691,769	3,859,197
Net cash provided by (used in) operating activities	<b>(758,466)</b>	(7,203,077)
<b>Noncapital Financing Activities</b>		
Noncapital grants and contributions	63,367	48,177
Proceeds from CARES Act funding	-	10,170,043
Net cash provided by (used in) noncapital financing activities	<b>63,367</b>	10,218,220
<b>Capital and Related Financing Activities</b>		
Principal payments on long-term debt, leases, and SBITAs	(5,833,369)	(6,026,183)
Interest paid on long-term debt, leases, and SBITAs	(2,393,565)	(2,324,893)
Purchase of capital assets	(7,416,317)	(5,112,080)
Proceeds from sales of capital assets	101,597	1,292,344
Net cash provided by (used in) capital and related financing activities	<b>(15,541,654)</b>	(12,170,812)
<b>Investing Activities</b>		
Purchase of certificates of deposit	(16,186,501)	-
Proceeds from sale of investments	16,188,695	-
Investment income	536,724	1,253,354
Net cash provided by (used in) investing activities	<b>538,918</b>	1,253,354
Net increase (decrease) in cash and cash equivalents	<b>(15,697,835)</b>	(7,902,315)
<b>Cash and Cash Equivalents - beginning of year</b>	<b>32,798,275</b>	40,700,590
<b>Cash and Cash Equivalents - end of year</b>	<b>\$ 17,100,440</b>	<b>\$ 32,798,275</b>

(Continued)

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

**South Central Regional Medical Center**  
**(A Component Unit of Jones County)**  
**Statements of Cash Flows (Continued)**

<i>For the years ended September 30,</i>	<b>2023</b>	<b>2022</b>
		<i>(Restated)</i>
<b>Reconciliation of Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 14,122,300	\$ 29,630,718
Assets limited as to use, net of amount required for current liabilities	2,978,140	3,167,557
<b>Total cash and cash equivalents</b>	<b>\$ 17,100,440</b>	<b>\$ 32,798,275</b>
<b>Reconciliation of Income (Loss) from Operations to Net Cash Provided by (Used in) Operating Activities:</b>		
Income (loss) from operations	\$ (21,127,941)	\$ (6,592,947)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:		
Joint venture income	72,016	437,219
Depreciation and amortization	12,014,731	12,294,358
Provision for bad debts	28,109,248	24,048,610
Changes in assets and liabilities:		
Receivables	(22,167,132)	(21,030,663)
Inventories	(668,701)	442,829
Other current and noncurrent assets	(327,540)	(61,541)
Accounts payable, trade	3,172,709	851,539
Estimated third-party payer settlements	552,463	17,780
Accrued salaries and compensated absences	(378,408)	108,422
Other liabilities	(9,911)	(47,796)
Unearned revenue	-	(17,670,887)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (758,466)</b>	<b>\$ (7,203,077)</b>
<b>Supplemental disclosures of noncash investing and financing activities</b>		
Unrealized gains (losses) on investments	\$ (864,118)	\$ (2,928,414)
Addition of ROU assets via lease	\$ 620,282	\$ 1,499,000
Addition of ROU assets via SBITAs	\$ 796,339	\$ 85,748

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

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 1: DESCRIPTION OF MEDICAL CENTER**

***Nature of Operations and Reporting Entity***

South Central Regional Medical Center (the Medical Center) is a regional healthcare provider established by Jones County as a special purpose government entity under the laws of the State of Mississippi. The Medical Center is owned by Jones County and is governed by a Board of Trustees pursuant to Sections 41-13-15 et. Seq. of Mississippi Code of 1972, as amended. Because of the relationship between the Medical Center and Jones County, the Medical Center has been defined as a component unit of the county.

The Medical Center provides inpatient, outpatient, emergency care services and long-term care primarily for residents of Jones County and the surrounding primary service area. Comfort Care Home Health and Hospice, multiple physician clinics, and EmServ Ambulance Services are also a part of the Medical Center's operations. Admitting physicians are primarily practitioners in the same area. The Medical Center is currently licensed to provide 285 Medical Center beds, 248 nursing home beds and 12 assisted living beds.

***Blended Component Unit***

The financial statements include the accounts of the Medical Center and the South Central Health Care Foundation (the Foundation), an entity over which the Medical Center exerts control and there is a financial benefit relationship with this entity. This entity is presented as a blended component unit due to the governing body being substantially the same as the governing body of the Medical Center and having operational responsibility of this component unit. All material intercompany accounts and transactions have been eliminated.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The Medical Center prepares its financial statements in conformity with the applicable pronouncements of the Governmental Accounting Standards Board (GASB). The accompanying financial statements of the Medical Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenue, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met.

***Use of Estimates***

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

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Use of Estimates (continued)***

Estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payer settlements. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

***Risk Management***

The Medical Center is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. The Medical Center is self-funded for workers compensation, health and dental, and general and professional liabilities.

The Medical Center records liabilities for self-insured claims. The provision for estimated claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

***Cash and Cash Equivalents***

Cash and cash equivalents and assets limited as to use include investments in highly liquid debt instruments with an original maturity of three months or less.

***Investments***

The Medical Center's investments consist of external investment pools and are reported at net asset value per share which approximates fair value. Interest, dividends and gains and losses on investments, both realized and unrealized, are included in nonoperating income when earned.

***Investment in Joint Ventures***

The Medical Center has a 51 percent financial ownership interest in the Laurel Surgical and Endoscopy Center and Open MRI. These investment are accounted for using the equity method.

***Assets Limited as to Use***

Assets limited as to use include assets held by trustees under indenture agreements, assets set aside by the Board of Trustees under the Medical Center's self-insured malpractice insurance program, and assets designated for further capital improvements. Amounts that are required for obligations classified as current liabilities are reported as current assets, with the excess reported as noncurrent assets.



**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fair Value Measurements***

The Medical Center categorizes its fair value measurements, if any, within the fair value hierarchy established by generally accepted accounting principles. The guidance establishes a hierarchy of inputs to valuation techniques used to measure fair value into three levels.

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Medical Center has the ability to access.
- Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

***Patient Accounts Receivable, Net***

Patient accounts receivable are reduced by estimated contractual and other adjustments and estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debt. Management reviews data about these major payer sources of revenue on a monthly basis in evaluating the sufficiency of the allowances. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as 'self-pay'), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Medical Center increased its allowance on all accounts aged greater than 180 days to 100% at September 30, 2023. This change is a result of the Medical Center's refinement of their reserve methodologies. The Medical Center has not materially altered any of its other accounts receivable and revenue recognition policies during fiscal year 2023 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2023 or 2022.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Inventories***

Inventories, which consist primarily of medical supplies and drugs, are stated at the lower of cost (based on the first-in, first-out method), or net realizable value.

***Prepaid Expenses***

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

***Capital Assets***

Capital assets include property, plant, equipment, right of use leased assets, and right of use subscription assets. Capital assets, except for right of use assets, are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Capital assets are defined as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Right of use assets and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives. Depreciation on capital assets is calculated using the straight-line method over the estimated useful lives of the assets, as determined utilizing “*Estimated Useful Lives of Depreciable Medical Center Assets, Revised 2018 Edition*” published by the American Medical Center Association.

<b>Asset Class</b>	<b>Year</b>
Land improvements	5 - 20
Buildings and improvements	5 - 40
Medical equipment	3 - 20
Furniture and fixtures	3 - 20
Right of use assets	2 - 10

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the statement of revenues, expenses and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs are charged to expense when incurred.

***Leases - Lessor***

The Medical Center records revenues from leases in accordance with GASB No. 87, *Leases*. The lease receivable is initially measured at the present value of the lease payments expected to be received during the lease term. The deferred lease inflow of resources is measured as the sum of the initial measurement of the lease receivable, plus any payments received at or before the commencement of the lease term that relates to future period. Lease receipts result in a reduction of the lease receivable and recognition of inflows of revenues.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Leases - Lessee***

All contracts allowing for the Medical Center to use another entity's asset for a period greater than 12 months must be recorded as both a right-of-use (ROU) asset and a lease liability. The liability is measured using the present value of expected payments over the lease term, less any lease incentives, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and direct costs. Depreciation of the ROU asset flows through depreciation expense monthly using straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

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

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of lease liability are composed of fixed payments and term options that the Medical Center is reasonably certain to exercise.

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

Leased assets, reported with capital assets, and leased liabilities, reported as long-term debt and lease obligations, are reported on the statement of net position.

***Subscription-Based Information Technology Arrangements***

All subscription-based information technology arrangements (SBITA) allowing for the Medical Center to use another entity's information technology software alone or in combination with tangible capital assets (the underlying IT assets) for a period greater than 12 months are recorded as both a right of use (ROU) asset and a subscription liability. The liability is measured using the present value of total expected payments over the subscription term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. The ROU asset is measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Amortization of the ROU subscription asset flows through amortization expense monthly using the effective interest method over the life of the subscription.

The Medical Center uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Medical Center uses its estimated incremental borrowing rate as the discount rate for subscriptions.

The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and term options that the Medical Center is reasonably certain to exercise.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Subscription-Based Information Technology Arrangements (continued)***

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

Subscription assets, reported with capital assets, and subscription liabilities are reported on the statement of net position.

***Cost of Borrowing***

Premiums or discounts incurred in connection with the issuance of bonds and indentures are amortized over the life of the obligations on the interest method, and the unamortized amount is included in the balance of the outstanding debt.

***Impairment of Long-Lived Assets***

The Medical Center evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the years ended September 30, 2023 or 2022.

***Compensated Absences***

Medical Center employees can accumulate earned time off, which is vested with the employee and upon termination is payable under certain circumstances. Sick leave is credited each month to eligible employees, but is not payable upon termination. Any employee who accumulates 720 hours of sick leave may be paid for excess sick leave up to a ceiling of \$1,000. All vested compensated absences are recorded as of the statements of net position date.

***Net Position***

Net position of the Medical Center is classified in three components, as follows:

Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

Restricted net position – made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Medical Center, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Position (continued)***

Unrestricted net position – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

The Medical Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

***Operating Revenue and Expenses***

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

***Net Patient Service Revenue***

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

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews, and investigations.

The Medical Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program, and in recent years there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor ("RAC") and Medicaid Integrity Contractor ("MIC") programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue 'improper' (in their judgment) payments with a three year look back from the date the claim was paid.

***Charity Care***

The Medical Center provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Medical Center's charity care policy was approximately \$18,606,000 and \$16,630,000 for the years ended September 2023 or 2022, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$6,138,000 and \$5,887,000, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Medical Center's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Grants and Contributions***

From time to time, the Medical Center receives grants from governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

***Budgetary Information***

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

***Current Healthcare Environment***

The Medical Center monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Medical Center in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payer industry

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may arise in the future, could have a material adverse impact on the Medical Center's financial position and operating results.

***Income Taxes***

The Medical Center's operation is a governmental entity and, as such, is exempt from federal and state income taxes. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Pronouncements Issued But Not Yet Effective***

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Medical Center upon implementation. Management has not yet evaluated the effect of implementation of these standards.

In April 2022, GASB issued GASB Statement No. 99, *Omnibus 2022*. This Statement seeks to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement not yet effective are as follows:

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Early application is encouraged.

In June 2022, GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

***Pronouncements Issued and Recently Adopted***

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This Statement is effective for fiscal years beginning after June 15, 2022. The Medical Center adopted Statement No. 96 for the year ended September 30, 2023. For more information on the effects of the adoption of Statement No. 96, see Notes 2, 3, and 12.

**South Central Regional Medical Center  
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Notes to Financial Statements**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Pronouncements Issued and Recently Adopted (Continued)***

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Medical Center adopted GASB 91 for the year ended September 30, 2023, and GASB 91 did not have an impact on the financial statements.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 19, 2023 and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Note 3: RESTATEMENT DUE TO ADOPTION OF NEW ACCOUNTING PRINCIPLE**

During the year ended September 30, 2023, the Medical Center implemented GASB No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, retroactive to October 1, 2021. The implementation of this statement requires restatements in the statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows to record the cumulative effect of recording the original basis of the subscription assets less accumulated depreciation, net of the respective subscription liability as of June 30, 2022.

The following changes have been made to the September 30, 2022 amounts reported prior to the adoption of GASB 96 on the accompanying financial statements:

	Restated after Adoption of GASB 96	As Originally Reported Prior to Adoption of GASB 96
<u><i>Statements of Net Position</i></u>		
Noncurrent assets		
Capital assets, net	\$ 109,589,053	\$ 101,410,674
Current liabilities		
Subscriptions payable	3,109,277	-
Noncurrent liabilities		
Subscription payable, less current portion	5,069,102	-
<u><i>Statements of Revenues, Expenses and Changes in Net Position</i></u>		
Maintenance and utilities	\$ 9,836,533	\$ 12,690,238
Depreciation and amortization	12,294,358	9,488,883
Interest expense	(2,324,893)	(2,276,663)
<u><i>Statements of Cash Flows</i></u>		
Payments to suppliers and contractors	\$ (62,497,989)	\$ (65,351,694)
Principal payments on long-term debt, leases, and SBITAs	(6,026,183)	(3,220,708)
Interest paid on long-term debt, leases, and SBITAs	(2,324,893)	(2,276,663)



**South Central Regional Medical Center**  
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**Notes to Financial Statements**

**Note 4: DEPOSITS AND INVESTMENTS**

As of September 30, 2023 or 2022, the deposits and investments of the Medical Center consisted of the following:

<i>September 30,</i>	<b>2023</b>	2022
Petty cash and deposited cash	\$ 11,098	\$ 11,000
Cash deposits with financial institutions	14,111,202	29,619,718
Certificates of deposit	16,186,501	-
MHA external investment pools	4,608,873	20,132,646
<b>Total deposits and investments</b>	<b>\$ 34,917,674</b>	<b>\$ 49,763,364</b>

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

<i>September 30,</i>	<b>2023</b>	2022
Cash and cash equivalents	\$ 14,122,300	\$ 29,630,718
Certificates of deposit	10,186,501	-
Certificates of deposit, noncurrent	6,000,000	-
Investments	1,630,733	16,965,089
Assets limited as to use, net of amount required for current liabilities	2,978,140	3,167,557
<b>Total</b>	<b>\$ 34,917,674</b>	<b>\$ 49,763,364</b>

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Medical Center's deposits might not be recovered. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the Medical Center's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). All deposits with financial institutions must be collateralized in an amount equal to 105 percent of uninsured deposits and are therefore fully insured. The bank balance of the collateralized and insured balances was \$13,743,118 and \$30,201,915 at September 30, 2023 and 2022, respectively.

The Medical Center also has cash deposits held by a trustee. The use of these funds is restricted for debt service related to the Medical Center's long-term debt. The carrying value of these deposits was \$811,494 and \$567,294 at September 30, 2023 and 2022, respectively.

**South Central Regional Medical Center  
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Notes to Financial Statements**

**Note 4: DEPOSITS AND INVESTMENTS (CONTINUED)**

***Investments***

The statutes of the State of Mississippi restrict the authorized investments of the Medical Center to obligations of the U. S. Treasury, agencies and instrumentalities of the United States and certain other types of investments. The Medical Center’s investments consists of the MHA external investment pool. The MHA investment pool is an investment program developed for member hospitals of the MHA. The external investment pools do not have a credit rating on the overall pool and they are not insured.

Interest Rate Risk - The Medical Center does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Medical Center limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements.

Concentration of Credit Risk - The Medical Center has not established asset allocation limits for their investment portfolio to reduce concentrations of credit risk. However, Mississippi Code 27- 105-365 limits the amount of investments in U.S. government agency and instrumentalities to 50% and the amount of investments in open-end and closed-end management-type investment companies and trusts to 20% for all monies invested with maturities of 30 days or longer.

Fair Value - Following is a description of the valuation methodologies used for investments measured at fair value.

- MHA Investment Pool – Valued at the net asset value of shares held by the investment pool.

**Note 5: ASSETS LIMITED AS TO USE**

Assets limited as to use consisted of the following as of September 30, 2023 and 2022:

<u>September 30,</u>	<u>2023</u>	<u>2022</u>
Trustee-held funds		
USDA debt service reserve	\$ 811,494	\$ 567,294
Self-insurance fund	2,166,646	2,600,263
Total cash and investments limited as to use	\$ 2,978,140	\$ 3,167,557

Amounts classified as current assets represent those assets that are anticipated to be used to satisfy current liabilities at each statement of net position date.

**South Central Regional Medical Center  
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Notes to Financial Statements**

**Note 6: CAPITAL ASSETS**

A summary of capital assets at September 30, 2023 and 2022 is set forth below:

<u>September 30,</u>	<u>2023</u>	<u>2022</u> <i>(Restated)</i>
Land improvements	\$ 3,628,791	\$ 2,208,168
Building	106,917,616	107,634,034
Equipment	82,052,105	80,572,521
Right of use assets - equipment	3,969,470	3,800,868
Right of use assets - buildings	9,477,983	9,026,303
Right of use assets - SBITA	11,780,193	10,983,854
	<b>217,826,158</b>	214,225,748
Less accumulated depreciation and amortization	<b>(121,213,151)</b>	(110,593,899)
	<b>96,613,007</b>	103,631,849
Land	5,274,918	5,291,650
Construction in progress	4,502,603	665,554
Capital assets, net	<b>\$ 106,390,528</b>	<b>\$ 109,589,053</b>

Depreciation and amortization expense for the years ended September 30, 2023 and 2022 totaled \$12,014,731 and \$12,294,358, respectively.

**South Central Regional Medical Center**  
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**Notes to Financial Statements**

**Note 6: CAPITAL ASSETS (Continued)**

Capital asset additions, retirements and balances for the year ended September 30, 2023, were as follows:

<i>September 30,</i>	<b>Balance September 30, 2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Transfers</b>	<b>Balance September 30, 2023</b>
	<i>(Restated)</i>				
Capital assets not being depreciated					
Land	\$ 5,291,650	\$ -	\$ (16,732)	\$ -	\$ 5,274,918
Construction in progress	665,554	5,225,037	-	(1,387,988)	4,502,603
<b>Total capital assets not being depreciated</b>	<b>5,957,204</b>	<b>5,225,037</b>	<b>(16,732)</b>	<b>(1,387,988)</b>	<b>9,777,521</b>
Capital assets being depreciated					
Land improvements	2,208,168	1,700	-	1,418,923	3,628,791
Buildings	107,634,034	383,433	-	(1,099,851)	106,917,616
Equipment	80,572,521	1,806,147	(1,395,479)	1,068,916	82,052,105
Right of use assets - equipment	3,800,868	168,602	-	-	3,969,470
Right of use assets - buildings	9,026,303	451,680	-	-	9,477,983
Right of use assets - SBITA	10,983,854	796,339	-	-	11,780,193
<b>Total capital assets being depreciated</b>	<b>214,225,748</b>	<b>3,607,901</b>	<b>(1,395,479)</b>	<b>1,387,988</b>	<b>217,826,158</b>
Less accumulated depreciation for					
Land improvements	(1,291,166)	(160,659)	-	-	(1,451,825)
Buildings	(42,284,291)	(2,969,533)	-	-	(45,253,824)
Equipment	(60,699,396)	(4,412,576)	1,395,479	-	(63,716,493)
Right of use assets - equipment	(1,828,693)	(428,220)	-	-	(2,256,913)
Right of use assets - buildings	(1,684,878)	(934,466)	-	-	(2,619,344)
Right of use assets - SBITA	(2,805,475)	(3,109,277)	-	-	(5,914,752)
<b>Total accumulated depreciation</b>	<b>(110,593,899)</b>	<b>(12,014,731)</b>	<b>1,395,479</b>	<b>-</b>	<b>(121,213,151)</b>
<b>Capital assets being depreciated, net</b>	<b>103,631,849</b>	<b>(8,406,830)</b>	<b>-</b>	<b>1,387,988</b>	<b>96,613,007</b>
<b>Capital assets, net</b>	<b>\$ 109,589,053</b>	<b>\$ (3,181,793)</b>	<b>\$ (16,732)</b>	<b>\$ -</b>	<b>\$ 106,390,528</b>

**South Central Regional Medical Center**  
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**Notes to Financial Statements**

**Note 6: CAPITAL ASSETS (Continued)**

Capital asset additions, retirements and balances for the year ended September 30, 2022, were as follows:

<i>September 30,</i>	Balance September 30, 2021 <i>(Restated)</i>	Additions	Reductions	Transfers	Balance September 30, 2022 <i>(Restated)</i>
Capital assets not being depreciated					
Land	\$ 5,766,650	\$ -	\$ (475,000)	\$ -	\$ 5,291,650
Construction in progress	5,025,905	988,711	(291,120)	(5,057,942)	665,554
<b>Total capital assets not being depreciated</b>	<b>10,792,555</b>	<b>988,711</b>	<b>(766,120)</b>	<b>(5,057,942)</b>	<b>5,957,204</b>
Capital assets being depreciated					
Land improvements	2,224,026	10,243	(265,770)	239,669	2,208,168
Buildings	108,351,395	62,405	(3,406,435)	2,626,669	107,634,034
Equipment	74,614,555	4,050,721	(284,359)	2,191,604	80,572,521
Right of use assets - equipment	2,301,868	1,499,000	-	-	3,800,868
Right of use assets - buildings	9,026,303	-	-	-	9,026,303
Right of use assets - SBITA	10,898,106	85,748	-	-	10,983,854
<b>Total capital assets being depreciated</b>	<b>207,416,253</b>	<b>5,708,117</b>	<b>(3,956,564)</b>	<b>5,057,942</b>	<b>214,225,748</b>
Less accumulated depreciation for					
Land improvements	(1,424,109)	(123,373)	256,316	-	(1,291,166)
Buildings	(42,593,924)	(2,969,703)	3,279,336	-	(42,284,291)
Equipment	(55,940,541)	(4,799,920)	41,065	-	(60,699,396)
Right of use assets - equipment	(849,511)	(979,182)	-	-	(1,828,693)
Right of use assets - buildings	(1,068,173)	(616,705)	-	-	(1,684,878)
Right of use assets - SBITA	-	(2,805,475)	-	-	(2,805,475)
<b>Total accumulated depreciation</b>	<b>(101,876,258)</b>	<b>(12,294,358)</b>	<b>3,576,717</b>	<b>-</b>	<b>(110,593,899)</b>
<b>Capital assets being depreciated, net</b>	<b>105,539,995</b>	<b>(6,586,241)</b>	<b>(379,847)</b>	<b>5,057,942</b>	<b>103,631,849</b>
<b>Capital assets, net</b>	<b>\$ 116,332,550</b>	<b>\$ (5,597,530)</b>	<b>\$ (1,145,967)</b>	<b>\$ -</b>	<b>\$ 109,589,053</b>

**South Central Regional Medical Center  
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Notes to Financial Statements**

**Note 7: OTHER ASSETS**

The composition of other noncurrent assets at September 30, 2023 and 2022 was as follows:

<i>September 30,</i>	<b>2023</b>	2022
Morris & Dickson deposit	\$ 528,796	\$ 528,796
CON - 60 nursing home beds	637,500	637,500
City of Laurel, lease rights	11,495	11,769
Premier Healthcare Solutions, Inc., common stock	2,226,863	3,515,336
Investment in Workers Compensation Public Pool	89,580	89,580
Investment in Laurel Surgical and Endoscopy Center	378,644	451,608
Investment in Open MRI	241,676	206,398
Clinic acquisitions - medical records	29,706	29,706
Insurance receivable	4,543,282	3,863,802
Non-current portion of note receivable	398,078	400,327
<b>Total other assets</b>	<b>\$ 9,085,620</b>	<b>\$ 9,734,822</b>

The Medical Center's group purchasing organization, Premier Healthcare Solutions, Inc. (PHSI), completed an initial public offering on September 26, 2013. This resulted in the Medical Center's shares of PHSI stock being converted into 103,575 shares of Class B units in the public company. The Medical Center's initial ownership interest in PHSI was recorded as an equity-based investment of \$171,000 at September 30, 2013. The Class B shares were exchangeable pro rata over seven years into Class A common shares or to retain as Class B shares. As the Class B common shares are exchanged, the Class A common share value is based on the quoted market price and thus is measured using level 1 inputs. The carrying value of the Premier investment was approximately \$2,227,000 and \$3,515,000 as of September 30, 2023 and 2022, respectively.

**South Central Regional Medical Center  
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**Note 8: LONG-TERM DEBT AND LEASE OBLIGATIONS**

A summary of long-term debt and lease obligations, at September 30, 2023 and 2022 follows:

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
Note Payable, interest rate of 3.67%, monthly payments of \$51,749, maturing March 2037, collateralized by the Medical Center's capital assets.	<b>\$ 6,581,248</b>	\$ 6,949,905
Note Payable, interest rate of 4.8%, monthly payments of \$36,887, maturing January 2034. Unsecured.	<b>3,595,351</b>	3,849,584
USDA Revenue Bonds Series 2020, original principal amount of \$57,745,000, bearing an interest rate of 2.75%. Principal and interest payments in the amount of \$198,644 are due monthly beginning on March 19, 2020 through February 19, 2060, collateralized by a pledge of the the Medical Center's revenues.	<b>54,763,279</b>	55,626,502
Lease obligations, interest rates ranging from 1.6% to 4.0%, monthly payments ranging from \$246 to \$43,900, maturing in various dates through April 2031, collateralized by leased property and equipment.	<b>8,508,974</b>	9,126,671
	<b>73,448,852</b>	75,552,662
Less: current portion	<b>3,084,550</b>	2,924,032
<b>Total long-term debt and lease obligations</b>	<b>\$ 70,364,302</b>	<b>\$ 72,628,630</b>

During 2017, the Medical Center issued Medical Center Revenue notes, Series 2017, in the amount of \$57,745,000 and a promissory note with a local bank in the amount of \$8,755,000 through the United States Department of Agriculture ("USDA") direct loan program and the USDA guaranty loan program, respectively. The debt proceeds were used to refund the Mississippi Medical Center Equipment and Facilities Authority bonds dated September 7, 2006, payoff the outstanding bank loans and capital lease obligations, and fund Medical Center expansion (the "Project"). The Project consists of a 67,980 square foot three-floor addition to the easterly end of the Medical Center to house a new emergency department and to shell in two floors for future expansion, the construction of a 67,815 square foot four-floor medical office building, new parking areas and drives and a paved heliport. The Project was completed February 2020 and USDA redeemed the Series 2017 Medical Center Revenue notes.

**South Central Regional Medical Center  
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Notes to Financial Statements**

**Note 8: LONG-TERM DEBT AND LEASE OBLIGATIONS (Continued)**

The maturities on long-term debt are as follows:

<i>Year ending September 30,</i>	<b>Notes Payable</b>		<b>Lease Obligation</b>		<b>Revenue Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 657,700	\$ 400,749	\$ 1,539,773	\$ 307,379	\$ 887,077	\$ 1,494,750
2025	685,469	372,981	1,340,630	270,563	911,781	1,470,046
2026	714,431	344,018	1,467,724	216,029	937,174	1,444,654
2027	744,640	313,809	962,816	160,974	963,273	1,418,554
2028	776,151	282,298	895,617	122,365	990,100	6,816,930
2029-2033	4,403,106	889,139	2,302,414	177,830	5,379,785	6,529,352
2034-2038	2,195,102	137,630	-	-	6,171,805	5,737,333
2039-2043	-	-	-	-	7,080,425	4,828,713
2044-2048	-	-	-	-	8,122,813	3,786,324
2049-2053	-	-	-	-	9,318,663	2,590,473
2054-2058	-	-	-	-	10,690,568	1,218,568
2059-2060	-	-	-	-	3,309,815	68,595
<b>Total</b>	<b>\$ 10,176,599</b>	<b>\$ 2,740,624</b>	<b>\$ 8,508,974</b>	<b>\$ 1,255,140</b>	<b>\$ 54,763,279</b>	<b>\$ 37,404,292</b>

A schedule of changes in the Medical Center's long-term debt for 2023 follows:

	<b>Balance September 30, 2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30, 2023</b>	<b>Due Within One Year</b>
USDA 2020 revenue bonds	\$ 55,626,502	\$ -	\$ (863,223)	\$ <b>54,763,279</b>	\$ 887,077
Notes payable	10,799,489	-	(622,890)	<b>10,176,599</b>	657,700
Lease obligations	9,126,671	620,282	(1,237,979)	<b>8,508,974</b>	1,539,773
<b>Total long-term debt</b>	<b>\$ 75,552,662</b>	<b>\$ 620,282</b>	<b>\$ (2,724,092)</b>	<b>\$ 73,448,852</b>	<b>\$ 3,084,550</b>



**South Central Regional Medical Center  
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**Note 8: LONG-TERM DEBT AND LEASE OBLIGATIONS (Continued)**

A schedule of changes in the Medical Center's long-term debt for 2022 follows:

	Balance September 30, 2021	Additions	Reductions	Balance September 30, 2022	Due Within One Year
USDA 2020 revenue bonds	\$ 56,466,311	\$ -	\$ (839,809)	55,626,502	\$ 863,042
Notes payable	11,406,531	-	(607,042)	10,799,489	631,077
Lease obligations	9,401,528	1,505,878	(1,780,735)	9,126,671	1,429,913
<b>Total long-term debt</b>	<b>\$ 77,274,370</b>	<b>\$ 1,505,878</b>	<b>\$ (3,227,586)</b>	<b>\$ 75,552,662</b>	<b>\$ 2,924,032</b>

**Note 9: NET INVESTMENT IN CAPITAL ASSETS**

The Medical Center's net investment in capital assets, as presented on the accompanying statements of net position is calculated as follows:

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
		<i>(Restated)</i>
Capital assets	<b>\$ 227,603,679</b>	\$ 220,182,952
Less accumulated depreciation	<b>(121,213,151)</b>	(110,593,899)
Less debt outstanding related to capital assets	<b>(79,314,293)</b>	(83,731,041)
<b>Net investment in capital assets</b>	<b>\$ 27,076,235</b>	\$ 25,858,012

**Note 10: NET PATIENT SERVICE REVENUE**

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

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

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 10: NET PATIENT SERVICE REVENUE (Continued)**

Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective reimbursement methodology known as an APR-DRG system. Outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective reimbursement methodology known as an APC system.

Other - The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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

The MHAP Program is administered by the Division of Medicaid (DOM) through the Mississippi CAN coordinated care organizations (CCO). The CCO's subcontract with Medical Centers throughout the state for distribution of MHAP payments for the purpose of protecting patient access to Medical Center care. DSH and MHAP payments and associated tax are distributed and collected in equal monthly installments. MHAP amounts are shown as a reduction of contractual adjustments and are recorded net of related taxes paid.

The Medical Center participates in the Mississippi Nursing Home Upper Payment Limit (UPL) Program. This program is funded by Intergovernmental Transfers (IGTs) from participating providers to the DOM. Under this program, the Medical Center receives enhanced reimbursement for nursing home services offered to the community. Unlike the Medical Center UPL Program, the Nursing Home UPL Program does not prescribe specific payment timelines, therefore, creating uncertainties about both the timing and estimation of such UPL payments. Due to these uncertainties, Nursing Home UPL payments are recorded only when notified by the DOM of the imminence of such payments. UPL amounts are shown as a reduction of contractual adjustments and are recorded net of IGTs paid.

Under the Medical Center and Nursing Home MHAP and UPL programs, the Medical Center received enhanced reimbursement for 2023 and 2022 as follows:

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
UPL revenue, gross	\$ 3,857	\$ 1,534,609
MHAP revenue, gross	<b>15,344,308</b>	12,575,358
UPL assessment	<b>(6,904)</b>	(274,810)
MHAP assessment	<b>(3,955,069)</b>	(4,181,172)
MHAP and UPL revenue, net of assessment	<b>\$ 11,386,192</b>	\$ 9,653,985

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 10: NET PATIENT SERVICE REVENUE (Continued)**

Medicare and Medicaid Laws and Regulations - Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result of those interpretations, the 2023 and 2022 net patient service revenue increased (decreased) approximately \$109,000 and \$97,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated.

The composition of net patient service revenue was as follows:

<u>September 30,</u>	<u>2023</u>	<u>2022</u>
Gross patient service revenue	\$ 504,188,281	\$ 486,058,646
Less provisions for		
Contractual adjustments under third-party reimbursement programs and other deductions	294,993,621	275,022,293
Provision for bad debts	29,883,758	24,048,610
Net patient service revenue	<b>\$ 179,310,902</b>	<b>\$ 186,987,743</b>

***The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation***

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law by the President of the United States. Included in the CARES Act was a healthcare provider relief fund (PRF), administered by the Department of Health and Human Services (HHS), and to be distributed to healthcare providers. The purpose of the PRF is to help providers offset certain costs incurred as a result of COVID-19 including the impact to the provider's revenue if applicable. Providers were allocated a portion of the PRF based on prior revenue information reported to Centers for Medicare & Medicaid Services (CMS) in their annual Medicare cost reports. During the year ended September 30, 2022, the Medical Center received \$10.2 million in PRF payments, which is recorded as nonoperating revenue on the accompanying statements of revenues, expenses, and changes in net position.

Below is a brief overview of certain provisions of the CARES Act and related legislation that have impacted and are expected to continue to impact the Medical Center's business. Please note that this summary is not exhaustive, and additional legislative action and regulatory developments may evolve rapidly. There is no assurance that the Medical Center will continue to receive or remain eligible for funding or assistance under the CARES Act or similar measures.

Public Health and Social Services Emergency Fund - To address the fiscal burdens on healthcare providers created by the COVID-19 public health emergency, the CARES Act and the Paycheck Protection Program authorized \$175 billion for the Relief Fund. During the year ended September 30, 2020, HHS commenced distribution of Relief Fund monies, later increased by subsequent legislation.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 10: NET PATIENT SERVICE REVENUE (Continued)**

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

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

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act suspended the sequestration payment adjustment percentage of 2% applied to all Medicare Fee-for-Service (FFS) claims from May 1 through December 31, 2020. The Consolidated Appropriations Act, 2021, extended the suspension period to March 31, 2021. An Act to prevent across-the-board direct spending cuts, and for other purposes, signed into law on April 14, 2021, extended the suspension period to December 31, 2021. The Protecting Medicare and American Farmers from Sequester Cuts Act extended the suspension period through March 31, 2022, and adjusted the sequester to 1% between April 1, 2022 and June 30, 2022. Subsequent to July 1, 2022 the 2% cut was effective.
- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency (which expired on May 11, 2023) as declared by the Secretary of HHS.
- The scheduled reduction of \$4 billion in federal Medicaid DSH allotments in FFY 2020, as mandated by the Affordable Care Act, is suspended until October 1, 2024. Also, the federal DSH allotment reduction for FFY 2024 is set at \$8 billion for each year through termination in FFY 2027.
- The CARES Act expanded the Medicare Accelerated and Advance payments program, which provides prepayment of claims to providers in certain circumstances, such as national emergencies or natural disasters. Under this measure, providers could request accelerated and advance payments for Medicare Part A and Part B suppliers. Under the Continuing Appropriations Act, 2021 and Other Extensions Act, repayment began one year from the issuance date of each provider or supplier's accelerated or advance payment. After the first 12 months, Medicare began to automatically recoup 25 percent of Medicare payments otherwise owed to the provider or supplier for eleven months. At the end of the eleven-month period, recoupment increased to 50 percent for another six months. If the provider or supplier was unable to repay the total amount of the accelerated or advance payment during this time-period (a total of 29 months), CMS issued demand letters requiring repayment of any outstanding balance, subject to an interest rate of four percent consistent with the Continuing Appropriations Act, 2021. As of September 30, 2022, the Medical Center had repaid all of the accelerated and advance payments.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 10: NET PATIENT SERVICE REVENUE (Continued)**

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

- A 6.2% increase in the Federal Medical Assistance Percentage (“FMAP”) matching funds was instituted to help states respond to the COVID-19 pandemic. The additional funds are available to states from January 1, 2020 through the quarter in which the public health emergency period ends, provided that states meet certain conditions. An increase in states’ FMAP leverages Medicaid’s existing financing structure, which allows federal funds to be provided to states more quickly and efficiently than establishing a new program or allocating money from a new funding stream. Increased federal matching funds support states in responding to the increased need for services, such as testing and treatment during the COVID-19 public health emergency, as well as increased enrollment as more people lose income and qualify for Medicaid during the economic downturn. The public health emergency ended in May 2023. The FMAP increases will be phased out quarterly until it is fully removed on January 1, 2024. The FMAP will be 5% for April through June 2023, 2.5% for July through September 2023, and 1.5% for October through December 2023.

**Note 11: INSURANCE PROGRAMS**

***Risk Management***

The Medical Center is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. Commercial liability insurance is purchased for most of these risks. However, employee health and dental insurance, workers' compensation and certain general and professional liability risks are self-funded as further explained below. The Medical Center has accrued for the estimate of self-funded claims incurred but not paid.

***Self-Funded Workers Compensation***

Effective July 1, 2010, the Medical Center began an individual self-funded plan for workers' compensation claims. Prior to July 1, 2010, the Medical Center participated in the Mississippi Medical Center Association Public Medical Center's workers' compensation pool. A liability is recorded when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Liabilities for claims incurred are reevaluated periodically to take into consideration recently settled claims, frequency of claims and other economic and social factors. The Medical Center purchased commercial insurance that provides coverage for workers' compensation claims in excess of the self-funded limits. As of September 30, 2023 and 2022, the Medical Center accrued \$100,000 for potential claim liabilities which is included in accrued self-insurance costs in the statement of net position. Claims and related activity were not significant for the years ended September 30, 2023 and 2022.

**South Central Regional Medical Center**  
**(A Component Unit of Jones County)**  
**Notes to Financial Statements**

**Note 11: INSURANCE PROGRAMS (Continued)**

Changes in the Medical Center's claims liability amount in fiscal years, 2023 and 2022 were:

<i>For the year ended September 30:</i>	<b>Beginning Balance</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Current Year Payments</b>	<b>Ending Balance</b>
2022	\$ 100,000	\$ 56,693	\$ (56,693)	\$ 100,000
2021	\$ 100,000	\$ 206,551	\$ (206,551)	\$ 100,000

***Self-Funded Health Insurance***

The Medical Center provides health and dental insurance coverage to its employees under a self-funded plan. Health claims are paid by the Medical Center as they are incurred and filed by the employee. An estimated liability for claims incurred but not reported or paid is included in other current liabilities and accrued self-insurance costs in the statement of net position.

The claims liability at September 30, 2023 and 2022 is based on the requirements of GASB, which requires that liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Medical Center's claims liability amount in fiscal years 2023 and 2022 were:

<i>For the year ended September 30:</i>	<b>Beginning Balance</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Current Year Payments</b>	<b>Ending Balance</b>
2022	\$ 1,234,546	\$ 7,772,412	\$ (7,772,412)	\$ 1,234,546
2021	\$ 1,150,570	\$ 9,501,041	\$ (9,417,065)	\$ 1,234,546

***Medical Malpractice Program***

The Medical Center maintains a professional and general liability insurance program under a self-funded plan. At year-end, the Medical Center accrues for the estimate of losses for malpractice claims outstanding. As of September 30, 2023 and 2022, this accrual totaled \$1,312,000 which is included in accrued self-insurance costs in the statement of net position. The future assertion of claims for occurrences prior to year-end is reasonably possible and may occur, although it is not anticipated.

Changes in the Medical Center's claims liability amount, including related legal fees, for the years 2023 and 2022 were as follows:

<i>For the year ended September 30:</i>	<b>Beginning Balance</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Current Year Payments</b>	<b>Ending Balance</b>
2022	\$ 1,312,000	\$ 402,709	\$ (402,709)	\$ 1,312,000
2021	\$ 1,550,000	\$ 11,127	\$ (249,127)	\$ 1,312,000

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 11: INSURANCE PROGRAMS (Continued)**

The Mississippi Tort Claims Act provides a cap on the amount of damages recoverable against government entities, including governmental medical centers. For claims filed, the amount recoverable is the greater of \$500,000 or the amount of liability insurance coverage that has been retained.

**Note 12: SUBSCRIPTION LIABILITIES**

GASB No. 96, *Subscription-Based Information Technology Arrangements*, was adopted for periods beginning October 1, 2022. Under this new guidance, nearly all contracts allowing for the Medical Center to use another entity's information technology software alone or in combination with tangible capital assets (the underlying IT assets) for a period greater than 12 months must be recorded as both a right of use (ROU) asset and a subscription liability. The liability is measured using the present value of expected payments over the subscription term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. Amortization of the ROU asset flows through amortization expense monthly using straight-line basis over the life of the subscription.

The right of use assets and related subscription liabilities largely involve the following:

- A licensing and remote hosting agreement with a global supplier of health information technology solutions which provides software/applications, managed/shared services, and remote hosting services. The contract spans a period of 48 months.
- Other Subscriptions
  - Online learning center for the organization
  - Payroll/time and attendance tracking
  - Remote hosted software for operating systems, email communications, and various other processing softwares
  - These subscriptions range from 16 months to 60 months

With the implementation of GASB 96, the initial subscription liability was recorded in the amount of \$10,898,106. As of September 30, 2023, the balance of the subscription liability was \$5,865,441. The Medical Center is required to make monthly principal and interest payments totaling approximately \$268,000. The subscriptions have interest rates ranging from 2.75% to 12.39%.

**South Central Regional Medical Center**  
**(A Component Unit of Jones County)**  
**Notes to Financial Statements**

**Note 12: SUBSCRIPTION LIABILITIES (Continued)**

Subscription liability activity for the years ended September 30, 2023 and 2022, was as follows:

	Balance September 30, 2022	Additions	Reductions	Balance September 30, 2023	Amounts Due Within One Year
Subscription liability	\$ 8,178,379	\$ 796,339	\$ (3,109,277)	\$ 5,865,441	\$ 3,040,921

	Balance October 1, 2021	Additions	Reductions	Balance September 30, 2022	Amounts Due Within One Year
Subscription liability	\$ 10,898,106	\$ 85,748	\$ (2,805,475)	\$ 8,178,379	\$ 3,109,277

Minimum future subscription payments under the subscription liability as of September 30, 2023, are as follows:

<i>For the year ending September 30,</i>	Subscription Liability		
	Principal	Interest	Total
2024	\$ 3,040,921	\$ 179,925	\$ 3,220,846
2025	2,798,950	158,003	2,956,953
2026	25,570	352	25,922
<b>Total minimum subscription payments</b>	<b>\$ 5,865,441</b>	<b>\$ 338,280</b>	<b>\$ 6,203,721</b>

**Note 13: RETIREMENT PLAN**

The Medical Center has established a 403(b) tax deferred retirement plan for the benefit of all full-time employees. Effective November 1, 2007, the Medical Center matches 100 percent of each contribution as follows: less than 10 years of participation, the Medical Center will match 100 percent of contributions up to 1.5 percent of eligible compensation; 10-15 years of participation, the Medical Center will match 167 percent of contributions up to 2.5 percent of eligible compensation; 15-20 years of participation, the Medical Center will match 200 percent of contributions up to 3 percent of eligible compensation; and greater than 20 years of participation, the Medical Center will match 233 percent of contributions up to 3.5 percent of eligible compensation. Participants are immediately vested in their salary reduction contributions plus earnings thereon. Participants gain 100 percent vesting in Medical Center matching contributions after 5 years of participation based on a tiered schedule. The Medical Center's matching contributions for the years ended September 30, 2023 and 2022 were approximately \$682,000 and \$965,000, respectively.



**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 14: SIGNIFICANT ESTIMATES AND CONCENTRATIONS**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Allowance for Net Patient Service Revenue Adjustments***

Estimates of allowances for adjustments included in net patient service revenue are described in Note 10.

***Litigation***

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

***Accounts Receivable***

The Medical Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The percentage mix of accounts receivable, at net, from patients and major third-party payers at September 30 was as follows:

<i>September 30,</i>	<b>2023</b>	2022
Medicare	<b>34.0%</b>	32.8%
Medicaid	<b>9.5%</b>	12.0%
Commercial	<b>17.2%</b>	20.3%
Other	<b>39.3%</b>	34.9%
<b>Total</b>	<b>100.0%</b>	100.0%

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 14: SIGNIFICANT ESTIMATES AND CONCENTRATIONS (Continued)**

***Patient Service Revenue Under Contract***

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

	September 30, 2023		September 30, 2022	
	Amount	Percent of Total Gross Patient Revenue	Amount	Percent of Total Gross Patient Revenue
Medicare	\$ 251,823,000	49.9%	\$ 241,706,000	49.7%
Medicaid	83,612,000	16.6%	82,523,000	17.0%
Other	168,753,281	33.5%	161,829,646	33.3%
Total	\$ 504,188,281	100.0%	\$ 486,058,646	100.0%

**Note 15: COMMITMENTS AND CONTINGENCIES**

***Guaranty of Joint Venture Debt***

The Medical Center is guarantor for the debt for one of its joint ventures. In the event of default on the debt, the Medical Center will be required to pay to the joint venture's debt holder 125 percent of 51 percent of the outstanding joint venture debt. The potential total of this payment amounted to \$1,949 and \$21,113 at September 30, 2023 and 2022, respectively. No liability has been recorded for this guarantee as of September 30, 2023 and 2022. In connection with the debt guarantee, the Medical Center pledged as collateral a certificate of need for the operation of an ambulatory surgery center. Substantially all of the assets of the joint venture have also been pledged as collateral for the debt.

***COVID-19***

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 16: BLENDED COMPONENT UNIT**

The Foundation is a tax-exempt, legally separate component unit of the Medical Center. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Medical Center.

The condensed statements of net position, condensed statements of revenues, expenses and changes in net position, and the condensed statements of cash flows as of and for the years ended September 30, 2023 and 2022 for the Foundation are as follows:

<i>September 30,</i>	<b>The Foundation</b>	
	<b>2023</b>	2022
<b>Condensed Statements of Net Position</b>		
<b>Assets</b>		
Current assets	\$ 40,563	\$ 53,240
Total assets	\$ 40,563	\$ 53,240
<b>Net position</b>		
Unrestricted	\$ 40,563	53,240
Total net position	\$ 40,563	\$ 53,240

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 16: BLENDED COMPONENT UNIT (Continued)**

<i>For the years ended September 30,</i>	<b>The Foundation</b>	
	<b>2023</b>	<b>2022</b>
<b>Condensed Statements of Revenues, Expenses and Changes in Net Position</b>		
<b>Operating Revenue</b>		
Other operating revenue	\$ 63,367	\$ 48,177
Total operating revenue	<b>63,367</b>	<b>48,177</b>
<b>Operating Expenses</b>		
Other operating expenses	<b>76,044</b>	102,866
Total operating expenses	<b>76,044</b>	102,866
Operating income (loss)	<b>(12,677)</b>	(54,689)
Increase (decrease) in net position	<b>(12,677)</b>	(54,689)
Net Position - beginning of year	<b>53,240</b>	107,929
<b>Net Position - end of year</b>	<b>\$ 40,563</b>	<b>\$ 53,240</b>

<i>For the years ended September 30,</i>	<b>The Foundation</b>	
	<b>2023</b>	<b>2022</b>
<b>Condensed Statements of Cash Flows</b>		
Cash provided by (used in) operating activities	\$ (12,677)	\$ (54,689)
Increase (decrease) in cash and cash equivalents	<b>(12,677)</b>	(54,689)
<b>Cash and Cash Equivalents - beginning of year</b>	<b>53,240</b>	107,929
<b>Cash and Cash Equivalents - end of year</b>	<b>\$ 40,563</b>	<b>\$ 53,240</b>

**South Central Regional Medical Center**  
**(A Component Unit of Jones County)**  
**Notes to Financial Statements**

**Note 17: INVESTMENTS IN JOINT VENTURES**

The Medical Center has an ownership interest (51 percent) in a joint venture that provides surgical and endoscopy services. The Medical Center has an ownership interest (51 percent) in a joint venture that provides Open MRI services. There are no separately issued financial statements for the joint ventures.

The Medical Center's investments in joint ventures is reflected in other assets on the accompanying statements of net position. The following is summarized unaudited financial information for the joint ventures as of and for the years ended September 30, 2023 and 2022, respectively.

<i>September 30,</i>	<b>Laurel Surgical and Endoscopy Center</b>	
	<b>2023</b>	<b>2022</b>
Cash	\$ 254,347	\$ 647,575
Patient accounts receivable, net	318,529	314,797
Capital assets, net	561,396	352,279
Other assets	202,975	211,599
<b>Total assets</b>	<b>\$ 1,337,247</b>	<b>\$ 1,526,250</b>
Current liabilities	\$ 312,655	\$ 259,746
Long-term liabilities	3,057	33,118
Members' capital	1,021,535	1,233,386
<b>Total liabilities and capital</b>	<b>\$ 1,337,247</b>	<b>\$ 1,526,250</b>
Net patient service and other revenues	\$ 4,838,146	5,363,717
Operating expenses	(4,883,303)	(4,542,978)
<b>Net income (loss)</b>	<b>\$ (45,157)</b>	<b>\$ 820,739</b>

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Notes to Financial Statements**

**Note 17: INVESTMENTS IN JOINT VENTURES (Continued)**

<i>September 30,</i>	Open MRI	
	2023	2022
Cash	\$ 165,860	\$ 136,923
Patient accounts receivable, net	170,523	170,987
Capital assets, net	691,557	754,250
Total assets	<b>\$ 1,027,940</b>	<b>\$ 1,062,160</b>
Current liabilities	\$ 84,591	\$ 85,799
Long-term liabilities	-	118,996
Total liabilities	<b>84,591</b>	<b>204,795</b>
Members' capital	<b>943,349</b>	<b>857,365</b>
Total liabilities and members' capital	<b>\$ 1,027,940</b>	<b>\$ 1,062,160</b>
Net patient service and other revenues	\$ 1,303,199	\$ 1,161,389
Operating expenses	<b>(1,157,216)</b>	<b>(1,097,381)</b>
Net income (loss)	<b>\$ 145,983</b>	<b>\$ 64,008</b>

**South Central Regional Medical Center  
(A Component Unit of Jones County)  
Schedule of Surety Bonds for Officers and Employees  
September 30, 2023**

Name	Position	Company	Amount of Bond
Becky Brewer	Trustee	Fidelity and Deposit Company of Maryland	\$ 100,000
Victor Jones, Jr.	Trustee	Fidelity and Deposit Company of Maryland	\$ 100,000
Lewis Goins	Trustee	Fidelity and Deposit Company of Maryland	\$ 100,000
Michael Lowe	Trustee	Fidelity and Deposit Company of Maryland	\$ 100,000
Jack M. Scoggin	Trustee	Fidelity and Deposit Company of Maryland	\$ 100,000
Arthur L. Siggers	Trustee	Fidelity and Deposit Company of Maryland	\$ 100,000
George Walters	Trustee	Fidelity and Deposit Company of Maryland	\$ 100,000
Gregg Gibbes	President & Chief Executive Officer	Fidelity and Deposit Company of Maryland	\$ 100,000
All Employees		Fidelity and Deposit Company of Maryland	\$ 250,000



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

Board of Trustees  
South Central Regional Medical Center  
Laurel, 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 South Central Regional Medical Center (the Medical Center), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements, and have issued our report thereon dated December 19, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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



## Report on Compliance and Other Matters

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

## Purpose of this Report

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

*Carr, Riggs & Ingram, L.L.C.*

Metairie, Louisiana  
December 19, 2023

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
South Central Regional Medical Center  
Laurel, Mississippi

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited South Central Regional Medical Center's (the Medical Center) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Medical Center's major federal programs for the year ended September 30, 2023. The Medical Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Medical Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Medical Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Medical Center's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Medical Center's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Medical Center's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Medical Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Medical Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Medical Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Medical Center's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Medical Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

Metairie, Louisiana  
December 19, 2023

## South Central Regional Medical Center Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying No.	Amounts Provided Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Health and Human Services</b>				
COVID-19 Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	93.498	NA	\$ -	\$ 9,826,285
<i>Total U.S. Department of Health and Human Services</i>				9,826,285
<b>U.S. Department of Agriculture</b>				
Community Facilities Loans and Grants Cluster Communities and Facilities Loan and Grants	10.766	NA	-	55,626,502
<i>Total Community Facilities Loans and Grants Cluster</i>				55,626,502
<i>Total U.S. Department of Agriculture</i>				55,626,502
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 65,452,787</b>

**South Central Regional Medical Center  
(Component Unit of Jones County)**

**Notes to the Schedule of Expenditures of Federal Awards**

**Note 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) represents federal grant activity of the Medical Center under programs of the federal government for the year ended September 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Medical Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Medical Center.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

For assistance listing number 93.498 Provider Relief Funds (PRF) amounts reported in the Schedule represent PRF funds received by the Medical Center during the period July 1, 2021 to June 30, 2022 that were required to be used by June 30, 2023 and that were reported in the PRF portal for the reporting time period ended September 30, 2023.

**Indirect Cost Rate**

The Uniform Guidance allows an organization to elect a 10% *de minimis* indirect cost rate. For the year ended September 30, 2023, the Medical Center did not elect to use this rate.

**Loan / Loan Guarantee Outstanding Balances**

As of September 30, 2023, the Medical Center had \$54,763,279 of federal loans or loan guarantees outstanding, as part of the Community and Facilities Loan and Grants cluster.

**Note 3: NONCASH ASSISTANCE**

The Medical Center did not receive any federal noncash assistance for the year ended September 30, 2023.

**South Central Regional Medical Center  
(Component Unit of Jones County)  
Schedule of Findings and Questioned Costs**

**SECTION I: SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

- |  |            |
|--|------------|
| 1. Type of auditors' report issued:                      | Unmodified |
| 2. Internal control over financial reporting:            |            |
| a. Material weakness(es) identified?                     | None       |
| b. Significant deficiency(es) identified?                | None noted |
| c. Noncompliance material to financial statements noted? | None       |

**Federal Awards**

- |   |            |
|---|------------|
| 1. Type of auditors' report issued issued on compliance for major federal programs:                   | Unmodified |
| 2. Internal control over major federal programs:  |            |
| a. Material weakness(es) identified?  | None       |
| b. Significant deficiency(es) identified?   | Yes        |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes        |
| 4. Identification of major programs:  |            |
| 5.  |            |

**Assistance Listing Number**

**Federal Program**

93.498	COVID-19 Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution
10.766	Community Facilities Loans and Grants Cluster Communities and Facilities Loan and Grants

- |  |           |
|--|-----------|
| 6. Dollar threshold used to distinguish between type A and B programs: | \$750,000 |
| 7. Auditee qualified as a low-risk auditee for federal purposes?       | No        |

**South Central Regional Medical Center  
(Component Unit of Jones County)  
Schedule of Findings and Questioned Costs**

**SECTION II: FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III: FEDERAL AWARD FINDINGS**

<b>Finding 2023-001:</b>	Significant Deficiency, Internal Control Over Compliance
<b>Federal Agency:</b>	U.S. Department of Health and Human Services
<b>Assistance Listing Number:</b>	93.498 – COVID-19 Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution
<b>Award Year:</b>	2021
<b>Federal Award Identification:</b>	PRF 20210001
<b>Pass-Through Entity:</b>	N/A
<b>Criteria:</b>	Per 2 CFR 200.303 and 2 CFR 200.430(i), a non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award and establishes the standard for documentation of personnel expenses.
<b>Condition:</b>	Payroll expenses are an allowed expense according to the guidance and FAQs generated by HRSA. The Medical Center should have controls in place whereby all expenses are reviewed prior to submission to ensure the expense is for the proper purpose.
<b>Cause:</b>	There was no policy implemented to require the documented approval of a corrected time card.
<b>Effect:</b>	For one of twenty-five payroll expenses selected, there was no approval of a corrected time card prior to the payroll being submitted.
<b>Questioned Costs:</b>	\$-0-
<b>Perspective:</b>	The payroll expense was an allowable costs under the guidance issue by HHS. This finding does not generate any questioned costs or unallowable costs being used in the PRF submission.



**South Central Regional Medical Center  
(Component Unit of Jones County)  
Schedule of Findings and Questioned Costs**

**SECTION III: FEDERAL AWARD FINDINGS (Continued)**

**Recommendation:** We recommend the Medical Center implement a process whereby all timesheets (original and corrected) have to be approved by a supervisor prior to payroll being generated and that approval is documented and maintained.

**Views of Responsible  
Officials and Planned  
Corrective Action:**

Management concurs with auditors' finding and recommendation.

**Management's Response:** See attached corrective action plan.

**SECTION IV: SUMMARY OF PRIOR AUDIT FINDINGS**

**Finding 2022-001:** Material Weakness over Financial Reporting

**Condition:** OMB guidance requires all expenditures of federal awards to be captured on the SEFA. The 2022 compliance supplement changed the requirements for the USDA Community Facility Loans and Grant program requiring the entire outstanding loan balance to be included on the SEFA. The Medical Center did not include the outstanding loan balance thereby materially misstating the SEFA in the September 30, 2022 audit report.

**Status:** Resolved. The USDA loan balance is reported on the September 30, 2023 SEFA.

