



**SOUTHWEST MISSISSIPPI  
REGIONAL MEDICAL CENTER**

**FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2023**

**REPORT**

Independent Auditor’s Report ..... 1

**REQUIRED SUPPLEMENTARY INFORMATION**

Management’s Discussion and Analysis ..... 5

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position ..... 12  
 Statement of Revenues, Expenses, and Changes in Net Position ..... 14  
 Statement of Cash Flows ..... 15  
 Notes to Financial Statements ..... 17

**SUPPLEMENTARY INFORMATION**

Schedule of Gross Patient Service Revenue ..... 54  
 Schedule of Operating Expenses..... 55  
 Schedule of Other Operating Revenue ..... 57  
 Schedule of Surety Bonds for Officials and Employees ..... 58

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE MATTERS**

Independent Auditor’s Report on Internal Control Over  
 Financial Reporting and on Compliance and Other Matters  
 Based on an Audit of Financial Statement Performed in  
 Accordance with *Government Auditing Standards*..... 59



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Southwest Mississippi Regional Medical Center  
McComb, Mississippi

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

#### ***Opinion***

We have audited the accompanying financial statements of Southwest Mississippi 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 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 the Medical Center as of September 30, 2023, and the changes in financial position and its cash flows for the year 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 Auditor's 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.

#### ***Emphasis of Matter***

As discussed in Note 3 to the financial statements, the Medical Center adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 96, *Subscription-Based Information Technology Arrangements* (SBITA). Our opinion is not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 5 through 11 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 as a whole. The schedule of gross patient service revenue, schedule of operating expenses, schedule of other operating revenue, and schedule of surety bonds for officials and employees are 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 schedules of gross patient service revenue, operating expenses, other operating revenue, and surety bonds for officials 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 May 28, 2024, 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.*

New Orleans, Louisiana  
May 28, 2024

## **Southwest Mississippi Regional Medical Center Management's Discussion and Analysis**

Our discussion and analysis of Southwest Mississippi Regional Medical Center's (the "Medical Center") annual performance provides an overview of the entity's financial activities for the fiscal year ended September 30, 2023. This information should be used in conjunction with the Medical Center's financial statements, which begin on page 12.

### **Background and Overview**

The Medical Center, located in McComb, Mississippi, was established in 1969 and serves a seven-county area of Mississippi. The Medical Center also draws from two parishes in neighboring eastern Louisiana. According to the most recent Certificate of Needs records, the Medical Center's extended service area is a largely rural population of 170,000 people.

The Medical Center has developed an integrated health system that provides comprehensive, state-of-the-art healthcare to a population that typically would have to travel 60 to 100 miles to Jackson, Mississippi, New Orleans or Baton Rouge, Louisiana for such levels of service.

The Medical Center includes the 160-bed Southwest Mississippi Regional Medical Center with over 1,000 employees and 70 physicians on staff; the Cardiovascular Institute of Mississippi providing comprehensive cardiovascular care, the Mississippi Cancer Institute for the treatment and prevention of cancer; and a home health service serving 12 counties. The Medical Center owns and operates 14 clinics, including rural health clinics, and an outpatient rehabilitation center. The Medical Center also manages and operates Lawrence County Hospital in Monticello, Mississippi. In addition, St. Luke Foundation and its component units provide home health services to clients living in Pike, Amite, Franklin, Copiah, Lawrence, Walthall, Covington, Marion, Lamar, Jeff Davis, Simpson and Smith Counties.

### **Using This Annual Report**

The Medical Center's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for purposes by contributors, grantors, or enabling legislation. The financial statements presented herein also include the activities of its blended component unit. Complete financial statements for the blended component unit can be requested from the Medical Center's chief financial officer.

The statement of net position includes all of the Medical Center's assets and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which assets are limited as to use as a result of bond covenants or other restrictions. The makeup, changes thereto and general comments regarding how the changes occurred will be discussed later. The Medical Center's statement of net position indicates a very strong financial position.

## Southwest Mississippi Regional Medical Center Management's Discussion and Analysis

The statement of revenues, expenses, and changes in net position reports all of the revenues and expenses for the period. Revenues measure and represent the volume and types of services provided to the Medical Center's customers, the patients we serve. This statement also reflects the costs of providing those services enumerated by the various categories of and types of expenses incurred. This statement further reveals how the Medical Center was able to manage its business to either provide the services at a profit or loss.

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The above-mentioned categories specify the cash funding by the Medical Center.

### Financial Highlights

The Medical Center's overall financial position showed an overall increase in net position of \$8.9 million.

Positive factors affecting financial results included:

- Disproportionate Share ("DSH") and Mississippi Hospital Access Program ("MHAP") net revenues were \$17.3 million.
- 340B program settlement recognized was \$7.4 million.

Negative factors affecting financial results included:

- Increasing payor requirements to move services from inpatient to outpatient, resulting in decreased inpatient census and a greater percentage of outpatient observation.
- Continuing shift in payment responsibility from third-party payors to patients through higher deductibles and copays resulting in additional bad debt estimates.
- Increases in salaries due to rising staffing costs from nursing shortages during the COVID-19 pandemic.
- Recruiting and retaining physicians poses a significant challenge for all rural hospitals and doing this effectively is a crucial part of a rural hospital's success and viability.
- Significant investment made in the Medical Center's financial reporting and electronic health records system.

At the end of the 2023 fiscal year, the assets of the Medical Center exceeded liabilities by approximately \$35.8 million. Of this excess amount, approximately \$17.1 million (unrestricted net position) may be used to meet ongoing obligations to the Medical Center's employees, patients and creditors. 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 \$2.2 million deposited into this restricted account.



## Southwest Mississippi Regional Medical Center Management's Discussion and Analysis

### Condensed Financial Information

#### *Summary of Net Position*

A summary of the Medical Center's Statements of Net Position for September 30, 2023 and 2022 are presented in the following table:

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

<i>September 30,</i>	Fiscal Year	
	2023	2022
Current and other assets	\$ 55,037	\$ 47,382
Capital assets	46,553	39,286
<b>Total assets</b>	<b>101,590</b>	86,668
Long-term liabilities	29,462	32,449
Other liabilities	36,347	27,126
<b>Total liabilities</b>	<b>65,809</b>	59,575
Deferred inflows of resources	20	237
Net investment in capital assets	15,877	9,360
Restricted	2,745	3,256
Unrestricted	17,140	14,240
<b>Total net position</b>	<b>\$ 35,762</b>	<b>\$ 26,856</b>

Total assets increased by approximately \$14.9 million. Some of the significant changes were:

- Patient accounts receivable, net increased \$8.3 million which is primarily due to the Medical Center implementing a new electronic health record system which slowed the collection process for a short period that crossed the year-end.
- Other receivables increased \$11.2 million for amounts owed for CMS 340B remedy payments, additional MHAP payments and the sustainability grant.
- Investments decreased \$6.3 million due to the Foundation redeeming their investments to settle the Foundation's line of credit and an outstanding notes payable. Additionally, the Medical Center redeemed \$1.7 million in investments to meet the operational needs of the Medical Center.
- Capital assets increased \$7.2 million due to the implementation of GASB 96 and the purchase of a new financial reporting and electronic health records system.

## Southwest Mississippi Regional Medical Center Management's Discussion and Analysis

### **Summary of Net Position (Continued)**

The Medical Center implemented GASB 96 as of October 1, 2022; therefore, the September 30, 2023 amounts reported for capital assets includes right-to-use subscription agreement assets and the September 30, 2022 amounts reported do not.

Total liabilities increased by approximately \$6.2 million. Some of the significant changes were:

- Other liabilities increased \$9.2 million which is primarily due to the Foundation redeeming their investments to settle the Foundation's line of credit in the amount of \$3.3 million. This decrease was offset by an increase in accounts payable of \$11 million. This increase is primarily due to disruptions in revenue cycle while implementing the new health records system.
- Long-term liabilities decreased \$3.0 million which is primarily due the Foundation redeeming their investments to pay off a notes payable in the amount of \$2.3 million and normal principal payments required in the current year.

### **Summary of Revenue Expenses, and Changes in Net Position**

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

	Fiscal Year	
	2023	2022
Operating revenue		
Net patient service revenue	\$ 174,057	\$ 152,005
Other operating income	10,072	6,911
Total operating income	184,129	158,916
Operating expenses		
Salaries, wages, and benefits	104,966	95,009
Supplies and other operating expenses	68,236	66,386
Depreciation and amortization expense	7,750	6,628
Total operating expenses	180,952	168,023
Income (loss) from operations	3,177	(9,107)
Nonoperating revenue (expense)	5,728	5,826
Change in net position	\$ 8,905	\$ (3,281)

## Southwest Mississippi Regional Medical Center Management's Discussion and Analysis

### **Operating Revenues**

During fiscal year 2023, the Medical Center derived 95% of its total operating revenues from net patient service revenues. Such revenues included revenues from Medicare (53%) and Medicaid (17%) programs, and patients or their third-party carriers (30%), who pay for care in the Medical Center's facilities. Operating revenues are discussed further in the notes to the financial statements.

### **Operating Results and Financial Performance**

The following summarizes the Medical Center's operating results and financial performance between 2023 and 2022:

- Gross patient revenues increased \$49 million or 11.2% and net patient service revenue increased \$22 million or 15% primarily due to increases in patient censuses.
- Revenue deductions for contractual adjustments and bad debt expense were 64% in 2023 and 65% in 2022.
- Total operating expenses increased by \$12.9 million. This is a result of a \$10 million increase in salaries and related benefits due to rising salary costs and pay restructuring for nurses and other licensed clinical staff, a \$1.9 million increase in supplies and other expenses due to inflation and meeting growing patient care demands, and a \$1.2 million increase in depreciation and amortization expense largely due to the implementation of GASB 87, GASB 96 and significant capital asset additions in the current year.

### **Capital Assets**

The following summarizes the Medical Center's investment in capital assets as of September 30, 2023 and 2022:

<i>September 30,</i>	<b>Capital Assets (In Thousands)</b>	
	<b>Fiscal Year</b>	
	<b>2023</b>	<b>2022</b>
Land	\$ 957	\$ 947
Construction in progress	3,337	1,829
Land improvements	3,268	3,155
Buildings and improvements	67,498	65,805
Leasehold improvements	1,790	1,784
Equipment	3,765	3,582
Major moveable equipment	101,583	96,177
Right of use assets - buildings	6,489	6,473
Right of use assets - equipment	15,830	10,973
Right of use assets - vehicles	1,158	1,138
Right of use assets - subscription agreements	1,079	1,043
<b>Total capital assets</b>	<b>206,754</b>	192,906
<b>Less accumulated depreciation</b>	<b>(160,201)</b>	(152,577)
<b>Capital assets, net</b>	<b>\$ 46,553</b>	<b>\$ 40,329</b>

## Southwest Mississippi Regional Medical Center Management's Discussion and Analysis

### ***Capital Assets (Continued)***

During 2023, the Medical Center implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) (GASB 96) which requires recognition of certain software license costs, which were previously recognized as operating expenses to be recognized as right of use assets – SBITAs, and subscription payables on the statements of net position. More detailed information about the implementation of GASB 96 and capital assets is presented in the notes to the financial statements.

The Medical Center purchased new financial reporting software and new electronic health records system during the year in the amount of \$2.1 million. Additionally during 2022, the Medical Arts Building sustained a fire in the electrical room which was deemed a partial loss by the insurance carrier. The Medical Center incurred costs of approximately \$2 million in order to restore the building to its intended use.

### ***Long-Term Debt***

The following summarizes the Medical Center's long-term debt, including current portion, as of September 30, 2023 and 2022:

<i>September 30,</i>	<b>Fiscal Year</b>	
	<b>2023</b>	<b>2022</b>
USDA Bonds payable	\$ 15,497	\$ 16,246
Notes payable	3,368	5,061
Estimated third-party settlements	969	-
Leases payable	13,027	11,142
Subscription agreements payable	656	-
Total long-term debt	\$ 33,517	\$ 32,449

During 2023, the Medical Center redeemed certain investments to pay off the line-of-credit and a note payable. Additionally, the Medical Center implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) (GASB 96). More detailed information about the implementation of GASB 96 and the Medical Center's long-term debt is presented in the notes to the financial statements.

## **Southwest Mississippi Regional Medical Center Management's Discussion and Analysis**

### ***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. While the financial outlook for the Medical Center is improving, the 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 and regulatory changes.
- Medicaid reimbursement changes, as well as the continuation at the current level of the Disproportionate Share and Mississippi Hospital Access Payment programs.
- Increased regulatory requirements for enhanced information technology.
- Ability to reverse the negative trends experienced in collections due to the system conversions.
- Increased number of uninsured and working poor.
- Ability to manage the increase in patient portions of billings for services seen in the newer high deductible insurance plans.
- Ongoing competition for services.
- Workforce shortages primarily in nursing and other clinically skilled positions.
- Increased cost of supplies, including pharmaceuticals.
- Ability to continue recruiting medical staff physicians.

### ***Contacting Medical Center's Financial Management***

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Medical Center's finances. If you have any questions about this report or need additional financial information, please contact the Chief Financial Officer, Southwest Mississippi Regional Medical Center, 215 Marion Avenue, McComb, Mississippi 39648.

**Southwest Mississippi Regional Medical Center**  
**Statement of Net Position**

<b>September 30,</b>	<b>2023</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 1,650,680
Restricted cash and cash equivalents	2,421,771
Restricted investments	2,195,481
Patient accounts receivable, net	27,120,409
Current portion of leases receivable	20,406
Pharmacy revenue receivable	9,061,912
Grants receivable	1,563,781
Mississippi Hospital Access Program receivable	4,205,067
Other receivables	280,507
Inventories	4,514,226
Prepaid expenses and other current assets	1,289,467
Total current assets	54,323,707
Noncurrent assets	
Capital assets	
Non-depreciable	4,294,248
Depreciable, net	29,031,848
Right-to-use lease assets, net	12,539,042
Right-to-use subscription assets, net	687,812
Capital assets, net	46,552,950
Other noncurrent assets	
Investments	190,224
Due from physicians	512,512
Other assets	11,037
Total noncurrent assets	713,773
Total assets	\$ 101,590,430

(Continued)

*The notes to the financial statements are integral part of the financial statements.*

**Southwest Mississippi Regional Medical Center**  
**Statement of Net Position (Continued)**

**September 30,**

**2023**

**Liabilities, Deferred Inflows and Net Position**

Current liabilities

Accounts payable	\$ 21,859,214
Salaries and benefits payable	5,032,643
Other accrued expenses	21,620
Accrued compensated absences	2,618,838
Estimated claims payable	685,650
Current portion of estimated third-party settlements	402,948
Current portion of leases payable	3,693,949
Current portion of subscription payable	422,118
Current portion of notes payable	840,990
Current portion of bonds payable	769,699

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Total current liabilities	36,347,669
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Long-term liabilities

Estimated claims payable	2,073,972
Estimated third-party settlements, less current portion	566,076
Leases payable, less current portion	9,333,272
Subscription payable, less current portion	233,979
Notes payable, less current portion	2,526,817
Bonds payable, less current portion	14,727,483

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Total long-term liabilities	29,461,599
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Total liabilities	65,809,268
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Deferred inflows of resources

Deferred inflows related to leases	19,541
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Net position (deficit):

Net investment in capital assets	15,876,667
Restricted for	
Self insurance	2,195,481
Debt service	549,747
Unrestricted	17,139,726

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Total net position	\$ 35,761,621
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*The notes to the financial statements are integral part of the financial statements.*

**Southwest Mississippi Regional Medical Center**  
**Statement of Revenues, Expenses, and Changes in Net Position**

**Year Ended September 30,** **2023**

<b>Operating revenue</b>	
Patient service revenue, net of contractual allowances and discounts	\$ 198,139,364
Provision for bad debts	(24,082,339)
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Net patient service revenue	174,057,025
Other operating revenue	10,071,850
<hr/>	
Total operating revenue	184,128,875
<b>Operating expenses</b>	
Salaries and wages	82,292,151
Contract employee salaries	5,639,166
Professional fees	2,821,432
Employee benefits	14,213,320
Supplies	38,542,276
Maintenance and repairs	8,301,510
Other operating expense	21,391,880
Depreciation and amortization	7,750,035
<hr/>	
Total operating expenses	180,951,770
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Operating income	3,177,105
<b>Nonoperating revenues (expenses)</b>	
COVID grant funds	651,493
Grants and contributions	2,668,368
Employee retention credit	2,598,865
Investment income	564,920
Interest expense	(1,400,409)
Insurance proceeds	529,921
Other revenue	115,073
<hr/>	
Total nonoperating revenues (expenses)	5,728,231
 Change in net position	 8,905,336
 Net position, beginning of year	 26,856,285
 Net position, end of year	 \$ 35,761,621
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*The notes to the financial statements are integral part of the financial statements.*



**Southwest Mississippi Regional Medical Center**  
**Statement of Cash Flows**

<b><i>Year Ended September 30,</i></b>	<b>2023</b>
<b>Operating Activities</b>	
Cash received from and on behalf of patients	\$ 152,347,877
Cash paid to and on behalf of employees	(101,215,392)
Cash paid to suppliers	(58,780,877)
Cash received from other operating activities	10,077,629
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Net cash used in operating activities	2,429,237
<b>Noncapital Financing Activities</b>	
Other grants and contributions	6,797,154
Other receipts and payments, net	115,073
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Net cash provided by noncapital financing activities	6,912,227
<b>Capital and Related Financing Activities</b>	
Purchase of capital assets	(6,911,677)
Payments on line of credit	(3,315,000)
Principal paid on bonds payable	(749,161)
Principal paid on notes payable	(3,741,728)
Principal paid on leases payable	(3,054,801)
Principal paid on subscriptions payable	(422,664)
Interest paid on long-term debt	(1,770,219)
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Net cash used in capital and related financing activities	(19,965,250)
<b>Investing Activities</b>	
Purchases of investments	(1,389,270)
Sales of investments	9,624,878
Receipt of interest and investment earnings	324,470
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Net cash provided by investing activities	8,560,078
Net decrease in cash and cash equivalents	(2,063,708)
Cash and cash equivalents, beginning of year	6,136,159
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Cash and cash equivalents, end of year	\$ 4,072,451
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Reconciliation of cash and cash equivalents to the statement of net position	
Cash and cash equivalents included in current assets	\$ 1,650,680
Restricted cash and cash equivalents in current assets	2,421,771
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Total cash and cash equivalents	\$ 4,072,451
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(Continued)

*The notes to the financial statements are integral part of the financial statements.*

**Southwest Mississippi Regional Medical Center**  
**Statement of Cash Flows (Continued)**

**Year Ended September 30,**

**2023**

**Reconciliation of loss from operations to net cash  
used in operating activities**

Operating income from operations	\$ 3,177,105
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities	
Depreciation and amortization	7,750,035
Changes in assets and liabilities	
(Increase) decrease in assets	
Patient accounts receivable	(8,296,334)
Leases receivable	222,777
Other receivables	(12,168,599)
Inventories	920,228
Prepaid expenses and other current assets	501,736
Other noncurrent assets	105,616
Increase (decrease) in liabilities	
Accounts payable	10,957,455
Salaries and payroll taxes payable	1,146,750
Accrued compensated absences	(469,426)
Estimated third-party settlements	(539,222)
Unearned revenue	-
Estimated claims payable	(639,314)
Other accrued expenses	(22,572)
Deferred inflows of resources - leases	(216,998)
Net cash used in operating activities	\$ 2,429,237

**Supplemental disclosures of noncash financing activities**

Capital assets financed through leases payable	\$ 5,101,430
Capital assets financed through financing agreements	\$ 2,086,088
Capital assets financed through subscription agreements payable	\$ 35,830
Unrealized/realized loss on investments	\$ 240,450
Cancellation of leases	\$ 160,891

*The notes to the financial statements are integral part of the financial statements.*

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 1: DESCRIPTION OF MEDICAL CENTER

Southwest Mississippi Regional Medical Center (the "Medical Center") consists of an acute-care hospital and related outpatient facilities jointly owned by the City of McComb, Mississippi, Amite County, Mississippi, and Pike County, Mississippi. The Medical Center provides inpatient, outpatient, rehabilitation, and emergency care services primarily for these residents. The Medical Center operates in the form of a government authority, governed by a Board of Trustees pursuant to Sections 41-13-15 et seq. of Mississippi Code of 1972, as amended, consisting of members from the city and counties. It is an independent enterprise held and operated separate and apart from all other assets and activities of the city and counties. It is not a taxable entity and does not file an income tax return.

The Medical Center operates a critical access facility in Monticello, Mississippi. This division of the Medical Center offers short-term acute care and swing bed services to patients primarily in Lawrence County, Mississippi. To operate this facility, the Medical Center entered into a lease with the Lawrence County Board of Supervisors to lease the Lawrence County Hospital (the "Hospital"). Currently, the lease is renewed through September 2026, and the Medical Center has the option to extend the lease for four additional five year terms. The lease calls for annual payments of approximately \$240,000. The Medical Center has the right to terminate the lease in the event that the Medical Center is unable to maintain the Hospital's designation as a critical access hospital or if the hospital is unable to maintain its accreditation. In addition, if the Medical Center determines, in its sole discretion, that the healthcare regulatory environment has changed to the extent that the provision of health services by the Medical Center has become cost prohibitive or otherwise not financially feasible at the Hospital, the Medical Center can terminate the lease with 365 days prior written notice.

The basic financial statements of the Medical Center have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB codification and subsequent GASB pronouncements are recognized GAAP for governments.

#### ***Reporting Entity***

The accompanying financial statements present the Medical Center and its blended component unit, The St. Luke Foundation, Inc. (the "Foundation"), an entity for which the Medical Center is considered to be financially accountable. Blended component units are, in substance, part of the reporting entity's operations, even though they are legally separate entities. The Foundation, a not-for-profit organization, was created and operated exclusively for the purpose of owning and operating St. Luke Home Health Services, LLC for the Medical Center. The Medical Center is the sole member of the Foundation.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### **NOTE 1: DESCRIPTION OF MEDICAL CENTER (Continued)**

Included within the reporting entity of the Foundation is St. Luke Home Health Services, LLC which provides home health care to the Southwest Mississippi community, and Medical Arts Building, LLC, which owns, manages, and leases real property primarily to the Medical Center. The Foundation is the sole member of St. Luke Home Health, LLC and Medical Arts Building, LLC. All significant intercompany balances and transactions have been eliminated.

Separate audited financial statements are issued for the Foundation. These financial statements may be obtained through a written request to the Chief Financial Officer at Southwest Mississippi Regional Medical Center, 215 Marion Avenue, McComb, Mississippi 39648.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with applicable pronouncements of the Governmental Accounting Standards Board (GASB), 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 non-exchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met, including time requirements.

#### ***Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

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 payor 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.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***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 health and general and professional liabilities.

The Medical Center considers the need for recording a liability for self-insured and malpractice claims. The provision for estimated self-insured and malpractice 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 include cash and all highly liquid investments with an original maturity of three months or less.

#### ***Investments and Investment Income***

Investments consist of money market mutual funds and funds in the Mississippi Hospital Association (MHA) investment pool. Money market mutual funds are reported at amortized cost which approximates fair value, investments in the MHA pool are reported at net asset value per share which approximates fair value. Investment income including interest income and realized and unrealized gains and losses, are reported in the statement of revenues, expenses, and changes in net position as nonoperating revenues (expenses).

The MHA investment pool is authorized to invest in bonds or other direct obligations of the U.S., the State of Mississippi, or of any approved county, school district or municipality of the state; obligations issued or guaranteed in full by the U.S. which are subject to a repurchase agreement with a financial institution certified as a qualified depository; U.S. Government agency instruments which are fully guaranteed by the U.S. Government; any open-end or closed-end management type investment company (money market and mutual funds) or trust funds that invest in direct obligations of the U.S. or repurchase agreements that are fully collateralized by these direct obligations; and any commercial paper, corporate notes and bonds that have an "A" rating or better. The MHA investment pool is an investment program developed for member hospitals of the MHA. The investments are managed by an investment advisor registered with the Securities and Exchange Commission. The investment advisor is approved by the MHA board of trustees.

#### ***Restricted Cash and Investments***

Restricted cash and investments consist of assets held by the Medical Center in trust accounts subject to a borrowing agreement with the United States Department of Agriculture and funds held under self-insurance arrangements.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***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 payor sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debt. Management reviews data about these major payor 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 has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2023 and did not have significant write-offs from third-party payors related to collectability in fiscal year 2023.

#### ***Inventories***

Inventories consist primarily of pharmaceuticals and medical supplies stated at the lower of cost or net realizable value, determined using the first-in, first-out (FIFO) method. When evidence exists that the net realizable value of inventories is lower than its cost, the difference is recognized as a loss in the statement of revenues, expenses, and changes in net position in the period in which it occurs. The cost of such inventories are recorded as expenses when consumed rather than when purchased.

#### ***Prepaid Expenses***

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

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

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

***Capital Assets***

Capital assets, which include property, plant, and equipment, and right-to-use leased assets are defined as assets with an initial cost of \$500 and an estimated useful life in excess of one year.

As the Medical Center constructs or acquires capital assets each period, they are capitalized and reported at historical cost (except for right-to-use leased assets, the measurement of which is discussed under the heading Leases - Lessee and SBITAs on page 27). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency, or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and right-to-use leased assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

	<b>Years</b>
Land improvements	5 - 20
Building and improvements	5 - 40
Leasehold improvements	5 - 20
Equipment	5 - 25
Major moveable equipment	5 - 20
Right of use assets - buildings	2 - 25
Right of use assets - equipment	2 - 5
Right of use assets - vehicles	2 - 4
Right of use assets - SBITA	3

***Long-Lived Asset Impairment***

Long-lived assets are reviewed for impairment if circumstances suggest that there is a significant, unexpected decline in service utility of a long-lived asset. The service utility of a long-lived asset is the usable capacity that at acquisition was expected to be used to provide service. An assessment of recoverability is performed prior to any write-down of assets and an impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. Based on management's evaluations, no long-lived assets impairments were recognized during the year ended September 30, 2023.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Due from Physicians***

The Medical Center advances funds to physicians in connection with agreements with the physicians to establish their practices in the McComb, Mississippi area. The amounts advanced are to be repaid over a stipulated period in the agreement. The Medical Center will accept, in lieu of the monthly payment by the physician, continuous service by the physician over the repayment period. Repayment in the form of services provided is recorded as a component of salaries and wages for employed physicians or as an other operating expense.

#### ***Compensated Absences***

Employees employed with the Medical Center prior to August 1, 2014 are granted both vacation and sick leave. Accumulated vacation pay is accrued at the statement of net position date because it is probable that the employer will compensate the employees for the benefits through paid time off or upon termination of employment. Employees may accumulate a maximum of 240 vacation hours. Sick pay accrues but is not reflected as a liability because it is not payable upon termination of employment.

Paid time off ("PTO") is provided to all full-time employees who became employed at the Medical Center on or after August 1, 2014. Accumulated PTO is accrued at the statement of net position date since it is probable that the Medical Center will compensate the employees for the benefits through paid time off. Employees may accumulate a maximum of 240 PTO hours. PTO hours are not paid upon resignation or termination.

#### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Medical Center is not reporting any deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Medical Center is reporting deferred inflows of resources related to leases associated with amounts owed to the Medical Center, as lessor, by entities leasing the Medical Center's capital assets. The deferred inflows of resources related to leases will be recognized in lease revenue in future reporting periods.



## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Long-Term Obligations***

Long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

#### ***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.
- *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 Revenues and Expenses***

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

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

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

***Operating Revenues and Expenses (Continued)***

For the year ending September 30, 2023, other operating expenses consisted of the following:

September 30,	<b>2023</b>
Advertising	\$ 532,147
Bank service charges	356,452
Collection agencies	204,377
Fleet vehicles	306,617
Freight expense	311,674
Insurance	800,565
Marketing	89,686
Medical purchased services	3,513,152
Meetings and conventions	273,224
Mileage	184,789
Miscellaneous expenses	524,987
Other operating expenses	1,337,039
Other purchased services	6,115,053
Recruiting	639,370
Remote hosting expense	1,928,693
Rentals	1,716,092
Utilities	2,557,963
<b>Total other operating expenses</b>	<b>\$ 21,391,880</b>

***Net Patient Service Revenue***

The Medical Center has agreements with third-party payors 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 payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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 primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Medical Center's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Medical Center's compliance with these laws and regulations. Although no assurance can be given, management believes it has complied with the requirements of these programs.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***340B Program and Contract Pharmacy Revenue***

The Medical Center participates in the 340B Drug Pricing Program (340B Program), enabling the Medical Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Medical Center earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Medical Center records revenue when earned. The Medical Center recorded 340B Program revenues of \$8,863,888 for the year ended September 30, 2023, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

#### ***Disproportionate Share ("DSH") and Mississippi Hospital Access Program ("MHAP") and Supplemental Revenue***

The Medical Center participates in the Mississippi Intergovernmental Transfer Program as a Medicaid Disproportionate Share Hospital ("DSH") and the Division of Medicaid ("DOM") Mississippi Hospital Access Payment ("MHAP") program. The Medical Center recognizes revenue and expenses as earned and incurred. Revenues and expense related to these programs are reported in patient service review, net of contractual allowance in the accompanying statement of revenue, expenses and change in net position.

#### ***Charity Care***

The Medical Center provides medical 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 totaled approximately \$5,421,845 for the year ended September 30, 2023, and estimated costs and expenses incurred to provide charity care totaled approximately \$1,576,227. 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 by charity care, at established rates.

#### ***Grants and Contributions***

From time-to-time, the Medical Center receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted either for 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 as capital contributions and grants.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Leases – Lessor***

The Medical Center records revenues from leases in accordance with GASB No. 87, *Leases*. The Medical Center is a lessor for noncancellable leases of property and recognizes leases receivable and deferred inflows of resources in the statement of net position. At the commencement of the lease, the Medical Center initially measures the lease receivable at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is initially measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. Subsequently, the lease receivable is reduced by the principal portion of lease payments made, and interest revenue is recognized. Lease revenue is recognized from the inflow of resources in a systematic and rational matter over the term of the lease.

#### ***Leases – Lessee***

Under GASB No. 87, *Leases*, all contracts allowing for the Hospital 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 Hospital 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 are reported with capital assets and lease liability are reported on the statement of net position.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Under GASB No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, all contracts allowing for the Hospital 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 should be 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 straight-line basis 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 Hospital 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.

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

#### ***Statement of Revenues, Expenses and Changes in Net Position***

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and operating expenses. Peripheral or incidental transactions, investment income and financing costs are reported as non-operating revenue and expenses.

#### ***Income Taxes***

The Medical Center is a governmental entity and, as such, is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

The Foundation is exempt from taxes on income other than unrelated business income under section 501(c)(3) of the IRC.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***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 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
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payor industry
- Workforce shortage primary in nursing and other clinically skilled positions; as well as increased payroll to retain staff.

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 or may not arise in the future, could have a material adverse impact on the Medical Center's financial position and operating results.

#### ***Employee Retention Credit***

The Medical Center accounts for the ERTC tax credits under the conditional grant guidance issued by the GASB. Under this guidance the funds will be recognized as the criteria for recognition are met. In January 2023, the Foundation filed for Employee Retention Credits (ERC). The Foundation accounts for the ERC when the amounts claimed were received as they considered this the final condition for recognition. During the year ended September 30, 2023, the Foundation recognized \$2,598,865 on the accompanying statement of revenue, expenses and changes in net position.

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 28, 2024, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Recently Issued and Implemented Accounting Pronouncements*

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement 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. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. There were no significant impacts of implementing this Statement.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. As of July 1, 2023, derivative instruments that hedge the interest rate risk of taxable debt and use an IBOR as a reference rate are no longer eligible for hedge accounting. There were no significant impacts of implementing this Statement.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement was effective for fiscal years beginning after June 15, 2022. The Medical Center adopted the provisions of this statement for fiscal year ended September 30, 2023, and GASB 94 did not have any impact on the Medical Center's financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). 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-of-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 GASB 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, 7 and 9.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are 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 objectives of this Statement are 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 practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument;
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives;
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset;
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability;
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt;
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP);

All provisions of this statement have been adopted by the Medical Center as of September 30, 2023. This statement did not have any impact on the Medical Center's financial statements.



## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Recently Issued and Implemented Accounting Pronouncements (Continued)*

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). 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. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). There were no significant impacts of implementing this Statement.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

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. The Medical Center is evaluating the requirements of the above statement and the impact on reporting.

### NOTE 3: RESTATEMENT DUE TO ADOPTION OF NEW ACCOUNTING PRINCIPLE

During the year ended September 30, 2023, the Medical Center implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, retroactive to October 1, 2022. The implementation of this statement requires the restatement of the statement of net position, statement of revenues, expenses, and changes in net position, and 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 September 30, 2022.

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 3: RESTATEMENT DUE TO ADOPTION OF NEW ACCOUNTING PRINCIPLE (Continued)**

As a result, changes to reported amounts as of October 1, 2022 are as follows:

	<b>After Adoption of GASB 96</b>	<b>As Originally Reported Prior to Adoption of GASB 96</b>	<b>Change</b>
<u><i>Statements of Net Position</i></u>			
Noncurrent assets			
Capital assets, net	\$ 40,328,851	\$ 39,285,920	\$ (1,042,931)
Current liabilities			
Subscription payable	(410,247)	-	410,247
Noncurrent liabilities			
Subscription payable, less current portion	(632,684)	-	632,684
<u><i>Statements of Revenues, Expenses and Changes in Net Position</i></u>			
Other operating expenses	19,012,580	19,446,094	433,514
Depreciation and amortization	7,028,245	6,638,291	(389,954)
Interest expense	(1,165,954)	(1,135,213)	30,741
<u><i>Statements of Cash Flows</i></u>			
Payments to suppliers and contractors	(65,767,469)	(66,200,983)	(433,514)
Principal payments on			
subscription payables	(422,664)	-	422,664
Interest paid on subscriptions			
payable	(23,267)	-	23,267

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 4: DEPOSITS AND INVESTMENTS**

***Deposits***

As of September 30, 2023, the deposits of the Medical Center consisted of the following:

<u>September 30,</u>	<u>2023</u>
Petty cash	\$ 8,883
Cash deposits with financial institutions	1,641,797
Money market mutual funds (Moody's rating: Aaa-mf)	2,421,771
<hr/>	
Total cash and cash equivalents	\$ 4,072,451
<hr/>	
<u>September 30,</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,650,680
Restricted cash and cash equivalents	2,421,771
<hr/>	
Total cash and cash equivalents	\$ 4,072,451
<hr/>	

Custodial credit risk is the risk that, in the event of a bank failure, the Medical Center's deposits might not be recovered. The Medical Center has a deposit policy for custodial credit risk that requires deposits to be part of the collateral pool administered by the State. However, cash deposits with The St. Luke Foundation are not part of this pool and are exposed to custodial credit risk. Uninsured and uncollateralized cash deposits with financial institutions totaled \$237,235 as September 30, 2023.

The collateral for public entity 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 entity'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% of uninsured deposits. At September 30, 2023, the Medical Center had \$2,785,577 in bank deposits held in a financial institution that is part of this program.

At September 30, 2023, cash and cash equivalents in the amount of \$2,421,771 were restricted subject to a borrowing agreement with the United States Department of Agriculture for federal funds.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

#### *Investments*

Mississippi Code 27-105-365 restricts the authorized investments of the Medical Center to obligations of the U.S. Treasury, agencies, and instrumentalities of the United States, certain open-end and closed-end management-type investment companies and trusts, and certain other trusts consisting of pooled or commingled funds of other hospitals.

The Medical Center's investments consist of the following at September 30, 2023:

<i>September 30, 2023</i>	<b>Fair Value</b>	<b>Percentage</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>Rating</b>
MHA Investment Pool					
MHA Intermediate Duration Trust	1,045,945	31.64%	N/A	N/A	Not rated
MHA Short Duration Trust	1,339,760	6.97%	N/A	N/A	Not rated
<b>Total investments</b>	<b>\$ 2,385,705</b>	<b>100.00%</b>			

At September 30, 2023, funds in the amount \$2,195,481 were restricted for purposes of self-insurance arrangements and were reported as restricted investments in the statement of net position.

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

*Credit risk* – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Medical Center does not have a policy that addresses this risk.

*Concentration of credit risk* – This is the risk of loss attributed to the magnitude of investing in a single issuer. 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.

*Foreign currency risk* – This is the risk that changes in exchange rates will adversely affect the fair value of investments. The Medical Center has no foreign currency risk as all investments are reported in U.S. dollars.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 5: FAIR VALUE DISCLOSURES

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Medical Center has the ability to access.

*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- 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.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used to measure fair value.

- *Money market mutual funds* – Value is stated at cost, which approximates fair value.
- *MHA Investment Pool* – Valued at the net asset value of shares held by the investment pool.

Since the MHA Investment Pool is measured at fair value using the net asset value per share practical expedient, these amounts are not classified in the fair value hierarchy. The Medical Center invests in these types of investments to obtain competitive market returns while ensuring the safety and liquidity of the portfolio. These types of investments may be redeemed without advance notice and there are no unfunded commitments for further investment. There are currently no limitations as to the frequency of redemptions. The total investment in the pool as of September 30, 2023 was \$2,385,705.

The Medical Center's fair value levels consist of the following at September 30, 2023:

<i>September 30, 2023</i>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market mutual funds	\$ 2,421,771	\$ 2,421,771	\$ -	\$ -
<b>Total</b>	<b>\$ 2,421,771</b>	<b>\$ 2,421,771</b>	<b>\$ -</b>	<b>\$ -</b>

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 6: PATIENT ACCOUNTS RECEIVABLE**

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2023 was:

<i>September 30,</i>	<b>2023</b>
Medicare	\$ 10,442,861
Medicaid	5,631,416
Other third-party payers	7,847,572
Patients	3,198,560
Patient accounts receivables, net	\$ 27,120,409

The Medical Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payors agreements. The percentage mix of net accounts receivable from patients and major third-party payors at September 30, 2023 was as follows:

<i>September 30,</i>	<b>2023</b>
Medicare	38%
Medicaid	21%
Other third-party payers	29%
Patients	12%
Total	100%

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 7: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2023 was as follows:

	Restated Balance 10/1/2022	Additions	Retirements	Transfers	Balance 9/30/2023
Capital assets, not being depreciated					
Land	\$ 947,341	\$ 10,000	\$ -	\$ -	\$ 957,341
Construction-in-progress	1,829,424	2,595,790	-	(1,088,307)	3,336,907
Capital assets, not being depreciated	2,776,765	2,605,790	-	(1,088,307)	4,294,248
Capital assets, being depreciated					
Land improvements	3,155,287	50,841	-	61,734	3,267,862
Building and improvements	65,804,616	717,284	-	976,381	67,498,281
Leasehold improvements	1,784,224	6,129	-	-	1,790,353
Equipment	3,582,122	181,924	-	843	3,764,889
Major moveable equipment	96,176,987	5,356,208	-	49,349	101,582,544
Capital assets, being depreciated	170,503,236	6,312,386	-	1,088,307	177,903,929
Less accumulated depreciation for					
Land improvements	2,913,530	91,342	-	-	3,004,872
Building and improvements	46,629,352	1,461,151	-	-	48,090,503
Leasehold improvements	1,137,334	114,641	-	-	1,251,975
Equipment	3,163,147	134,196	-	-	3,297,343
Major moveable equipment	91,038,477	2,188,911	-	-	93,227,388
Total accumulated depreciation	144,881,840	3,990,241	-	-	148,872,081
Total capital assets being depreciated, net	25,621,396	2,322,145	-	1,088,307	29,031,848
Right-to-use lease assets, being amortized					
Building	6,473,422	15,297	-	-	6,488,719
Equipment	10,972,957	4,857,039	-	-	15,829,996
Vehicles	1,137,855	201,070	(180,873)	-	1,158,052
Right-to-use lease assets, being amortized	18,584,234	5,073,406	(180,873)	-	23,476,767
Less accumulated amortization for					
Buildings	1,270,943	677,955	-	-	1,948,898
Equipment	6,219,892	2,320,323	-	-	8,540,215
Vehicles	205,640	370,567	(127,595)	-	448,612
Total accumulated amortization	7,696,475	3,368,845	(127,595)	-	10,937,725
Right-to-use lease assets being amortized, net	10,887,759	1,704,561	(53,278)	-	12,539,042

(Continued)

**Southwest Mississippi Regional Medical Center  
Notes to the Financial Statements**

**NOTE 7: CAPITAL ASSETS (Continued)**

	Restated Balance 10/1/2022	Additions	Retirements	Transfers	Balance 9/30/2023
Right-to-use subscription assets, being amortized Subscription-based information technology agreements	1,042,931	35,830	-	-	1,078,761
Right-to-use subscription assets, being amortized	1,042,931	35,830	-	-	1,078,761
Less accumulated amortization for Subscription-based information technology right-to-use subscription accounts	-	390,949	-	-	390,949
Right-to-use subscription assets being amortized, net	1,042,931	(355,119)	-	-	687,812
Total capital assets, net	\$ 40,328,851	\$ 6,277,377	\$ (53,278)	\$ -	\$ 46,552,950

Depreciation and amortization expense for the year ended 2023 totaled \$7,750,035.

**NOTE 8: SHORT-TERM DEBT**

***Line of Credit***

During 2023, the Medical Center renewed the \$3,315,000 line of credit and the line of credit matured August 2023.

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

	Beginning Balance	Additions	Retirements	Ending Balance
Line of credit	\$ 3,315,000	\$ -	\$ (3,315,000)	\$ -



**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 9: LONG-TERM DEBT**

***Notes and Bonds Payable***

The Medical Center's long-term debt, including long-term lease and subscription obligations, consisted of the following at September 30, 2023:

<u>September 30,</u>	<u>2023</u>
USDA Hospital Revenue Bonds, Series 2019, issued in the amount of \$18,575,000, to refund the outstanding Hospital Revenue Notes, Series 2018A and 2018B, at an annual interest rate of 3.25%, maturing in May 2039, secured by the revenue and receivables of the Medical Center.	\$ 15,497,182
Notes payable issued in the amount of \$2,000,000 to pay the costs of certain capital improvements, at an annual interest rate of 3.94%, maturing January 30, 2033, secured by a pledge of revenues. Two years of interest only payments followed by thirteen years of monthly principal and interest payments of \$12,821, with a final balloon payment in January 2033.	1,701,231
Note payable for the purchase of land and a building with annual principal and interest payments of \$29,023 at an interest rate of 4.95% maturing April 1, 2029, secured by real estate.	139,143
Financing agreements for software at interest rates ranging from 6.58% to 9.60% with agreements terms through 2025.	1,020,682
Note payable issued in the amount of \$630,000 with monthly principal and interest payments of \$4,642 at an interest rate of 3.942%, maturing in December 2024, with a balloon payment of \$462,838, secure by real estate.	506,751
<b>Total</b>	<b>18,864,989</b>
<b>Less - current portion of notes and bonds payable</b>	<b>(1,610,689)</b>
<b>Long-term debt, net of current portion</b>	<b>\$ 17,254,300</b>

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 9: LONG-TERM DEBT (Continued)**

Scheduled debt service payments on long-term debt are as follows:

<i>Year Ending September 30,</i>	<b>Notes Payable</b>		<b>Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 840,990	\$ 148,403	\$ 769,699	\$ 492,198
2025	913,069	81,591	799,402	466,670
2026	120,580	62,288	825,774	440,298
2027	125,697	57,171	853,015	413,058
2028	131,028	51,840	881,154	384,918
2029-2033	1,236,443	167,920	4,861,450	1,468,910
2034-2038	-	-	5,717,988	612,372
2039-2043	-	-	788,700	9,116
<b>Total</b>	<b>\$ 3,367,807</b>	<b>\$ 569,213</b>	<b>\$ 15,497,182</b>	<b>\$ 4,287,540</b>

***Debt Covenants***

In connection the USDA Hospital Revenue Bonds, Series 2019, the Medical Center has agreed to certain debt covenants. The Medical Center's debt service coverage ratio must be at least equal to 1:15 to 1 and they must maintain a minimum 75 days cash on hand. The Medical Center reported 6 days cash on hand for the year ended September 30, 2023, which is not in compliance with the debt covenant.

***Leases and Subscription Payables***

GASB No. 87, *Leases*, was adopted for periods beginning October 1, 2021. Under the guidance, nearly all contracts allowing for the Hospital 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, 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. Depreciation of the ROU asset flows through depreciation expense monthly using straight-line basis over the life of the lease.

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 Hospital 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

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 9: LONG-TERM DEBT (Continued)**

***Leases and Subscription Payables (Continued)***

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 Medical Center's lease and subscription agreement liabilities, consisted of the following at September 30, 2023:

<i>September 30,</i>	<b>2023</b>
Leases payable for buildings, equipment, and vehicles at interest rates ranging from .186% to 11.52% with lease terms through 2046.	\$ 13,027,221
Subscription payable for information technology agreements at an interest rate of 3.94% with agreement terms through 2025.	656,097
<b>Total</b>	<b>13,683,318</b>
Less - current portion of leases and subscription agreements payable	(4,116,067)
<b>Leases and subscription agreements payable, net of current portion</b>	<b>\$ 9,567,251</b>

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

<i>Year Ending September 30,</i>	<b>Leases Payable</b>		<b>Subscription payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 3,693,952	\$ 422,504	\$ 422,118	\$ 15,678
2025	2,257,464	328,098	233,979	1,625
2026	1,849,959	246,447	-	-
2027	1,151,095	185,717	-	-
2028	602,226	145,200	-	-
2029-2033	794,853	605,783	-	-
2034-2038	871,753	443,375	-	-
2039-2043	1,061,333	253,202	-	-
2044-2047	744,586	43,780	-	-
<b>Total</b>	<b>\$ 13,027,221</b>	<b>\$ 2,674,106</b>	<b>\$ 656,097</b>	<b>\$ 17,303</b>

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 9: LONG-TERM DEBT (Continued)**

***Estimated third-party settlements payable***

During the year ending September 30, 2023, the Foundation entered into a three year agreement with the Center for Medicaid Service (CMS) to repay identified insurance reimbursement overpayments. The payment plan requires monthly payments in the amount of \$40,291. The agreement has an implied interest rate of 10.13%. The agreement matures in December 2025 and is unsecured.

Scheduled principal and interest payments for the estimated third-party settlements payable are as follows:

<i>Year Ending September 30,</i>	<b>Estimated third-party settlements</b>	
	<b>Principal</b>	<b>Interest</b>
2024	\$ 403,752	\$ 79,750
2025	446,591	36,911
2026	118,681	2,012
<b>Total</b>	<b>969,024</b>	<b>118,673</b>

***Changes in Long-Term Liabilities***

Changes in long-term liabilities for the year ended September 30, 2023 are as follows:

	<b>Restated Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Bonds payable	\$ 16,246,343	\$ -	\$ (749,161)	\$ 15,497,182	\$ 769,699
Notes payable	5,060,930	2,086,088	(3,779,211)	3,367,807	840,990
Leases payable	11,141,483	5,101,430	(3,215,692)	13,027,221	3,693,949
Subscription agreements payable	1,042,931	35,830	(422,664)	656,097	422,118
Estimated third-party settlements payable	-	1,292,154	(323,130)	969,024	403,752
Estimated claims payable	3,398,936	5,114,978	(5,754,292)	2,759,622	685,650
<b>Total long-term debt</b>	<b>\$ 36,890,623</b>	<b>\$ 13,630,480</b>	<b>\$ (14,244,150)</b>	<b>\$ 36,276,953</b>	<b>\$ 6,816,158</b>

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 10: NET INVESTMENT IN CAPITAL ASSETS**

The portion of net position classified as net investment in capital assets is as follows at September 30, 2023:

<i>September 30,</i>	<b>2023</b>
Capital assets	\$ 206,753,705
Less accumulated depreciation	(160,200,755)
Plus restricted investments available for capital assets	1,872,024
Less debt outstanding related to capital assets	
Leases payable	(13,027,221)
Subscription payable	(656,097)
Notes payable	(3,367,807)
Bond payable	(15,497,182)
Net investment in capital assets	\$ 15,876,667

**NOTE 11: DEFERRED INFLOWS OF RESOURCES**

In June 2017, the GASB issued Statement No. 87, *Leases*. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. Deferred inflows of resources primarily consist of lease payments due from lessees for future periods.

The Medical Center, as a lessor, has entered into two long-term lease agreements (in excess of one-year, including options to extend which are reasonably certain of being exercised), for buildings. On September 30, 2023, deferred inflows of resources of \$19,541 was reported on the accompanying statement of net position.

**NOTE 12: PATIENT SERVICE REVENUES**

The Medical Center has agreements with governmental and other third-party payors that provide for payments to the Medical Center for services rendered at amounts different from its established rates. Patient revenue is reported net of contractual adjustments arising from these third-party arrangements as well as net of provisions for uncollectible accounts. A summary of the payment arrangements with major third-party payors follows below.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 12: PATIENT SERVICE REVENUES (Continued)

#### ***Medicare***

Substantially all inpatient acute care and outpatient services rendered to program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the Hospital is reimbursed for both its direct and indirect medical education costs (as defined), based principally on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Medical Center generally is reimbursed for retroactively determined items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare Administrative Contractor. The Medical Center's Medicare cost reports have been audited and settled for all years through fiscal year 2020.

#### ***Medicaid***

Inpatient services rendered to most Medicaid program beneficiaries are reimbursed based upon prospective reimbursement methodologies. Most outpatient services are reimbursed using a retrospective cost-based methodology. The Medical Center also contracts with certain managed care organizations to receive reimbursement for providing services to Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges or prospectively determined per-diem rates. Final settlement is determined after submission of the annual cost report by the Medical Center and audits by the Medicaid contractor. The Medical Center's Medicaid cost reports have been audited and settled for all years through fiscal year 2020.

The Medical Center participates in the Mississippi Intergovernmental Transfer Program as a Medicaid Disproportionate Share Hospital ("DSH"). Under the program, the Medical Center receives enhanced reimbursement through a matching mechanism. For the fiscal year ended September 30, 2023, the Medical Center reported approximately \$982,000 in enhanced reimbursements, and assessments of approximately \$219,000 through the DSH program.

The Medical Center participates in the Division of Medicaid ("DOM") Mississippi Hospital Access Payment ("MHAP") program. The MHAP program is administered by the DOM through the Mississippi CAN coordinated care organizations ("CCO"). The CCO's subcontract with hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care. For the fiscal year ended September 30, 2023, the Medical Center reported approximately \$16,362,000 in enhanced reimbursements, and assessments of approximately \$1,302,000 through the MHAP program. MHAP amounts are reported as a reduction of contractual adjustments.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 12: PATIENT SERVICE REVENUES (Continued)

#### **Regulatory Matters**

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. For the year ended September 30, 2023, the Medical Center's net patient revenues increased approximately \$20,000 due to prior year retroactive adjustments for amounts previously estimated.

#### **Other**

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

A summary of net patient service revenue for the year ended September 30, 2023 follows:

<i>Year ended September 30,</i>	<b>2023</b>
Gross patient service revenue	\$ 489,368,927
Less provisions for	
Bad debts	(24,082,339)
Contractual adjustments under third-party reimbursement programs	(291,229,563)
<b>Net patient service revenue</b>	<b>\$ 174,057,025</b>

A summary of the changes in the allowance for uncollectible accounts for the year ended September 30, 2023 follows:

<i>Year ended September 30,</i>	<b>2023</b>
Allowance for uncollectible accounts, beginning	\$ 23,756,389
Write-offs	(19,124,053)
Increase for current claims and changes in estimate	24,082,339
<b>Allowance for uncollectible accounts, ending</b>	<b>\$ 28,714,675</b>

Although third party payor balances in accounts receivable are used to calculate the allowance for uncollectible accounts, the uncollectible amounts for them are adjusted through contractual adjustments and not the provision of bad debt. Changes associated with the third party allowance are included in the increase for current claims and changes in estimate amount.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 12: PATIENT SERVICE REVENUES (Continued)

Patient service revenue by major payor class, net of contractual allowances and before the provision for bad debts, consisted of the following for the year ended September 30, 2023:

<i>Year Ended September 30, 2023</i>	<b>Amount</b>	<b>Percentage</b>
Medicare	\$ 102,398,242	52%
Medicaid	41,629,092	21%
Blue Cross Blue Shield	20,122,096	10%
Other	33,989,934	17%
<hr/>		
Patient service revenue, net of contractual allowances	\$ 198,139,364	100%

### Note 13: 340B DRUG PRICING PROGRAM

The Medical Center participates in the 340B Drug Pricing Program (340B Program), enabling the Medical Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Medical Center earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Medical Center operates an internal pharmacy and has partnered with a network of participating local pharmacies that dispense the pharmaceuticals to its patients under a contractual arrangement with the Medical Center. The Medical Center recorded 340B Program revenues of \$8,863,888 for the year ended September 30, 2023, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. 340B program expenses of \$2,163,009 for the years ended September 30, 2023 are included in net patient service revenue in the accompanying statements of revenues, expenses and changes in net position.

In addition to the income and expense above, during fiscal year 2023, the Medical Center recognized a lump sum remedy payments in the amount of \$7,367,757 for 340B-acquired drugs for the periods of 2018 through 2022. The settlement is the result of the Supreme Court's ruling in *American Hospital Association v. Becerra* whereby it was determined that CMS unlawfully changed the reimbursement rate for the 340B Program. The amount is included in pharmacy revenue receivable in the accompanying statement of net position and net patient revenue in the in the accompanying statements of revenues, expenses and changes in net position.

This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.



## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 14: LESSOR AGREEMENTS

The Medical Center, as a lessor, has entered into two long-term lease agreements (in excess of one-year, including options to extend which are reasonably certain of being exercised), for buildings. The long-term lease agreements have interest rates of 3.94%, and mature at various dates through 2025. The Medical Center recognized lease revenue in the amount of \$105,905 for fiscal year ending September 30, 2023, and interest revenue in the amount of \$2,209. The Medical Center reported leases receivable in the amount of \$20,406 for fiscal year ended September 30, 2023.

The Medical Center reported an additional \$126,492 in short-term lease revenue for fiscal year ending September 30, 2023.

Future payments due to the Medical Center are as follows:

<i>Year Ending September 30,</i>	Leases Receivable	
	Principal	Interest
2024	\$ 20,406	\$ 43
Total	\$ 20,406	\$ 43

### Note 15: NONOPERATING INCOME

The Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution are federal programs administered by the Health Resources and Services Administration (HRSA) and support eligible health care providers in the battle against the COVID-19 pandemic. PRF provides relief funds to eligible providers of health care services and support for health care-related expenses or lost revenues attributable to coronavirus. ARP Rural Distribution addresses the disproportionate impact that COVID-19 has had on rural communities and rural health care providers. PRF and ARP Rural Distribution recipients must use payments for eligible expenses, including services rendered, and lost revenues during the period of availability.

During 2023, the Mississippi Legislature established the Mississippi Hospital Sustainability Grant Program for the purpose of strengthening, improving and preserving access to hospital care services for all Mississippians and in recognition of the challenges incurred upon hospitals by the COVID-19 pandemic. During the year ended September 30, 2023, the Medical Center recognized \$1,563,781 in grant funds related to the sustainability grant. Additionally, the Medical Center recognized \$651,493 in PRF and ARP funds received in the prior year.

In fiscal year 2022, the Medical Center had a fire in their Medical Pavilion that caused significant damage. As a result, management recorded an impairment of the building in the amount of \$738,224 in 2022. In fiscal year 2023, the Medical Center recognized \$529,921 in insurance proceeds related to the restoration of the Medical Pavilion.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 16: 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 and accident benefits. Commercial insurance coverage is purchased for most of these risks. However, certain general and professional liability risks and employee health benefits are self-funded as further explained below. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

#### *Self-Funded Professional Liability and General Liability*

The Medical Center established a self-insurance program for professional and general liability exposure, effective February 1, 2003, in accordance with the provisions set forth in the Mississippi Tort Claims Act ("MTCA"). MTCA provides a cap on the amount of damages recoverable against government entities, including governmental hospitals. The amount recoverable is the greater of \$500,000 or the amount of liability insurance coverage that has been retained.

Effective December 20, 2006, the Medical Center purchased an annual aggregate stop-loss insurance policy. The aggregate stop-loss coverage will "cap" the self-insured plan's exposure for the plan/policy year. Payments under the aggregate stop-loss are in accordance with the Tort Act provisions and are limited to \$500,000 per claim (indemnity plus expense) within an annual aggregate self-insured retention of \$1.5 million for all claims. The stop-loss coverage has limits of \$500,000 per claim with a \$5 million policy aggregate. The policy has a retroactive date of December 20, 2006, and a maintenance deductible of \$10,000.

Effective March 22, 2011, the Medical Center purchased an insurance policy for its general liability exposures only. The policy's per occurrence limit of the coverage is \$500,000 with a \$10,000 deductible per occurrence. This policy has a retroactive date of December 20, 2006.

Consistent with these insurance program changes (and in accordance with the process described below), the Medical Center recorded an accrual for self-insured losses totaling \$2,073,972 at September 30, 2023. The future assertion of claims for occurrences prior to year-end is reasonably possible and may occur; however, management does not anticipate any material impact on the financial statements.

Incurred losses identified through the Medical Center incident reporting system and incurred but not reported losses are accrued based on estimates that incorporate the Medical Center's current inventory of reported claims and historical experiences, as well as considerations such as the nature of each claim or incident, relevant trend factors and advice from consulting actuaries. The Medical Center has established a self-insurance trust fund for payment of liability claims. The balance of the account at September 30, 2023 was \$2,195,481, and is reported in the statement of net position as a restricted investment.

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 16: INSURANCE PROGRAMS (Continued)**

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

<i>Years ended September 30,</i>	<b>2023</b>	<b>2022</b>
Claims liability, beginning of year	\$ 2,882,163	\$ 1,719,565
Current year claims and changes in estimates	(684,691)	1,222,598
Claims payments	(123,500)	(60,000)
Claims liability, end of year	<b>\$ 2,073,972</b>	<b>\$ 2,882,163</b>

***Self-Funded Health Insurance Claim Liability***

The Medical Center provides health 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. The estimated liability for claims incurred but not reported or paid is included as a current liability on the financial statements. Commercial insurance is purchased for claims in excess of coverage provided by the Medical Center to limit the Medical Center's liability for losses under its self-insurance program. The reinsurance coverage limits the claim losses to \$170,000 per covered person, with an aggregate specific deductible of \$100,000. Settled claims have not exceeded this commercial insurance in the past year.

<i>Years ended September 30,</i>	<b>2023</b>	<b>2022</b>
Claims liability, beginning of year	\$ 516,773	\$ 579,338
Current year claims and changes in estimates	5,799,669	4,641,153
Claims payments	(5,630,792)	(4,703,718)
Claims liability, end of year	<b>\$ 685,650</b>	<b>\$ 516,773</b>

**NOTE 17: RETIREMENT PLANS**

***Defined Contribution Plan – Medical Center***

The Medical Center contributes to the Southwest Mississippi Regional Medical Center Retirement Matching Plan (the "Plan") for the benefit of its employees. Effective November 1, 2017, the Medical Center adopted a Section 457(b) deferred compensation plan. The Plan is administered by OneAmerica Retirement Services LLC. The Plan provides retirement and disability benefits to Plan members and death benefits to beneficiaries of Plan members. Under provisions of the Plan, all employees with one year of service, and who are at least 21 years old, are eligible to participate. Plan provisions and Medical Center contributions are amended by the Board of Trustees. The Medical Center's contribution to the Plan for the year ended September 30, 2023 was \$787,174.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### **NOTE 17: RETIREMENT PLANS (Continued)**

Employees must contribute to the Plan in order to receive any matching contributions from the Medical Center. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. The Medical Center is required to contribute 50% of a participant's elective deferral contributions up to 4% of a participant's compensation.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become 100% vested in Medical Center contributions and earnings on Medical Center contributions after the completion of five years of creditable service. Non-vested contributions are forfeited upon termination of employment and such forfeitures are used to reduce future Medical Center contributions. For the year ended September 30, 2023, there were no forfeitures that reduced the Medical Center's contribution expense.

All required contributions were made to the Plan during the year and the Medical Center's liability to the Plan at September 30, 2023 was \$57,289.

#### ***Defined Contribution Plan – St. Luke Home Health***

St. Luke Home Health Services, LLC (SLHH) contributes to the St. Luke Home Health Retirement Savings Plan (the "Plan"), a single-employer 403(b) defined contribution plan, for the benefit of its employees. The Plan is administered by OneAmerica Retirement Services LLC. The Plan provides retirement and disability benefits to Plan members and death benefits to beneficiaries of Plan members. Under provisions of the Plan, all employees are eligible to make salary deferral contribution elections as of their employment commencement date. Employees are eligible for employer contributions upon attainment of age 21 and completion of one year of service. Plan provisions and SLHH contributions are amended by the Board of Directors. SLHH's contributions to the Plan for the year ended September 30, 2023 was \$92,770.

Employees must contribute to the Plan in order to receive any matching contributions from SLHH. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. SLHH is required to contribute 50% of a participant's elective deferral contributions up to 6% of a participant's compensation.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become 100% vested in employer contributions and earnings on those contributions after the completion of three years of creditable service. Non-vested contributions are forfeited upon termination of employment and such forfeitures are used to reduce future employer contributions.

All required contributions were made to the Plan during the year and SLHH had no liability to the Plan at September 30, 2023.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 18: 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 12.

#### *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 Hospital 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.

### Note 19: COMMITMENTS AND CONTINGENCIES

The Medical Center is involved in various claims and lawsuits arising out of the conduct of its business. The ultimate outcome of these matters is uncertain at this time, and historically, Medical Center claims have never exceeded available insurance coverage; however, under the current climate in the State of Mississippi, any claim where liability is found has the potential to result in a significant adverse verdict. As facts and circumstances exist today, management does not believe that the ultimate liabilities, if any, resulting from the claims will have a material adverse effect on the Medical Center's statement of net position, statement of revenue, expenses and changes in net position or statement of cash flows.

The Medical Center is exposed to various risks of loss related to contractual obligations and torts. Examples are: theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illness, injuries to visitors, natural disasters, medical malpractice and employee health, dental and accident benefits. The Medical Center is self-insured for employee health coverage, up to a certain limit per individual claim. The Hospital is self-insured for workers compensation coverage, up to a certain limit per individual claim. The Medical Center has additional coverage with third parties providing coverage in excess of those limits with deductibles and coverage limits based upon experience and market conditions. Commercial insurance coverage is purchased for other significant exposures, including professional and general liability in excess of a self-insured program as described below. Claims settled through September 30, 2023, have not exceeded this commercial coverage in any of the five preceding years.

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 20: BLENDED COMPONENT UNIT**

***The St. Luke Foundation, Inc.***

Condensed component unit information for The St. Luke Foundation, Inc., the Medical Center's blended component unit, for the year ended September 30, 2023, is reported as follows:

**Condensed Statement of Net Position**

<b>Assets</b>	
Current assets	\$ 2,250,848
Due from Medical Center	23,851,145
Capital assets, net	8,479,907
Other assets	72,409
<b>Total assets</b>	<b>34,654,309</b>
<b>Liabilities</b>	
Current liabilities	2,687,795
Noncurrent liabilities	1,822,467
<b>Total liabilities</b>	<b>4,510,262</b>
Deferred inflow of resources	493,182
<b>Net position</b>	
Net investment in capital assets	6,811,063
Unrestricted	22,839,802
<b>Total net position</b>	<b>\$ 29,650,865</b>

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

Operating revenues	\$ 14,460,261
<b>Operating expenses</b>	
Operations	13,660,456
Depreciation and amortization	906,948
<b>Total operating expenses</b>	<b>14,567,404</b>
Operating loss	(107,143)
Nonoperating revenues (expenses)	4,096,016
Change in net position	3,988,873
Net position, beginning of year	25,661,992
<b>Net position, end of year</b>	<b>\$ 29,650,865</b>

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 20: BLENDED COMPONENT UNIT (Continued)**

**Condensed Statement of Cash Flows**

Net cash provided by (used in)	
Operating activities	\$ 1,821,559
Noncapital financing activities	(3,829,301)
Capital and related financing activities	(6,928,706)
Investing activities	6,653,639
Net decrease in cash and cash equivalents	(2,282,809)
Cash and cash equivalents, beginning of year	2,677,901
Cash and cash equivalents, end of year	\$ 395,092

## Southwest Mississippi Regional Medical Center Schedule of Gross Patient Service Revenue

<b>Year Ended September 30, 2023</b>	<b>Inpatient</b>	<b>Outpatient</b>	<b>Total</b>
<b>Nursing services</b>			
Medical and surgical	\$ 7,838,682	\$ 2,288,718	\$ 10,127,400
Newborn nursery	235,303	117	235,420
Intensive care	5,733,385	241,806	5,975,191
<b>Total nursing services</b>	<b>13,807,370</b>	<b>2,530,641</b>	<b>16,338,011</b>
<b>Other professional services</b>			
Ambulatory surgery center	1,028,051	14,577,848	15,605,899
Anesthesiology	335,752	491,385	827,137
Cardiac cath lab	6,901,588	12,514,535	19,416,123
Cardiology	2,278,808	9,394,948	11,673,756
Central supply	1,618,292	2,768,072	4,386,364
Dialysis	792,451	150,097	942,548
Disaster Tracking	-	2,964	2,964
Electrocardiology	7,971	82,400	90,371
EEG-Neurology	15,995	7,546	23,541
Emergency services	8,722,142	44,391,900	53,114,042
GI Endosuite	1,049,982	12,127,498	13,177,480
Home health and hospice	-	15,722,323	15,722,323
Hyperbarics	15,073	1,067,550	1,082,623
Intensive outpatient program	-	1,111,942	1,111,942
Labor, delivery, recovery and postpartum	3,601,896	388,763	3,990,659
Laboratory	14,544,753	36,939,790	51,484,543
MS Cancer Institute - medical oncology	131,395	88,668,175	88,799,570
MS Cancer Institute - radiation therapy	18,081	9,314,321	9,332,402
Non-Emergency Transport	1,150	-	1,150
Nursing procedures	1,952,983	960,749	2,913,732
Occupational therapy	449,096	36,626	485,722
Other departments	2,494,553	1,361,267	3,855,820
Operating and recovery services	4,611,268	11,649,986	16,261,254
Outpatient rehabilitation	1,735	1,533,416	1,535,151
Outpatient services	600	64,073	64,673
Pharmacy	14,319,595	36,052,420	50,372,015
Physical therapy	881,272	60,488	941,760
Physician clinics	218	25,939,333	25,939,551
Pulmonary rehabilitation	360	611,363	611,723
Radiology	5,608,662	49,065,912	54,674,574
Respiratory therapy	18,948,264	2,626,969	21,575,233
Rural health clinics	1,245	6,649,756	6,651,001
Sleep lab	-	1,785,115	1,785,115
<b>Total other professional services</b>	<b>90,333,231</b>	<b>388,119,530</b>	<b>478,452,761</b>
<b>Total including charity</b>	<b>\$ 104,140,601</b>	<b>\$ 390,650,171</b>	<b>494,790,772</b>
Less charity			5,421,845
<b>Total</b>			<b>\$ 489,368,927</b>



## Southwest Mississippi Regional Medical Center Schedule of Operating Expenses

<i>Year Ended September 30, 2023</i>	Salaries and Wages	Contract Employee Salaries	Employee Benefits	Professional Fees	Supplies	Maintenance and Repairs	Other Operating Expense	Total
Nursing services								
Medical and surgical	\$ 7,240,388	\$ 77,326	\$ 737,738	\$ 101,426	\$ 609,563	\$ 157,167	\$ 278,997	\$ 9,202,605
Newborn nursery	-	-	21	-	38,472	19,573	326	58,392
Intensive care	3,804,134	77,326	307,354	101,426	800,260	130,164	36,942	5,257,606
Swing bed unit	88,203	-	7,022	-	673	-	1,348	97,246
Total nursing services	11,132,725	154,652	1,052,135	202,852	1,448,968	306,904	317,613	14,615,849
Other professional services								
Ambulatory surgery center	980,446	-	81,882	-	1,467,970	145,625	609,171	3,285,094
Anesthesiology	-	2,011,179	-	-	223,696	71,545	2,760	2,309,180
Cardiac cath lab	747,741	-	73,174	-	2,554,637	360,677	298,146	4,034,375
Cardiac surgery	20,606	-	-	-	(15,475)	55,903	15,607	76,641
Cardiology	644,869	-	45,028	-	137,585	7,103	468	835,053
Central supply	422,691	-	33,326	-	(102,945)	37,169	21,319	411,560
Dialysis	-	-	-	-	6,645	1,611	495,637	503,893
Disaster tracking	200,255	-	2,722	-	207,613	3,240	4,530	418,360
EEG-Neurology	3,996	-	-	-	943	1,543	2,019	8,501
Emergency services	8,937,950	257,306	397,417	-	909,960	72,376	107,246	10,682,255
GI Endosuite	1,195,026	-	104,452	-	426,563	122,309	(47,520)	1,800,830
Home health and hospice	8,262,526	95,332	1,300,813	605,166	607,675	476,920	1,738,887	13,087,319
Hyperbarics	81,756	-	5,947	-	23,860	1,657	(32,817)	80,403
Inpatient services	-	-	-	-	-	3,350	-	3,350
Intensive outpatient program	224,484	-	14,210	-	9,058	1,020	102,891	351,663
Labor, delivery, and recovery	1,838,000	-	160,280	-	305,249	154,292	15,931	2,473,752
Laboratory	2,443,685	330,741	207,897	(8,000)	3,614,295	246,870	1,731,434	8,566,922
Med/Card 3rd Floor	-	-	-	-	1,282	-	346	1,628
MS Cancer Institute - medical oncology	3,133,287	-	139,910	-	14,472,514	38,297	34,915	17,818,923
MS Cancer Institute - radiation therapy	635,208	-	55,419	-	16,292	335,888	7,827	1,050,634
MS Cardiovascular Inst.	-	-	-	-	-	-	5,666	5,666
Non-emergency transport	31,083	-	2,344	-	664	4,962	393	39,446
Occupational therapy	191,639	-	17,913	-	297	-	91	209,940
Operating and recovery services	1,639,772	-	152,839	(47)	2,020,379	338,881	292,279	4,444,103
Outpatient infusion therapy	160,619	-	13,799	-	15,118	269	986	190,791
Outpatient rehabilitation	615,337	-	67,346	-	12,032	15,539	2,748	713,002
Outpatient services	120,661	-	9,164	-	8,038	1,243	187	139,293
Pharmacy	1,334,090	305,463	133,924	17,627	6,869,807	127,584	568,628	9,357,123
Physical therapy	342,254	-	20,278	-	1,481	1,745	3,042	368,800
Physicians' clinics	14,328,993	195,875	739,564	792,468	478,548	75,043	331,744	16,942,235
Pulmonary rehabilitation	114,055	-	8,693	-	2,240	3,101	534	128,623
Radiology	2,663,193	141,215	246,570	-	685,025	842,872	911,533	5,490,408
Residency program	237,397	-	19,245	-	4,163	5,224	19,734	285,763
Respiratory therapy	1,469,700	-	116,927	-	222,647	60,212	68,304	1,937,790
Rural health clinics	2,387,299	-	190,657	316,306	103,771	25,648	141,673	3,165,354
Sleep lab	258,025	-	18,249	-	6,712	7,603	19,178	309,767
Sports Training	-	-	-	-	-	-	166	166
Total other professional services	55,666,643	3,337,111	4,379,989	1,723,520	35,298,339	3,647,321	7,475,683	111,528,606

## Southwest Mississippi Regional Medical Center Schedule of Operating Expenses (Continued)

<i>Year Ended September 30, 2023</i>	Salaries and Wages	Contract Employee Salaries	Employee Benefits	Professional Fees	Supplies	Maintenance and Repairs	Other Operating Expense	Total
General services								
Housekeeping	\$ -	\$ 1,657,121	\$ -	\$ -	387,805	\$ 30,959	\$ 183,550	\$ 2,259,435
Laundry and linen	1,461	-	112	-	123,920	99,409	416,489	641,391
Dietary	913,144	-	71,969	-	1,036,811	19,437	7,580	2,048,941
Plant operation and maintenance	1,683,899	-	131,852	-	312,990	1,005,578	1,309,297	4,443,616
<b>Total general services</b>	<b>2,598,504</b>	<b>1,657,121</b>	<b>203,933</b>	<b>-</b>	<b>1,861,526</b>	<b>1,155,383</b>	<b>1,916,916</b>	<b>9,393,383</b>
Fiscal and administrative services								
Administrative	2,298,189	1,150	209,245	698,732	97,965	47,317	2,721,185	6,073,783
Patient registration	1,053,123	-	93,197	-	50,439	6,570	40,381	1,243,710
Auxiliary office	-	-	-	-	-	-	-	-
Bio-medical	-	-	-	-	2,039	14,579	17	16,635
Call center	188,720	-	14,939	-	1,288	-	(150)	204,797
Case management	1,106,587	-	88,786	-	15,398	204,117	18,185	1,433,073
Contract and asset management	-	-	-	-	311	24,141	-	24,452
Communications	289,568	-	21,332	-	1,475	23,659	2,509	338,543
Community education	158,631	-	-	-	12,052	27,580	67,551	265,814
Chaplain services	40,766	-	3,118	-	1,065	56	30	45,035
General accounting	645,699	-	63,180	23,920	8,871	44,845	764,244	1,550,759
Health information management	1,085,884	447,037	91,845	-	8,556	349,458	68,850	2,051,630
Human resources	656,182	-	7,650,749	-	44,523	38,286	610,385	9,000,125
Infection control	108,389	-	9,394	-	2,795	708	2,822	124,108
Information systems	736,223	-	62,816	2,533	85,071	2,122,338	2,944,736	5,953,717
Materials management	280,411	-	20,074	2,756	(487,751)	81,474	416,693	313,657
Medical director	-	-	-	-	-	-	-	-
MS Cancer Institute	442,240	-	36,695	-	19,046	28,142	192,037	718,160
MS Cardiovascular Institute	5,346	-	-	-	-	29,841	-	35,187
Pharmacy retail	-	-	-	-	-	608	2,163,009	2,163,617
Patient accounting	1,628,280	0	136,157	163,429	36,894	21,695	1,275,386	3,261,841
Physician clinic accounting	99,317	-	7,061	-	1,966	3,305	8,410	120,059
Public relations	195,799	-	12,076	-	17,219	1,078	328,859	555,031
Quality assurance/performance	419,297	42,095	30,702	3,690	6,971	106,256	23,133	632,144
Revenue cycle	287,720	-	25,897	-	2,702	-	5,911	322,230
Risk management	-	-	-	-	(101)	3,803	12,265	15,967
System Implementation	1,167,908	-	-	-	2,698	12,046	11,569	1,194,221
Telecommunications	-	-	-	-	1,951	-	3,651	5,602
<b>Total fiscal and administrative services</b>	<b>12,894,279</b>	<b>490,282</b>	<b>8,577,263</b>	<b>895,060</b>	<b>(66,557)</b>	<b>3,191,902</b>	<b>11,681,668</b>	<b>37,663,897</b>
<b>Total</b>	<b>\$ 82,292,151</b>	<b>\$ 5,639,166</b>	<b>\$ 14,213,320</b>	<b>\$ 2,821,432</b>	<b>\$ 38,542,276</b>	<b>\$ 8,301,510</b>	<b>\$ 21,391,880</b>	<b>173,201,735</b>
Depreciation and amortization								7,750,035
<b>Total</b>								<b>\$ 180,951,770</b>

**Southwest Mississippi Regional Medical Center**  
**Schedule of Other Operating Revenue**

*Year Ended September 30, 2023*

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Other operating revenue	
Cafeteria sales	\$ 347,609
Leases	126,492
Pharmacy retail	8,863,888
Other	733,861

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Total other operating revenue	\$ 10,071,850
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## Southwest Mississippi Regional Medical Center Schedule of Surety Bonds for Officials and Employees

Name	Position	Company	Amount of Bond
Andrew Alford	Trustee	CNA Surety	\$ 100,000
Hilton Harrell	Trustee	CNA Surety	100,000
Clifton McGowan	Trustee	CNA Surety	100,000
Stephanie Robinson	Trustee	CNA Surety	100,000
Yvonne Lewis	Trustee	CNA Surety	100,000
Watkins Wild	Trustee	CNA Surety	100,000
Regina Melson	Trustee	CNA Surety	100,000
Charla Rowley	CEO, Administrator	CNA Surety	100,000
Mallory Ginn	CFO, Administrator	CNA Surety	100,000
Robert Weathersby	Assistant Administrator	CNA Surety	100,000
Dr. Kevin Richardson	Medical Director	CNA Surety	100,000
Phillip Langston	Assistant Administrator, Lawrence County Hospital	CNA Surety	100,000
Donna Gardner	Executive Director, St. Luke Home Health	CNA Surety	100,000
All Other Employees		CNA Surety	10,000

# **Reports on Internal Control and Compliance Matters**



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

Board of Trustees  
Southwest Mississippi Regional Medical Center  
McComb, 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 Southwest Mississippi 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 May 28, 2024.

**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 may exist that have not been 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 non-compliance.

### **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.*