


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

**Independent Auditor's Reports, Financial Statements,
and Supplementary Information**

September 30, 2023 and 2022



Singing River Health System
(A Component Unit of Jackson County, Mississippi)
September 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Singing River Health System
Pascagoula, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Singing River Health System (the Health System), a component unit of Jackson County, Mississippi, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Health System's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Emphasis of Matter

As discussed in *Note 2* to the financial statements, on October 1, 2022, the Health System adopted Governmental Accounting Standards Board (GASB) Statement, No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the

Board of Trustees
Singing River Health System

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024, on our consideration of the Health System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health System's internal control over financial reporting and compliance.

FORVIS,LLP

Jackson, Mississippi
January 31, 2024

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Management’s Discussion and Analysis (Unaudited)
September 30, 2023 and 2022

Introduction

This management’s discussion and analysis of the financial performance of Singing River Health System (the Health System) provides an overview of the Health System’s financial activities for the years ended September 30, 2023 and 2022. It should be read in conjunction with the accompanying financial statements of the Health System. During 2023, the Health System adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, retroactively restating the amounts reported in the 2022 financial statements. The summarized 2021 financial information included in this management’s discussion and analysis has not been retroactively restated for GASB 96.

Financial Highlights

2023

- Cash, cash equivalents and investments increased in 2023 by \$141,150 or 0.1% and decreased in 2022 by \$19,623,784, or 14.5%.
- The Health System repaid approximately \$4,568,000 and \$36,508,000 of Medicare advance payments in 2023 and 2022, respectively. All amounts were repaid as of September 30, 2023.
- The Health System’s net position increased in 2023 and 2022 by \$9,398,342, or 4.5% and \$2,022,123, or 1.0%, respectively.
- The Health System reported operating income in 2023 of approximately \$5,440,000 and operating loss in 2022 of approximately (\$6,603,000).

Using This Annual Report

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

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

One of the most important questions asked about any Health System’s finances is “Is the System as a whole better or worse off as a result of the year’s activities?” The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Health System’s resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, all liabilities, and all deferred inflows and outflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2023 and 2022

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

The Statement of Cash Flows

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

The Health System's Net Position

The Health System's net position is the difference between its assets, liabilities, and deferred inflows and outflows of resources reported in the balance sheet. The Health System's net position increased by \$9,398,342 (4.5%) in 2023, and by \$2,022,123 (1.0%) in 2022 over 2021.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2023 and 2022

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

	2023	2022 (As Restated)	2021
Assets and Deferred Outflows of Resources			
Current assets	\$ 207,674,975	\$ 201,726,121	\$ 222,874,687
Internally designated investments	4,858,693	3,648,311	3,640,313
Capital assets, net	177,357,890	181,794,385	196,308,634
Lease assets, net	32,841,031	41,101,857	41,886,344
Subscription assets, net	5,794,460	4,344,080	-
Other assets	7,930,956	9,275,683	12,490,017
Total assets	<u>436,458,005</u>	<u>441,890,437</u>	<u>477,199,995</u>
Deferred Outflows of Resources	<u>2,606,463</u>	<u>2,322,438</u>	<u>2,668,608</u>
Total assets and deferred outflows of resources	<u>\$ 439,064,468</u>	<u>\$ 444,212,875</u>	<u>\$ 479,868,603</u>
Liabilities			
Current liabilities	\$ 92,350,005	\$ 92,855,904	\$ 125,494,708
Long-term debt	28,202,000	29,887,000	34,508,000
Long-term lease liabilities	24,798,780	34,762,521	35,827,839
Long-term subscription liabilities	2,864,595	2,628,731	-
Other long-term liabilities	69,387,193	71,234,182	72,688,847
Total liabilities	<u>217,602,573</u>	<u>231,368,338</u>	<u>268,519,394</u>
Deferred Inflows of Resources - Leases	<u>3,919,684</u>	<u>4,700,668</u>	<u>5,227,463</u>
Net Position			
Net investment in capital assets	147,801,944	147,299,597	152,332,759
Restricted expendable	2,985,522	4,094,027	6,031,279
Unrestricted	66,754,745	56,750,245	47,757,708
Total net position	<u>217,542,211</u>	<u>208,143,869</u>	<u>206,121,746</u>
Total liabilities and net position	<u>\$ 439,064,468</u>	<u>\$ 444,212,875</u>	<u>\$ 479,868,603</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2023 and 2022

Table 2: Operating Results and Changes in Net Position

	2023	2022 (As Restated)	2021
Operating Revenues			
Net patient service revenue	\$ 528,121,620	\$ 516,409,130	\$ 480,914,749
Other revenues	44,587,447	36,499,584	30,155,005
Total operating revenues	<u>572,709,067</u>	<u>552,908,714</u>	<u>511,069,754</u>
Operating Expenses			
Salaries and wages	229,230,012	213,925,691	190,068,750
Employee benefits	37,428,177	33,176,435	33,252,636
Professional fees	17,248,109	17,455,964	9,947,100
Supplies	150,727,566	150,348,224	145,051,368
Purchased services	50,643,283	60,349,825	55,638,797
Other expenses	47,956,311	47,148,792	42,621,485
Depreciation and amortization	34,036,005	37,106,805	33,942,158
Total operating expenses	<u>567,269,463</u>	<u>559,511,736</u>	<u>510,522,294</u>
Operating Income (Loss)	<u>5,439,604</u>	<u>(6,603,022)</u>	<u>547,460</u>
Nonoperating Revenues (Expenses)			
Investment income (loss), net	3,456,434	(2,702,768)	433,165
Interest expense	(7,497,009)	(7,687,830)	(9,053,151)
Earnings on equity investments	278,118	220,797	308,735
Noncapital grant and contribution revenue	3,800,467	848,208	2,195,371
CARES Act grants	-	18,648,016	5,797,303
Bond issuance costs	-	-	(368,043)
Gain (loss) on disposal of capital assets	81,189	(701,278)	56,050
Total nonoperating revenues (expenses)	<u>119,199</u>	<u>8,625,145</u>	<u>(630,570)</u>
Income (Loss) Before Capital Grants	<u>5,558,803</u>	<u>2,022,123</u>	<u>(83,110)</u>
Capital Grants	<u>3,839,539</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>9,398,342</u>	<u>2,022,123</u>	<u>(83,110)</u>
Net Position, Beginning of Year, As Restated	<u>208,143,869</u>	<u>206,121,746</u>	<u>206,204,856</u>
Net Position, End of Year	<u>\$ 217,542,211</u>	<u>\$ 208,143,869</u>	<u>\$ 206,121,746</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2023 and 2022

Operating Results

The first component of the overall change in the Health System's net position is its operating income or loss—generally, the difference between net patient service revenue and other operating revenues and the expenses incurred to perform those services. During 2023, the Health System reported operating income of approximately \$5,440,000. The Health System reported an operating loss of approximately (\$6,603,000) for 2022.

As shown in Table 2, net patient service revenue has increased approximately \$11,712,000 from 2022 to 2023. The change was primarily the result of additional outpatient volumes at Singing River Gulfport, which increased its net patient service revenue by approximately \$10,700,000 in 2023.

Net patient service revenue increased approximately \$35,494,000 from 2021 to 2022. The change was primarily the result of additional inpatient and outpatient volumes at Singing River Gulfport, which increased its net patient service revenue by approximately \$31,017,000.

Salaries, wages, and employee benefits increased approximately \$19,556,000 in 2023, as compared to 2022, primarily due to increased pressure on overall Health System staffing and retention. The cost of supplies, purchased services (including contract labor) and other expenses increased (decreased) 0.3%, (16.1%), and 1.7%, respectively, in 2023.

Operating expenses increased by approximately \$48,989,000, attributing to approximately 9.6% of the change between 2022 and 2021. Other changes related to salaries and wages, employee benefits, and supplies continue to be related to the increased pressure on overall Health System staffing and retention.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) consist primarily of investment activity, noncapital grant revenue, interest expense, lease income, and other nonoperating income (expenses). During 2022 the Health System recognized a loss of \$2,702,768, or 724% decrease from 2021, due to the declining financial markets in 2022. The Health System reported income from investments in 2023 of \$3,456,434, which is an increase of approximately \$6,159,000 compared to 2022. The System also recognized approximately \$18,648,000 from the CARES Act in response to the COVID-19 pandemic in 2022.

The Health System's Cash Flows

Cash provided by (used in) operating activities was approximately \$21,957,000, (\$698,000), and \$7,646,000 for 2023, 2022, and 2021, respectively. The primary reason for the cash provided by operating activities is increased receipts from changes in patient accounts receivable and decreases in cash paid to suppliers, offset by cash paid to employees.

Capital Assets

The Health System's investment in a variety of net capital assets was \$177,357,890 as of September 30, 2023 and \$181,794,385 as of September 30, 2022. For more detailed information regarding the Health System's capital assets, please refer to *Note 7*.

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Management's Discussion and Analysis (Unaudited)
September 30, 2023 and 2022

Debt, Lease, and Subscription Liabilities

For more detailed information regarding the Health System's debt, lease, and subscription financing, please refer to *Note 8*, *Note 9*, and *Note 10*, respectively.

Contacting the Health System's Financial Management

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

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Balance Sheets
September 30, 2023 and 2022

Assets and Deferred Outflows of Resources

	2023	2022 (As Restated - Note 2)
Current Assets		
Cash and cash equivalents	\$ 68,677,420	\$ 69,600,788
Investments	47,348,110	46,283,592
Trusteed bond funds	1,251,980	1,452,600
Patient accounts receivable, net of allowance; 2023 - \$135,290,417, 2022 - \$129,761,516	70,398,347	65,881,310
Other receivables	3,055,008	3,063,516
Lease receivables - current	598,468	854,890
Inventories	11,400,132	10,442,139
Prepaid expenses and other	4,945,510	4,147,286
	207,674,975	201,726,121
Noncurrent Cash and Investments		
Internally designated for self-insurance funding	4,858,693	3,648,311
Investment in equity investments	4,119,204	4,162,083
	8,977,897	7,810,394
	177,357,890	181,794,385
Capital Assets, Net		
	32,841,031	41,101,857
Lease Assets, Net		
	5,794,460	4,344,080
Subscription Assets, Net		
	117,500	-
Intangible assets, net	117,500	-
Long-term lease receivables	3,694,252	4,102,204
Other	-	1,011,396
	3,811,752	5,113,600
Total other assets		
	436,458,005	441,890,437
Total assets		
	2,606,463	2,322,438
Deferred Outflows of Resources		
	\$ 439,064,468	\$ 444,212,875
Total assets and deferred outflows of resources		

See Notes to Financial Statements

	2023	2022 (As Restated - Note 2)
Current Liabilities		
Current installments of long-term debt	\$ 1,685,000	\$ 4,621,000
Current installments of lease liabilities	8,051,043	7,504,109
Current installments of subscription liabilities	2,676,544	1,402,044
Current installments of other long-term liabilities	895,393	576,186
Current installments of pension settlement liability	5,700,000	4,200,000
Accounts payable	36,809,334	22,604,243
Accrued payroll and employee benefits	22,920,112	21,426,859
Due to third-party payors	6,115,472	29,780,903
Revenue received in advance	6,319,626	-
Other accrued expenses	1,177,481	740,560
	<hr/>	<hr/>
Total current liabilities	92,350,005	92,855,904
Other Liabilities		
Long-term debt	28,202,000	29,887,000
Long-term lease liabilities	24,798,780	34,762,521
Long-term subscription liabilities	2,864,595	2,628,731
Other long-term liabilities	1,624,545	881,572
Accrued workers' compensation, professional, and general liability costs	6,161,476	7,438,995
Pension settlement liability	61,601,172	62,913,615
	<hr/>	<hr/>
Total liabilities	217,602,573	231,368,338
Deferred Inflows of Resources - Leases		
	<hr/>	<hr/>
	3,919,684	4,700,668
Net Position		
Net investment in capital assets	147,801,944	147,299,597
Restricted expendable for debt service	1,251,980	1,452,600
Restricted expendable for indigent care	1,135,925	2,211,196
Restricted expendable for other obligations	597,617	430,231
Unrestricted	66,754,745	56,750,245
	<hr/>	<hr/>
Total net position	217,542,211	208,143,869
	<hr/>	<hr/>
Total liabilities and net position	<u>\$ 439,064,468</u>	<u>\$ 444,212,875</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2023 and 2022

	2023	2022 <i>(As Restated - Note 2)</i>
	<u>2023</u>	<u>2022</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2023 - \$173,167,000, 2022 - \$191,102,000	\$ 528,121,620	\$ 516,409,130
Other revenues	<u>44,587,447</u>	<u>36,499,584</u>
Total operating revenues	<u>572,709,067</u>	<u>552,908,714</u>
Operating Expenses		
Salaries and wages	229,230,012	213,925,691
Employee benefits	37,428,177	33,176,435
Professional fees	17,248,109	17,455,964
Supplies	150,727,566	150,348,224
Purchased services	50,643,283	60,349,825
Other expenses	47,956,311	47,148,792
Depreciation and amortization	<u>34,036,005</u>	<u>37,106,805</u>
Total operating expenses	<u>567,269,463</u>	<u>559,511,736</u>
Operating Income (Loss)	<u>5,439,604</u>	<u>(6,603,022)</u>
Nonoperating Revenues (Expenses)		
Investment income (loss), net	3,456,434	(2,702,768)
Interest expense	(7,497,009)	(7,687,830)
Earnings on equity method investments	278,118	220,797
Noncapital grant and contribution revenue	3,800,467	848,208
CARES Act grants	-	18,648,016
Gain on disposal of capital assets	<u>81,189</u>	<u>(701,278)</u>
Total nonoperating revenues (expenses)	<u>119,199</u>	<u>8,625,145</u>
Income Before Capital Grants	5,558,803	2,022,123
Capital Grants	<u>3,839,539</u>	<u>-</u>
Increase in Net Position	9,398,342	2,022,123
Net Position, Beginning of Year	<u>208,143,869</u>	<u>206,121,746</u>
Net Position, End of Year	<u>\$ 217,542,211</u>	<u>\$ 208,143,869</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022 (As Restated - Note 2)
	2023	2022 (As Restated - Note 2)
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	\$ 499,939,152	\$ 483,624,670
Cash paid to suppliers and others	(254,416,568)	(273,835,685)
Cash paid to or on behalf of employees	(264,517,959)	(245,968,367)
Other cash received	40,952,816	35,481,355
	21,957,441	(698,027)
Net cash provided by (used in) operating activities		
Cash Flows from Noncapital Financing Activities		
Repayment of pension settlement liability	(4,200,000)	(4,200,000)
Noncapital grant revenue	3,675,738	652,908
Noncapital contribution - Jackson County	1,200,000	1,213,156
CARES Act grants	-	18,648,016
	675,738	16,314,080
Net cash provided by noncapital financing activities		
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(15,711,794)	(11,620,204)
Proceeds from sale of capital assets	105,000	-
Proceeds from capital grants	10,159,165	-
Principal paid on long-term debt	(4,621,000)	(8,824,000)
Principal payments received on lease receivables	870,876	1,020,432
Interest payments received on lease receivables	184,197	211,595
Principal paid on lease obligations	(9,017,120)	(7,578,527)
Interest paid on subscription liabilities	(182,465)	(221,533)
Principal paid on subscription liabilities	(2,782,900)	(2,945,004)
Repayment of other long-term liabilities	(1,010,594)	(696,951)
Interest paid on lease obligations	(1,540,693)	(1,559,388)
Interest paid on long-term debt	(1,712,370)	(1,665,360)
	(25,259,698)	(33,878,940)
Net cash used in capital and related financing activities		
Cash Flows from Investing Activities		
Purchase of investments	(5,786,846)	(815,563)
Proceeds from sale of investments	4,485,570	3,184,070
Investment income received	3,448,032	1,145,224
Distribution from equity method investments	320,997	228,815
	2,467,753	3,742,546
Net cash provided by investing activities		
Change in Cash and Cash Equivalents	(158,766)	(14,520,341)
Cash and Cash Equivalents, Beginning of Year	76,470,059	90,990,400
Cash and Cash Equivalents, End of Year	\$ 76,311,293	\$ 76,470,059

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Statements of Cash Flows (Continued)
Years Ended September 30, 2023 and 2022

	2023	2022 (As Restated - Note 2)
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$ 5,439,604	\$ (6,603,022)
Items not requiring cash		
Depreciation and amortization	34,036,005	37,106,805
Provision for uncollectible accounts	173,167,236	191,101,842
Gain on lease terminations	(1,566,334)	-
Changes in		
Patient accounts receivable, net	(177,222,698)	(191,397,597)
Amounts due to and from third-party payors	(23,665,431)	(32,638,664)
Inventories and other assets	(1,628,756)	1,016,199
Deferred inflows of resources - leases	(960,016)	(1,132,630)
Accounts payable and accrued liabilities	15,635,350	477,395
Accrued workers' compensation, professional, and general liability costs	(1,277,519)	1,371,645
Net cash provided by (used in) operating activities	<u>\$ 21,957,441</u>	<u>\$ (698,027)</u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 68,677,420	\$ 69,600,788
Cash and cash equivalents in investments	1,523,200	1,768,360
Cash and cash equivalents in trustee bond funds	1,251,980	1,452,600
Cash and cash equivalents in trustee for self-insurance funding	4,858,693	3,648,311
Total cash and cash equivalents	<u>\$ 76,311,293</u>	<u>\$ 76,470,059</u>
Noncash Investing, Capital and Financing Activities		
Assets acquired through installment agreements	\$ 2,072,774	\$ 180,928
Lease obligation for leased assets	\$ 21,392,110	\$ 7,487,507
Termination of lease obligations	\$ 21,791,797	\$ -
Subscription obligation for subscription assets	\$ 4,293,264	\$ 40,344
Capital assets in accounts payable	\$ -	\$ 131,275

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

Nature of Operations and Reporting Entity

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

The Health System is a multidimensional healthcare system consisting of:

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

Blended Component Units

Singing River Gulfport (SRG) is a component unit of the Health System and is presented as a blended component unit as of September 30, 2023 and 2022 in the Health System's financial statements. As the sole member of this not-for-profit corporation, the Health System exerts control and has a financial benefit relationship. SRG is a 130-bed hospital and related outpatient care and other facilities principally located in Gulfport, Mississippi. All significant intercompany transactions have been eliminated.

SRHS Ambulatory Services, Inc. (SRHSAS) is a component unit of the Health System and is presented as a blended component unit as of September 30, 2023 and 2022 in the Health System's financial statements. As the sole member of this not-for-profit organization, the Health System exerts control and has a financial benefit relationship. SRHSAS is operated by a board of

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directors, all of whom are appointed by the Health System's Board of Trustees. As of September 30, 2023 and 2022, SRHSAS holds a noncontrolling 24.5% ownership interest in two ambulatory surgery centers, Mississippi Coast Endoscopy and Ambulatory Surgery Center, LLC (MCEASC) and Ocean Springs Surgical and Endoscopy Center, LLC (OSSEC). All significant intercompany transactions have been eliminated.

Anesthesia Services, LLC is a component unit of the Health System and is presented as a blended component unit as of September 30, 2023 and 2022 in the Health System's financial statements. Anesthesia Services, LLC is a wholly-owned subsidiary of the Health System that previously provided management, scheduling, and billing and collection services for certified registered nurse anesthetists. All significant intercompany transactions have been eliminated.

Singing River Health System Foundation (the Foundation) is a component unit of the Health System and is presented as a blended component unit as of September 30, 2023 and 2022 in the Health System's financial statements. The Foundation is a 501(c)(3) nonprofit entity that serves as a supporting organization for the Health System. All significant intercompany transactions have been eliminated.

There are no separately issued financial statements for these blended component units

Budgetary Information

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

Basis of Accounting and Presentation

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

Use of Estimates

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

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disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less when purchased. The Health System does consider uninvested cash held in investment accounts as cash or cash equivalents. At September 30, 2023 and 2022, cash equivalents consisted primarily of money market accounts with brokers.

Investments and Investment Income

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

Patient Accounts Receivable

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

Inventories

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

Funds Held by Trustees

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

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

Capital Assets, Net

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

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line method. Major renewals and renovations are capitalized. Costs for repairs and maintenance are expensed when incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and the gain or loss, if any, is included in nonoperating revenues (expenses) in the statements of revenues, expenses, and changes in net position.

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

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

Lease Assets

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

Subscription Assets

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

Capital, Lease, and Subscription Asset Impairment

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

Cost of Borrowing

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

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Compensated Absences

The Health System's employees accumulate paid time off, such as vacation, holiday, and sick leave, at varying rates depending upon their years of continuous service and their payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation and holiday time at their regular rate of pay up to a designated maximum number of days. Since the employees' vacation and holiday time both accumulate and vest, an accrual for this liability is included in accrued payroll and employee benefits. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation related payments such as social security and Medicare taxes computed using rates in effect at that date.

Deferred Outflows/Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net assets in one period that are applicable to future reporting periods are reported as deferred outflows of resources and deferred inflows of resources. At September 30, 2023 and 2022 (as restated), deferred outflows of resources were comprised of deferred loss on refunding of \$2,606,463 and \$2,322,438, respectively. At September 30, 2023 and 2022 (as restated), deferred inflows of resources – leases were comprised of deferred lease income of \$3,919,684 and \$4,700,668, respectively.

Lease Receivable

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

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

Lease Liability

The Health System is a lessee for noncancellable leases. The Health System recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. At the commencement of a lease, the Health System initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease

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commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

Subscription Liability

The Health System has entered noncancellable contracts for SBITAs (intangible assets). The Health System recognizes a subscription liability and a SBITA asset in the financial statements. At the commencement of a SBITA, the Health System initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

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

Risk Management

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

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

Net Position

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

- Net investment in capital assets consists of capital, lease, or subscription assets net of accumulated depreciation or amortization and reduced by outstanding balances of any borrowings, lease or subscription liabilities incurred to finance the purchase, use, or construction of those assets and any unpaid capital asset related invoices.
- Net position restricted expendable for debt service is amounts deposited with trustees as required by bond indentures or debt agreements.

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- Net position restricted expendable for indigent care is amounts recorded under the Health System's Contribution Agreement with Jackson County. The funds are restricted until the Health System receives the funds and provides indigent care to the community.
- Net position restricted expendable for other obligations is amounts recorded under the Foundation for contributions received.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets, leases and subscriptions, or restricted net position.

Net Patient Service Revenue

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

Charity Care

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

Income Taxes

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

Revisions

Certain immaterial revisions have been made to the 2022 statement of cash flows to appropriately present proceeds from sale of investments, net cash provided by investing activities, and cash and cash equivalents at end of year. In addition, immaterial revisions to the 2022 supplemental reconciliation of cash and cash equivalents to the balance sheet were made to agree to the revised cash and cash equivalents end of year balance. The revision did not have a significant impact on the statement of cash flows line items impacted.

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Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Change in Accounting Principle

On October 1, 2022 (effective date), the Health System adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, using a retrospective method of adoption to all subscriptions in place at the beginning of the earliest period presented, which was October 1, 2021. The statement requires entities to recognize a subscription liability, measured at the present value of payments expected to be made during the subscription term, and an intangible SBITA asset. The 2022 financial statements and disclosures were restated to reflect the impact of this adoption.

The effect of the changes made to the accompanying balance sheet, statement of revenues, expenses and changes in net position, and statement of cash flows as of and for the year ended September 30, 2022 are as follows:

	2022 (Previously Reported)	Effect of Adoption	2022 (As Restated)
Balance Sheet			
Current Assets			
Prepaid expenses and other	\$ 4,363,716	\$ (216,430)	\$ 4,147,286
Total current assets	201,942,551	(216,430)	201,726,121
Subscription Assets, Net	-	4,344,080	4,344,080
Other Assets			
Intangible assets, net	688,012	(688,012)	-
Total other assets	5,801,612	(688,012)	5,113,600
Total assets	438,450,799	3,439,638	441,890,437
Total assets and deferred outflows of resources	440,773,237	3,439,638	444,212,875
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Current installments of subscription liabilities	-	1,402,044	1,402,044
Current installments of other long-term liabilities	670,561	(94,375)	576,186
Total current liabilities	91,548,235	1,307,669	92,855,904
Other Liabilities			
Long-term subscription liabilities	-	2,628,731	2,628,731
Total liabilities	227,431,938	3,936,400	231,368,338
Net Position			
Net investment in capital assets	146,891,917	407,680	147,299,597
Unrestricted	57,654,687	(904,442)	56,750,245
Total net position	208,640,631	(496,762)	208,143,869
Total liabilities and net position	440,773,237	3,439,638	444,212,875

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	2022 (Previously Reported)	Effect of Adoption	2022 (As Restated)
Statement of Revenues, Expenses, and Change in Net Position			
Operating Expenses			
Other expenses	\$ 48,683,395	\$ (1,534,603)	\$ 47,148,792
Depreciation and amortization	35,296,973	1,809,832	37,106,805
Total operating expenses	559,236,507	275,229	559,511,736
Operating Loss	(6,327,793)	(275,229)	(6,603,022)
Nonoperating Revenues (Expenses)			
Interest expense	(7,466,297)	(221,533)	(7,687,830)
Total nonoperating revenues (expenses)	8,846,678	(221,533)	8,625,145
Increase (Decrease) in Net Position	2,518,885	(496,762)	2,022,123
Net Position, End of Year	208,640,631	(496,762)	208,143,869
Statement of Cash Flows			
Cash Flows from Operating Activities			
Cash paid to suppliers and others	(276,450,734)	2,615,049	(273,835,685)
Net cash used in operating activities	(3,313,076)	2,615,049	(698,027)
Cash Flows from Capital and Related Financing Activities			
Interest paid on subscription liabilities	-	(221,533)	(221,533)
Principal paid on subscription liabilities	-	(2,945,004)	(2,945,004)
Repayment of other long-term liabilities	(1,469,972)	773,021	(696,951)
Interest paid on lease obligations	(1,559,388)	-	(1,559,388)
Interest paid on long-term debt	(1,443,827)	(221,473)	(1,665,360)
Net cash used in capital and related financing activities	(31,263,891)	(2,615,049)	(33,878,940)
Noncash Investing, Capital and Financing Activities			
Subscription obligation for subscription assets	-	40,344	40,344

Note 3: Net Patient Service Revenue

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

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

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settlement determined after submission and review by the Medicare Administrative Contractor of annual cost reports.

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

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

Effective in 2016, the Division of Medicaid (DOM) implemented the MHAP program. The MHAP program is administered by the DOM through the MississippiCAN coordinated care organizations (CCOs). The CCOs subcontract with the hospitals throughout the state for distribution of the MHAP program for purpose of protecting patient access to hospital care. The MHAP program began December 1, 2015, and the MHAP payments and associated tax are distributed and collected in equal monthly installments. For the fiscal years ended September 30, 2023 and 2022, the Health System received approximately \$30,576,000 and \$27,684,000, respectively, from the MHAP program. MHAP amounts are shown as a reduction of contractual adjustments, with the related tax assessment of approximately \$9,293,000 and \$8,000,000 recorded as a reduction of contractual adjustments for the years ended September 30, 2023 and 2022, respectively.

The DSH program is administered by the DOM through MississippiCAN CCOs. The CCOs subcontract with the hospitals throughout the state for distribution of DSH payments for purpose of protecting patient access to hospital care. For the fiscal years ended September 30, 2023 and 2022, the Health System received approximately \$5,886,000 and \$2,900,000, respectively, from the MHAP program. MHAP amounts are shown as a reduction of contractual adjustments, with the related tax assessment of approximately \$2,079,000 and \$2,022,000 recorded as a reduction of contractual adjustments for the years ended September 30, 2023 and 2022, respectively.

The Health System also received approximately \$4,700,000 and \$2,600,000 in state emergency hospital payments and outpatient directed payment in 2023, respectively, as new state programs in 2023.

At September 30, 2023 and 2022, the Health System has recorded a liability of approximately \$8,504,000 and \$23,815,000, respectively, for estimated overpayments from the DSH program due to excess uncompensated cost of care overpayments from 2017 through 2020. Medicaid recouped approximately \$11,753,000 during 2023 in relation to the 2019 and 2018 overpayments. It is reasonably possible that this estimate could change materially in the near term.

Approximately 65% and 62% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2023 and 2022, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 4: Deposits, Investments, and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Health System's deposit policy for custodial credit risk requires compliance with the provisions of state law. The collateral for public entities deposited in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the Health System's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). All deposits with financial institutions must be collateralized in an amount equal to 105% of uninsured deposits and are therefore fully insured. The collateralized and insured bank balance was \$63,755,676 and \$67,164,536 at September 30, 2023 and 2022, respectively. The above amounts exclude deposits held by the Health System's blended component units with bank balances of approximately \$8,287,000 and \$6,907,000 at September 30, 2023 and 2022, respectively. As nongovernmental entities, the blended component units are not subject to collateralization requirements. At September 30, 2023, the blended component units' cash balances exceeded federally insured limits by approximately \$7,124,000.

Investments

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

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At September 30, 2023 and 2022, the Health System had the following investments and maturities:

September 30, 2023	Fair Value	Years			
		< 1	1 – 5	6 – 10	More than 10
Money market funds	\$ 2,824,029	\$ 2,824,029	\$ -	\$ -	\$ -
U.S. government obligations	21,815,646	4,191,960	17,623,686	-	-
Municipal obligations	5,441,232	3,414,071	2,027,161	-	-
Mortgage-backed securities	3,959,491	-	2,493,675	483,853	981,963
Collateralized mortgage obligations	13,268,812	1,249,638	949,388	1,132,402	9,937,384
Mutual funds - equities	783,878	783,878	-	-	-
Mutual funds - fixed income	9,599	9,599	-	-	-
Annuities	487,695	-	-	-	487,695
	<u>\$ 48,590,382</u>	<u>\$ 12,473,175</u>	<u>\$ 23,093,910</u>	<u>\$ 1,616,255</u>	<u>\$ 11,407,042</u>

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

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Health System's investment policy, which conforms to Mississippi state law, limits investments to those rated "A" or better by either Moody's Investor Service or Standard & Poor's. These authorized investments, within established guidelines, are limited to securities of the U.S. government or its agencies, U.S. government obligations, U.S. and Mississippi municipal bonds, interest-bearing accounts and certificates of deposits of financial institutions, open-end or closed-end management type investment company or investment trust, and an investment trust consisting of pooled or commingled funds of other hospitals.

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At September 30, 2023 and 2022, the Health System's investments not directly guaranteed by the U.S. government were rated as follows:

Investment	Credit Rating
Money market funds	Not rated
Municipal obligations	A1, Aa2 & Aa3
Mortgage-backed securities	Aaa
Collateralized mortgage obligations	Aaa

Custodial Credit Risk

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

Concentration of Credit Risk

The Health System places no limit on the amount that may be invested in any one issuer. However, investment in non-treasury or agency issuers is limited to a maximum of 5%. At September 30, 2023 and 2022, the Health System had no individual investments in excess of 5% of total investments.

Summary of Carrying Values

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

	2023	2022
Carrying value		
Deposits	\$ 73,540,151	\$ 73,389,939
Investments	48,590,382	47,589,739
Cash on hand	5,670	5,613
	\$ 122,136,203	\$ 120,985,291
Included in the following balance sheets' captions		
Cash and cash equivalents	\$ 68,677,420	\$ 69,600,788
Investments	47,348,110	46,283,592
Trusteed bond funds	1,251,980	1,452,600
Internally designated for self-insurance funding	4,858,693	3,648,311
	\$ 122,136,203	\$ 120,985,291

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Investment Income (Loss)

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

	2023	2022
Interest and dividend income	\$ 3,448,032	\$ 1,145,224
Unrealized loss on investments, net	8,402	(3,847,992)
	\$ 3,456,434	\$ (2,702,768)

Note 5: Patient Accounts Receivable

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

	2023	2022
Medicare	\$ 17,259,882	\$ 19,282,915
Medicaid	25,853,464	18,944,877
Other third-party payors	22,605,400	24,133,988
Patients	139,970,018	133,281,046
	205,688,764	195,642,826
Less allowance for uncollectible accounts	135,290,417	129,761,516
	\$ 70,398,347	\$ 65,881,310

Note 6: Lease Receivables

The Health System leases a portion of its office space to various third parties, the terms of which expire 2024 through 2037. Revenue recognized under lease contracts during the years ended September 30, 2023 and 2022 were \$1,113,931 and \$1,369,569, respectively, which includes both lease revenue and interest and is included in operating revenues. The Hospital's current and noncurrent lease receivables are included on the accompanying balance sheets in other receivables and other assets, respectively, for the years ended 2023 and 2022.

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Year Ending September 30,	Total to be Collected
2024	\$ 598,468
2025	598,936
2026	573,428
2027	530,637
2028	510,311
2029 - 2031	1,480,940
	\$ 4,292,720

Note 7: Capital, Lease, and Subscription Assets

Capital assets and related activity for the years ended September 30, 2023 and 2022 consist of the items shown below.

	2023			
	Beginning Balance	Transfers in and Additions	Transfers out Retirements and Other	Ending Balance
Land	\$ 9,066,450	\$ -	\$ (45,000)	\$ 9,021,450
Land improvements	7,654,742	-	-	7,654,742
Buildings and improvements	253,808,402	1,985,226	(56,227)	255,737,401
Fixed equipment	14,555,388	2,803,252	-	17,358,640
Movable equipment	312,771,548	7,124,872	(3,344,819)	316,551,601
Construction in progress	6,193,385	20,121,510	(14,255,865)	12,059,030
	604,049,915	32,034,860	(17,701,911)	618,382,864
Less accumulated depreciation for				
Land improvements	5,703,621	202,570	-	5,906,191
Buildings and improvements	153,037,951	6,775,090	(47,867)	159,765,174
Fixed equipment	13,039,513	319,172	-	13,358,685
Movable equipment	250,474,445	14,769,145	(3,248,666)	261,994,924
	422,255,530	22,065,977	(3,296,533)	441,024,974
Capital assets, net	\$ 181,794,385	\$ 9,968,883	\$ (14,405,378)	\$ 177,357,890

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

Construction in progress at September 30, 2023 and 2022 consists of expenditures associated with hospital building improvements.

Lease assets activity for the years ended September 30, 2023 and 2022 consists of the items shown below:

	2023			
Asset Type	Balance October 1, 2022	Additions	Terminations	Balance September 30, 2023
Lease assets being amortized				
Buildings	\$ 40,214,287	\$ 15,867,472	\$ (27,441,725)	\$ 28,640,034
Major movable equipment	14,161,285	5,947,709	(1,286,997)	18,821,997
	<u>54,375,572</u>	<u>21,815,181</u>	<u>(28,728,722)</u>	<u>47,462,031</u>
Less accumulated amortization				
Buildings	8,284,200	4,825,698	(6,492,863)	6,617,035
Major movable equipment	4,989,515	4,301,446	(1,286,996)	8,003,965
	<u>13,273,715</u>	<u>9,127,144</u>	<u>(7,779,859)</u>	<u>14,621,000</u>
Lease assets, net	<u>\$ 41,101,857</u>	<u>\$ 12,688,037</u>	<u>\$ (20,948,863)</u>	<u>\$ 32,841,031</u>

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2022				
Asset Type	Balance October 1, 2021	Additions	Terminations	Balance September 30, 2022
Lease assets being amortized				
Buildings	\$ 36,017,231	\$ 4,357,404	\$ (160,348)	\$ 40,214,287
Major movable equipment	12,614,438	3,194,549	(1,647,702)	14,161,285
	48,631,669	7,551,953	(1,808,050)	54,375,572
Less accumulated amortization				
Buildings	3,686,067	4,758,481	(160,348)	8,284,200
Major movable equipment	3,059,258	3,577,959	(1,647,702)	4,989,515
	6,745,325	8,336,440	(1,808,050)	13,273,715
Lease assets, net	\$ 41,886,344	\$ (784,487)	\$ -	\$ 41,101,857

Subscription asset activity for the years ended September 30, 2023 and 2022 was:

2023				
	Beginning Balance	Additions	Disposals	Ending Balance
Subscription assets	\$ 6,975,778	\$ 4,293,264	\$ (1,165,001)	\$ 10,104,041
Less accumulated amortization				
Subscription assets	2,631,698	2,842,884	(1,165,001)	4,309,581
Subscription assets, net	\$ 4,344,080	\$ 1,450,380	\$ -	\$ 5,794,460
2022				
	Beginning Balance (As Restated)	Additions	Disposals	Ending Balance (As Restated)
Subscription assets	\$ 6,935,435	\$ 40,343	\$ -	\$ 6,975,778
Less accumulated amortization				
Subscription assets	-	2,631,698	-	2,631,698
Subscription assets, net	\$ 6,935,435	\$ (2,591,355)	\$ -	\$ 4,344,080

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

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

Description	2023				
	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Series 2018 (A)	\$ 10,439,000	\$ -	\$ (3,446,000)	\$ 6,993,000	\$ 471,000
Series 2021 (B)	24,069,000	-	(1,175,000)	22,894,000	1,214,000
	<u>\$ 34,508,000</u>	<u>\$ -</u>	<u>\$ (4,621,000)</u>	<u>\$ 29,887,000</u>	<u>\$ 1,685,000</u>

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

- (A) On December 19, 2018, the Health System issued \$21,347,000 of Limited Tax Hospital Refunding Bonds, Series 2018 (the Series 2018 Bonds). The purpose of the Series 2018 Bonds was to refund the outstanding Series 2011 Bonds. The Series 2018 Bonds bear interest at the taxable fixed rate of 4.78% until the tax-exempt reissuance date at April 2, 2021, on which the interest rate will use the tax-exempt fixed rate of 3.79%. The Series 2018 Bonds mature on July 1, 2035. The unamortized premium on the Series 2018 Bonds at September 30, 2023 and 2022 was approximately \$1,233,000 and \$1,337,000, respectively.
- (B) On March 15, 2021, the Health System issued \$29,783,000 of Limited Tax Hospital Revenue Refunding Bonds, Series 2021 (the Series 2021 Bonds). The purpose of the Series 2021 Bonds was to refund the outstanding Series 2019 Bonds. The Series 2021 Bonds pay interest semiannually (January 1 and July 1) at a fixed rate of 3.20% and principal annually (July 1). The Series 2021 Bonds mature on July 1, 2038. The unamortized premium on the Series 2021 Bonds at September 30, 2023 and 2022 was approximately \$889,000 and \$950,000, respectively.

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

Under the terms of the respective loan agreements in connection with the Series 2018 Bonds and Series 2021 Bonds, the Health System is obligated to meet certain financial covenants on

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March 31 and September 30 each year, including availability of cash, debt service coverage, and limitations on additional debt.

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

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

Debt service requirements on long-term debt at September 30, 2023, are as follows:

	Principal	Interest	Total
2024	\$ 1,685,000	\$ 1,066,873	\$ 2,751,873
2025	1,741,000	993,801	2,734,801
2026	1,804,000	929,893	2,733,893
2027	1,862,000	863,692	2,725,692
2028	1,919,000	795,351	2,714,351
2029 - 2033	10,628,000	2,868,129	13,496,129
2034 - 2038	10,248,000	952,111	11,200,111
	\$ 29,887,000	\$ 8,469,850	\$ 38,356,850

Other Long-term Liabilities

The Health System is obligated under agreements for long-term liabilities. The following is a schedule of changes in the Health System's long-term liabilities balances for the years ended September 30.

Description	2023				
	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Siemens MRI	\$ -	\$ 1,174,514	\$ (141,945)	\$ 1,032,569	\$ 214,642
Coast Cardio Clinic Client List	-	898,260	(449,130)	449,130	224,565
Stryker SRH	360,000	-	(210,000)	150,000	150,000
Stryker OSH	950,000	-	(173,333)	776,667	270,000
Fibroscan	147,758	-	(36,186)	111,572	36,186
	\$ 1,457,758	\$ 2,072,774	\$ (1,010,594)	\$ 2,519,938	\$ 895,393

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Description	2022 (As Restated)				
	Beginning Balance (As Restated)	Additions	Retired	Ending Balance (As Restated)	Due Within One Year
Stryker Defibrillators	\$ 248,780	\$ -	\$ (248,780)	\$ -	\$ -
Stryker SRH	615,001	-	(255,001)	360,000	270,000
Stryker OSH	1,110,000	-	(160,000)	950,000	270,000
Fibroscan	-	180,928	(33,170)	147,758	36,186
	<u>\$ 1,973,781</u>	<u>\$ 180,928</u>	<u>\$ (696,951)</u>	<u>\$ 1,457,758</u>	<u>\$ 576,186</u>

Note 9: Lease Liabilities

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

During the years ended September 30, 2023 and 2022, the Health System recognized approximately \$2,056,000 and \$2,000,000, respectively, of rental expense for variable payments not previously included in the measurement of the lease liabilities.

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

Year Ending September 30,	Total to be Paid	Principal	Interest
2024	\$ 9,228,932	\$ 8,051,043	\$ 1,177,889
2025	8,365,672	7,478,549	887,123
2026	6,120,990	5,490,504	630,486
2027	2,996,132	2,526,846	469,286
2028	1,820,164	1,427,058	393,106
2029 - 2033	8,714,157	7,875,823	838,334
	<u>\$ 37,246,047</u>	<u>\$ 32,849,823</u>	<u>\$ 4,396,224</u>

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

Asset Type	Balance October 1	Additions	Terminations	Balance September 30
2023				
Total lease liabilities	\$ 42,266,630	\$ 21,392,110	\$ (30,808,917)	\$ 32,849,823
2022				
Total lease liabilities	42,357,650	7,487,507	(7,578,527)	42,266,630

Note 10: Subscription Liabilities

The Health System has various SBITAs, the terms of which expire in various years through 2026. Variable payments of certain subscriptions are based upon the Consumer Price Index (CPI). The subscriptions were measured based upon the CPI at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liabilities because they are not fixed in substance.

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

Year Ending	Total to Be Paid	Principal	Interest
2024	\$ 2,914,020	\$ 2,676,544	\$ 237,476
2025	2,592,113	2,497,097	95,016
2026	<u>367,498</u>	<u>367,498</u>	<u>-</u>
	<u>\$ 5,873,631</u>	<u>\$ 5,541,139</u>	<u>\$ 332,492</u>

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Subscription liabilities activity for the years ended September 30 was:

Asset Type	Balance October 1, 2022	Additions	Payments	Balance September 30, 2023
Subscription liabilities	<u>\$ 4,030,775</u>	<u>\$ 4,293,264</u>	<u>\$ (2,782,900)</u>	<u>\$ 5,541,139</u>

Asset Type	Balance October 1, 2021 (As Restated)	Additions	Payments	Balance September 30, 2022 (As Restated)
Subscription liabilities	<u>\$ 6,935,435</u>	<u>\$ 40,344</u>	<u>\$ (2,945,004)</u>	<u>\$ 4,030,775</u>

Note 11: Medical Malpractice Claims

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

The self-insured liability for medical malpractice claims is included in the accrued workers' compensation, professional, and general liability costs line on the balance sheets. Activity in the Health System's accrued medical malpractice claims liability during 2023 and 2022 is summarized as follows:

	2023	2022
Balance, October 1	\$ 4,958,995	\$ 2,917,260
Provisions for claims reported and claims incurred but not reported	572,477	2,156,735
Claims and related expenses paid	<u>(776,752)</u>	<u>(115,000)</u>
Balance, September 30	<u>\$ 4,754,720</u>	<u>\$ 4,958,995</u>

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Note 12: Workers' Compensation Coverage

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

The self-insurance liability for workers' compensation claims is included in the accrued workers' compensation, professional, and general liability costs line item on the balance sheets. The following is a summary of changes in the Health System's self-insurance liability for workers' compensation coverages for fiscal years 2023 and 2022.

	2023	2022
Balance, October 1	\$ 2,480,000	\$ 3,150,090
Provisions for claims reported and claims incurred but not reported	387,897	972,538
Claims paid	(787,899)	(1,642,628)
Balance, September 30	\$ 2,079,998	\$ 2,480,000

Note 13: Employee Health Claims

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

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

The self-insured liability for employee health claims is included in the accrued payroll and employee benefits line on the balance sheets. Activity in the Health System's accrued employee health claims liability during 2023 and 2022 is summarized as follows:

	2023	2022
Balance, October 1	\$ 2,802,941	\$ 1,843,511
Provisions for claims reported and claims incurred but not reported	19,805,374	22,231,605
Claims paid	(20,338,897)	(21,272,175)
Balance, September 30	\$ 2,269,418	\$ 2,802,941

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Note 14: Charity Care

The Health System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated costs of these services and supplies, and equivalent service statistics. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges. The estimated costs incurred to provide charity care were approximately \$9,810,000 and \$11,685,000 for the years ended September 30, 2023 and 2022, respectively.

Note 15: Pension Plan Settlement Obligation

On September 26, 2018, the Fifth Circuit Court of Appeals made a final ruling to uphold a settlement of a class-action lawsuit (the Settlement) related to the Health System's funding of the Singing River Health System Employees' Retirement Plan and Trust (the Plan). The Settlement provides that the Health System fund \$156,400,000 into the Plan trust over a 35-year period. The Settlement also provides that the payment of this \$156,400,000 is the Health System's only obligation to the Plan. The Health System recorded its obligation under the Settlement, discounted at a rate of 6%. The pension settlement liability, included in the accompanying balance sheets, was approximately \$67,301,000 and \$67,114,000 as of September 30, 2023 and 2022, respectively.

The following is a schedule by fiscal year of future payments to the Plan under the pension settlement liability as of September 30, 2023:

2024	\$ 5,700,000
2025	5,700,000
2026	4,500,000
2027	4,500,000
2028	4,500,000
2029 - 2033	22,500,000
2034 - 2038	22,500,000
2039 - 2043	22,500,000
2044 - 2048	22,500,000
2049 - 2052	13,500,000
	<u>\$ 128,400,000</u>

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

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

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Note 16: Other Retirement Plans

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

The Health System's contributions to the 403(b) plan were \$2,583,000 (or 1.1% of covered payroll) and \$2,337,740 (or 1.1% of covered payroll) for the years ended September 30, 2023 and 2022, respectively. Employee contributions to the 403(b) plan totaled \$8,243,624 and \$7,714,007 for the years ended September 30, 2023 and 2022, respectively.

Employee contributions to the 457(b) plan totaled \$1,827,430 and \$1,757,544 for the years ended September 30, 2023 and 2022, respectively.

Note 17: County Fund Receivable

Jackson County entered into a Contribution Agreement with the Health System to fund \$13,600,000 of indigent care provided by the Health System over ten years. The Health System received \$7,600,000 upon the Settlement (*Note 15*) and will receive \$1,200,000 per year for five years. As of September 30, 2023 and 2022, the Health System has recorded a receivable discounted at net present value over five years at the Health System's incremental borrowing rate. Jackson County fund receivable was \$1,135,925 and \$2,211,196 at September 30, 2023 and 2022, respectively, recorded in other receivables for the current portion and other assets for the noncurrent portion on the balance sheets.

Note 18: Disclosures About Fair Value of Assets

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

Level 1 Quoted prices in active markets for identical assets

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

Recurring Measurements

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

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2023				
Money market funds	\$ 2,824,029	\$ 2,824,029	\$ -	\$ -
U.S. government obligations	21,815,646	21,815,646	-	-
Municipal obligations	5,441,232	-	5,441,232	-
Mortgage-backed securities	3,959,491	-	3,959,491	-
Collateralized mortgage obligations	13,268,812	-	13,268,812	-
Mutual funds - equities	783,878	783,878	-	-
Mutual funds - fixed income	9,599	9,599	-	-
Annuities	487,695	-	487,695	-
Total investments by fair value level	<u>\$ 48,590,382</u>	<u>\$ 25,433,152</u>	<u>\$ 23,157,230</u>	<u>\$ -</u>

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

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 19: Investments in Uncombined Entities

SRHSAS holds a noncontrolling 24.5% ownership interest in two ambulatory surgery centers, MCEASC and OSSEC. SRHSAS accounts for the investments in uncombined entities using the equity method of accounting. SRHAS' investment in the uncombined entities was \$4,119,202 and \$4,162,083 at September 30, 2023 and 2022, respectively. Financial position and results of operations of the investee are summarized below:

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MCEASC		
	2023	2022
Current assets	\$ 847,814	\$ 599,940
Property and other long-term assets, net	13,437,472	13,846,839
Total assets	14,285,286	14,446,779
Current liabilities	418,569	269,734
Long-term liabilities	5,721,521	5,974,083
Total liabilities	6,140,090	6,243,817
Net assets - without donor restrictions	\$ 8,145,196	\$ 8,202,962
Revenues	\$ 3,749,166	\$ 3,394,417
Deficit of revenues over expenses	\$ (57,665)	\$ (105,697)
OSSEC		
	2023	2022
Current assets	\$ 1,233,981	\$ 1,103,834
Property and other long-term assets, net	12,194,305	12,472,008
Total assets	13,428,286	13,575,842
Current liabilities	319,738	254,092
Long-term liabilities	4,496,302	4,621,102
Total liabilities	4,816,040	4,875,194
Net assets - without donor restrictions	\$ 8,612,246	\$ 8,700,648
Revenues	\$ 5,947,197	\$ 5,513,095
Excess of revenues over expenses	\$ 1,937,831	\$ 1,447,375

Singing River Health System

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Notes to Financial Statements September 30, 2023 and 2022

Note 20: 340B Outpatient Drug Discount Program

The Health System participates in the 340B outpatient drug discount program administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (HRSA). Under this program, the Health System received approximately \$25,835,000 and \$16,951,000 in benefits generated from purchases of outpatient pharmaceuticals in 2023 and 2022, respectively. The benefit is presented as a reduction of supplies and other expenses within the statements of revenues, expenses, and changes in net position.

The Health System also contracts with certain local pharmacies to assist them in providing outpatient drugs to the Health System's patients. The Health System purchases outpatient drugs at 340B outpatient drug discount prices to replenish those dispensed to outpatients on the Health System's behalf. The Health System recognized revenue from these contracts of \$34,886,000 and \$27,723,000 recorded in other revenues, with associated costs of goods sold of \$18,249,000 and \$14,357,000 recorded in supplies in 2023 and 2022, respectively.

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

Note 21: Contingencies

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Note 11*.

General Litigation

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

Investments

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

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Note 22: COVID-19 Pandemic Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. On May 11, 2023, the federal government declared an end to the public health emergency for COVID-19.

Provider Relief Funds

During the years ended September 30, 2023 and 2022, the Health System received approximately \$0 and \$18,648,000 of Provider Relief Funds. These distributions from the Provider Relief Funds are not subject to repayment, provided the Health System is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare related expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services (HHS).

The Health System is accounting for such payments as voluntary nonexchange transactions. These payments are recognized as nonoperating revenue once the applicable terms and conditions required to retain the funds have been met and completion of the measurement period. Based on an analysis of the compliance and reporting requirements of the Provider Relief Funds and the impact of the pandemic on the Health System's operating results through September 30, 2023, the Health System recognized approximately \$0 and \$18,648,000 in 2023 and 2022, respectively, related to these general distribution and targeted funds, as Provider Relief Funds are applied after all other assistance is received, including state grants. These payments are recorded as nonoperating revenues – noncapital grant revenue in the statements of revenues, expenses, and changes in net position. The unrecognized amount of general distributions and targeted distributions, if any, are recorded as part of other accrued expenses in the accompanying balance sheets.

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

Medicare Accelerated and Advanced Payment Program

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

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

The Health System received approximately \$52,884,000 from these accelerated Medicare payment requests during 2020, and these amounts are recorded in estimated amounts due to third-party payors in the accompanying balance sheets. These are not current income but rather are advanced payments that cannot be recognized as revenue until services in the future are provided. As of September 30, 2023, and 2022, there was approximately \$0 and \$4,568,000 remaining to be recouped from Medicare.

Workforce Academy Grant Agreement

During the year ended September 30, 2023, the Health System received approximately \$7,000,000, from the State of Mississippi Department of Finance and Administration as part of the U.S. Department of Treasury American Rescue Plan Act. These distributions from the State are not subject to repayment, provided the Health System is able to use the funds to retain Hospital Employee Frontline Healthcare Workers. The Health System met these requirements and recorded approximately \$680,000 as capital grants in fiscal year 2023. The unrecognized amount of approximately \$6,320,000 is recorded in revenue received in advance on the balance sheet at September 30, 2023.

Note 23: Subsequent Events

In December 2023, the CMS approved an amendment to the existing MHAP, which will provide payments to hospitals serving patients in the Mississippi Medicaid managed care delivery system. With these directed payments, hospitals would be reimbursed near the average commercial rate, which has been considered the federal ceiling for Medicaid reimbursements in managed care. The overall plan is expected to generate approximately \$600 million for Mississippi hospitals, retroactive to July 1, 2023, the beginning of the state fiscal year. Medicaid has estimated an additional \$40 million, net benefit for the Health System through this amendment to MHAP.

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Note 24: Condensed Combining Information

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

	September 30, 2023						
	SRHS	SRHSAS	Anesthesia Services, LLC	Singing River Gulfport	SRHS Foundation	Eliminations	Total
Assets and Deferred Outflows of Resources							
Current assets	\$ 177,845,322	\$ 2,315,345	\$ 2,126,508	\$ 25,551,445	\$ 2,028,627	\$ (2,192,272)	\$ 207,674,975
Capital assets, net	146,729,166	3,180,786	-	27,347,199	100,739	-	177,357,890
Lease assets, net	26,051,808	-	-	6,789,223	-	-	32,841,031
Subscription assets, net	5,794,460	-	-	-	-	-	5,794,460
Other assets	80,604,702	4,119,204	-	-	-	(71,934,257)	12,789,649
Deferred outflows of resources	2,606,463	-	-	-	-	-	2,606,463
Total assets and deferred outflows of resources	<u>\$ 439,631,921</u>	<u>\$ 9,615,335</u>	<u>\$ 2,126,508</u>	<u>\$ 59,687,867</u>	<u>\$ 2,129,366</u>	<u>\$ (74,126,529)</u>	<u>\$ 439,064,468</u>
Liabilities							
Current liabilities	\$ 79,740,122	\$ 90,000	\$ 1,108,605	\$ 56,696,222	\$ 421	\$ (45,285,365)	\$ 92,350,005
Long-term liabilities	121,062,123	-	-	4,190,445	-	-	125,252,568
Total liabilities	<u>200,802,245</u>	<u>90,000</u>	<u>1,108,605</u>	<u>60,886,667</u>	<u>421</u>	<u>(45,285,365)</u>	<u>217,602,573</u>
Deferred Inflows of Resources	<u>3,919,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,919,684</u>
Net Position							
Net investment in capital assets	117,270,991	3,180,786	-	27,249,428	100,739	-	147,801,944
Restricted expendable	2,387,905	-	-	-	597,617	-	2,985,522
Unrestricted	115,251,096	6,344,549	1,017,903	(28,448,228)	1,430,589	(28,841,164)	66,754,745
Total net position (deficit)	<u>234,909,992</u>	<u>9,525,335</u>	<u>1,017,903</u>	<u>(1,198,800)</u>	<u>2,128,945</u>	<u>(28,841,164)</u>	<u>217,542,211</u>
Total liabilities and net position	<u>\$ 439,631,921</u>	<u>\$ 9,615,335</u>	<u>\$ 2,126,508</u>	<u>\$ 59,687,867</u>	<u>\$ 2,129,366</u>	<u>\$ (74,126,529)</u>	<u>\$ 439,064,468</u>
September 30, 2022 (As Restated)							
	SRHS	SRHSAS	Anesthesia Services, LLC	Singing River Gulfport	SRHS Foundation	Eliminations	Total
Assets and Deferred Outflows of Resources							
Current assets	\$ 177,512,247	\$ 2,058,382	\$ 2,126,456	\$ 20,420,535	\$ 1,751,219	\$ (2,142,718)	\$ 201,726,121
Capital assets, net	155,821,736	3,192,224	-	22,667,526	112,899	-	181,794,385
Lease assets, net	36,374,389	-	-	4,727,468	-	-	41,101,857
Subscription assets, net	4,344,080	-	-	-	-	-	4,344,080
Other assets	75,177,912	4,162,083	-	-	200	(66,416,201)	12,923,994
Deferred outflows of resources	2,322,438	-	-	-	-	-	2,322,438
Total assets and deferred outflows of resources	<u>\$ 451,552,802</u>	<u>\$ 9,412,689</u>	<u>\$ 2,126,456</u>	<u>\$ 47,815,529</u>	<u>\$ 1,864,318</u>	<u>\$ (68,558,919)</u>	<u>\$ 444,212,875</u>
Liabilities							
Current liabilities	\$ 83,178,967	\$ 66,000	\$ 1,108,605	\$ 49,437,278	\$ 7,073	\$ (40,942,019)	\$ 92,855,904
Long-term liabilities	135,359,652	-	-	3,152,782	-	-	138,512,434
Total liabilities	<u>218,538,619</u>	<u>66,000</u>	<u>1,108,605</u>	<u>52,590,060</u>	<u>7,073</u>	<u>(40,942,019)</u>	<u>231,368,338</u>
Deferred Inflows of Resources	<u>4,700,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,700,668</u>
Net Position							
Net investment in capital assets	121,636,461	3,192,224	-	22,358,013	112,899	-	147,299,597
Restricted expendable	3,663,796	-	-	-	430,231	-	4,094,027
Unrestricted	103,013,258	6,154,465	1,017,851	(27,132,544)	1,314,115	(27,616,900)	56,750,245
Total net position	<u>228,313,515</u>	<u>9,346,689</u>	<u>1,017,851</u>	<u>(4,774,531)</u>	<u>1,857,245</u>	<u>(27,616,900)</u>	<u>208,143,869</u>
Total liabilities and net position	<u>\$ 451,552,802</u>	<u>\$ 9,412,689</u>	<u>\$ 2,126,456</u>	<u>\$ 47,815,529</u>	<u>\$ 1,864,318</u>	<u>\$ (68,558,919)</u>	<u>\$ 444,212,875</u>

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

	Year Ended September 30, 2023						
	SRHS	SRHSAS	Anesthesia Services, LLC	Singing River Gulfport	SRHS Foundation	Eliminations	Total
Operating Revenues							
Net patient service revenue	\$ 414,297,408	\$ -	\$ -	\$ 113,824,212	\$ -	\$ -	\$ 528,121,620
Other revenues	42,339,937	-	52	2,247,458	-	-	44,587,447
Total operating revenues	<u>456,637,345</u>	<u>-</u>	<u>52</u>	<u>116,071,670</u>	<u>-</u>	<u>-</u>	<u>572,709,067</u>
Operating Expenses							
Other operating expenses	424,494,251	88,034	-	108,160,172	509,419	(18,418)	533,233,458
Depreciation and amortization	29,842,461	11,438	-	4,182,106	-	-	34,036,005
Total operating expenses	<u>454,336,712</u>	<u>99,472</u>	<u>-</u>	<u>112,342,278</u>	<u>509,419</u>	<u>(18,418)</u>	<u>567,269,463</u>
Operating Income (Loss)	2,300,633	(99,472)	52	3,729,392	(509,419)	18,418	5,439,604
Nonoperating Revenues (Expenses)	456,305	278,118	-	(153,661)	781,119	(1,242,682)	119,199
Income (Loss) Before Capital Grants	<u>2,756,938</u>	<u>178,646</u>	<u>52</u>	<u>3,575,731</u>	<u>271,700</u>	<u>(1,224,264)</u>	<u>5,558,803</u>
Capital Grants	3,839,539	-	-	-	-	-	3,839,539
Increase (Decrease) in Net Position	6,596,477	178,646	52	3,575,731	271,700	(1,224,264)	9,398,342
Net Position, Beginning of Year	<u>228,313,515</u>	<u>9,346,689</u>	<u>1,017,851</u>	<u>(4,774,531)</u>	<u>1,857,245</u>	<u>(27,616,900)</u>	<u>208,143,869</u>
Net Position (Deficit), End of Year	<u>\$ 234,909,992</u>	<u>\$ 9,525,335</u>	<u>\$ 1,017,903</u>	<u>\$ (1,198,800)</u>	<u>\$ 2,128,945</u>	<u>\$ (28,841,164)</u>	<u>\$ 217,542,211</u>

	Year Ended September 30, 2022 (As Restated)						
	SRHS	SRHSAS	Anesthesia Services, LLC	Singing River Gulfport	SRHS Foundation	Eliminations	Total
Operating Revenues							
Net patient service revenue	\$ 424,558,749	\$ -	\$ -	\$ 91,850,381	\$ -	\$ -	\$ 516,409,130
Other revenues	35,265,432	-	-	1,234,152	-	-	36,499,584
Total operating revenues	<u>459,824,181</u>	<u>-</u>	<u>-</u>	<u>93,084,533</u>	<u>-</u>	<u>-</u>	<u>552,908,714</u>
Operating Expenses							
Other operating expenses	422,729,039	54,254	-	99,190,615	451,116	(20,093)	522,404,931
Depreciation and amortization	32,143,090	11,438	-	4,952,277	-	-	37,106,805
Total operating expenses	<u>454,872,129</u>	<u>65,692</u>	<u>-</u>	<u>104,142,892</u>	<u>451,116</u>	<u>(20,093)</u>	<u>559,511,736</u>
Operating Income (Loss)	4,952,052	(65,692)	-	(11,058,359)	(451,116)	20,093	(6,603,022)
Nonoperating Revenues (Expenses)	5,242,119	378,282	-	1,979,273	524,512	500,959	8,625,145
Increase (Decrease) in Net Position	10,194,171	312,590	-	(9,079,086)	73,396	521,052	2,022,123
Net Position, Beginning of Year	<u>218,119,344</u>	<u>9,034,099</u>	<u>1,017,851</u>	<u>4,304,555</u>	<u>1,783,849</u>	<u>(28,137,952)</u>	<u>206,121,746</u>
Net Position, End of Year	<u>\$ 228,313,515</u>	<u>\$ 9,346,689</u>	<u>\$ 1,017,851</u>	<u>\$ (4,774,531)</u>	<u>\$ 1,857,245</u>	<u>\$ (27,616,900)</u>	<u>\$ 208,143,869</u>

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
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September 30, 2023 and 2022

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

	Year Ended September 30, 2023						
	SRHS	SRHSAS	Anesthesia Services, LLC	Singing River Gulfport	SRHS Foundation	Eliminations	Total
Net Cash Provided by (Used in) Operating Activities	\$ 16,731,906	\$ (21,155)	\$ 52	\$ 5,763,852	\$ (517,214)	\$ -	\$ 21,957,441
Net Cash Provided by Noncapital Financing Activities	(31,446)	-	-	-	707,184	-	675,738
Net Cash Provided by (Used in) Capital and Related Financing Activities	(16,044,876)	-	-	(9,227,182)	12,360	-	(25,259,698)
Net Cash Provided by (Used in) Investing Activities	(2,155,098)	278,118	-	4,357,867	(13,134)	-	2,467,753
Change in Cash and Cash Equivalents	(1,499,514)	256,963	52	894,537	189,196	-	(158,766)
Cash and Cash Equivalents, Beginning of Year	69,630,660	2,058,382	175,878	4,114,682	490,457	-	76,470,059
Cash and Cash Equivalents, End of Year	<u>\$ 68,131,146</u>	<u>\$ 2,315,345</u>	<u>\$ 175,930</u>	<u>\$ 5,009,219</u>	<u>\$ 679,653</u>	<u>\$ -</u>	<u>\$ 76,311,293</u>

	Year Ended September 30, 2022 (As Restated)						
	SRHS	SRHSAS	Anesthesia Services, LLC	Singing River Gulfport	SRHS Foundation	Eliminations	Total
Net Cash Provided by (Used in) Operating Activities	\$ 4,947,056	\$ (22,236)	\$ -	\$ (5,168,887)	\$ (453,960)	\$ -	\$ (698,027)
Net Cash Provided by Noncapital Financing Activities	14,602,847	-	-	1,069,686	641,547	-	16,314,080
Net Cash Provided by (Used in) Capital and Related Financing Activities	(28,026,834)	(1)	-	(5,860,237)	8,132	-	(33,878,940)
Net Cash Provided by (Used in) Investing Activities	(7,547,387)	378,282	-	10,906,768	4,883	-	3,742,546
Change in Cash and Cash Equivalents	(16,024,318)	356,045	-	947,330	200,602	-	(14,520,341)
Cash and Cash Equivalents, Beginning of Year	85,654,978	1,702,337	175,878	3,167,352	289,855	-	90,990,400
Cash and Cash Equivalents, End of Year	<u>\$ 69,630,660</u>	<u>\$ 2,058,382</u>	<u>\$ 175,878</u>	<u>\$ 4,114,682</u>	<u>\$ 490,457</u>	<u>\$ -</u>	<u>\$ 76,470,059</u>

Supplementary Information

Singing River Health System
(A Component Unit of Jackson County, Mississippi)
Schedule of Surety Bonds for Officials and Employees (Unaudited)
September 30, 2023

Name	Position	Company	Amount of Bond
Laurin StPe	Interim CEO	Cadence / Western Surety Company	\$ 50,000
Jason McNeil	CFO	Cadence / Western Surety Company	50,000
Dr. Ijlal Babar	Chief of Staff	Cadence / Western Surety Company	50,000
Amber Colville	Chief of Staff-Elect	Cadence / Western Surety Company	50,000
Pamela Lindsay	Trustee	Cadence / Western Surety Company	50,000
Dr. Auwilda Polk	Trustee	Cadence / Western Surety Company	50,000
Don Barron	Trustee	Cadence / Western Surety Company	50,000
Erich Nichols	Trustee	Cadence / Western Surety Company	50,000
Steven Ates	Trustee	Cadence / Western Surety Company	50,000
Christian Hartley	Trustee	Cadence / Western Surety Company	50,000
Bonnie Granger	Trustee	Cadence / Western Surety Company	50,000



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

Independent Auditor's Report

Board of Trustees
Singing River Health System
Pascagoula, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Singing River Health System (the Health System), a component unit of Jackson County, Mississippi, which comprise the balance sheet as of September 30, 2023, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2024, which contained an emphasis of matter paragraph regarding a change in accounting principle.

Report on Internal Control over Financial Reporting

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

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

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

Board of Trustees
Singing River Health System

Report on Compliance and Other Matters

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

Purpose of this Report

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

FORVIS,LLP

Jackson, Mississippi
January 31, 2024