SOUTHWEST MISSISSIPPI REGIONAL MEDICAL CENTER

FINANCIAL STATEMENTS

For the Year Ended September 30, 2024

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Southwest Mississippi Regional Medical Center (the "Medical Center"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of September 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The schedule of gross patient service revenue, schedule of operating expenses, schedule of other operating revenue, schedule of surety bonds for officials and employees, and schedule of expenditures of federal awards required by *Title 2 U.S. code of Federal Regulations Part 200,* Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of gross patient service revenue, operating expenses, other operating revenue, surety bonds for officials and employees and schedule of expenditure of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2025, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

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

Metairie, Louisiana

March 24, 2025

Our discussion and analysis of Southwest Mississippi Regional Medical Center's (the "Medical Center") annual performance provides an overview of the entity's financial activities for the fiscal year ended September 30, 2024. This information should be used in conjunction with the Medical Center's financial statements, which begin on page 12.

Background and Overview

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

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

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

Using This Annual Report

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

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

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

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

Financial Highlights

The Medical Center's overall financial position showed an overall increase in net position of $13.6 million.

Positive factors affecting financial results included:

- Disproportionate Share ("DSH") and Mississippi Hospital Access Program ("MHAP") net revenues were $31.1 million.
- Increase in patient service revenue through an increase in census and services provided.

Negative factors affecting financial results included:

- Increasing payor requirements to move services from inpatient to outpatient, resulting in decreased inpatient census and a greater percentage of outpatient observation.
- Continuing shift in payment responsibility from third-party payors to patients through higher deductibles and copays resulting in additional bad debt estimates.
- Recruiting and retaining physicians poses a significant challenge for all rural hospitals and doing this effectively is a crucial part of a rural hospital's success and viability.
- Significant investment made in the Medical Center's financial reporting and electronic health records system in 2023 and 2024.

At the end of the 2024 fiscal year, the assets of the Medical Center exceeded liabilities by approximately $49.3 million. Of this excess amount, approximately $28.6 million (unrestricted net position) may be used to meet ongoing obligations to the Medical Center's employees, patients and creditors. The Medical Center is self-insured for general and professional liability claims and has established a self-insurance fund in accordance with the requirements of the Mississippi Tort Claims Board. At September 30, 2024, the Medical Center had $2.9 million deposited into this restricted account.

Condensed Financial Information

Summary of Net Position

A summary of the Medical Center's Statements of Net Position for September 30, 2024 and 2023 are presented in the following table:

Condensed Statements of Net Position
(In Thousands)

	Fiscal Year	
September 30,	**2024**	**2023**
Current and other assets	**$ 54,178**	$ 55,037
Capital assets	**46,866**	46,553
Total assets	**101,044**	101,590
Long-term liabilities	**28,795**	29,462
Other liabilities	**22,449**	36,347
Total liabilities	**51,244**	65,809
Deferred inflows of resources	**475**	19
Net investment in capital assets	**17,106**	15,877
Restricted	**3,618**	2,745
Unrestricted	**28,601**	17,140
Total net position	**$ 49,325**	$ 35,762

Total assets decreased by approximately $0.5 million. Some of the significant changes were:

- Patient accounts receivable, net increased $1.4 million which is primarily due to the increase in patient service revenue, net of contractual allowances.
- Other receivables decreased $12.1 million for amounts owed for CMS 340B remedy payments, additional MHAP payments and the sustainability grant that was receivable in 2023 that was received in 2024.
- Cash increased $8.1 million due to the Medical Center's positive cash flows from operations during 2024.
- Capital assets increased $0.313 million due to current year additions, disposals and depreciation expense.

Summary of Net Position (Continued)

Total liabilities decreased by approximately $14.6 million. Some of the significant changes were:

- Other liabilities decreased $13.9 million which is primarily due the Medical Center improved cash flows that allowed the Medical Center to decrease overall accounts payable, approximately $15.3 million, that was offset by an increase in the estimated third-party settlements related to the Medicare cost report, approximately $1.3 million.
- Long-term liabilities decreased $0.67 million which is primarily due to normal principal payments required in the current year.

Summary of Revenue Expenses, and Changes in Net Position

The following table presents a summary of the Medical Center's revenue and expenses for the fiscal years ended September 30, 2024 and 2023:

Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In Thousands)

	Fiscal Year	
	2024	**2023**
Operating revenue		
Net patient service revenue	**$ 189,930**	$ 174,057
Other operating income	**9,850**	10,072
Total operating income	**199,780**	184,129
Operating expenses		
Salaries, wages, and benefits	**106,539**	104,966
Supplies and other operating expenses	**71,121**	68,236
Depreciation and amortization expense	**10,028**	7,750
Total operating expenses	**187,688**	180,952
Income from operations	**12,092**	3,177
Nonoperating revenue (expense)	**1,471**	5,728
Change in net position	**$ 13,562**	$ 8,905

Operating Revenues

During fiscal year 2024, the Medical Center derived 95% of its total operating revenues from net patient service revenues. Such revenues included revenues from Medicare (48%) and Medicaid (25%) programs, and patients or their third-party carriers (27%), who pay for care in the Medical Center's facilities. Operating revenues are discussed further in the notes to the financial statements.

Operating Results and Financial Performance

The following summarizes the Medical Center's operating results and financial performance between 2024 and 2023:

- Gross patient revenues increased $41.8 million or 8.54% and net patient service revenue increased $15.9 million or 9.12% primarily due to increases in patient censuses.
- Revenue deductions for contractual adjustments and bad debt expense were 64% in 2024 and 65% in 2023.
- Total operating expenses increased by $6.7 million. This is a result of a $1.6 million increase in salaries and related benefits due to rising salary costs and pay restructuring for nurses and other licensed clinical staff and incentives earned, a $3.8 million increase in supplies and other expenses due to inflation and meeting growing patient care demands, and a $2.3 million increase in depreciation and amortization expense largely due to significant capital asset additions in the current year.

Capital Assets

The following summarizes the Medical Center's investment in capital assets as of September 30, 2024 and 2023:

Capital Assets (In Thousands)

	Fiscal Year	
September 30,	**2024**	**2023**
Land	**$ 957**	$ 957
Construction in progress	**2,095**	3,337
Land improvements	**3,554**	3,268
Buildings and improvements	**70,492**	67,498
Leasehold improvements	**1,808**	1,790
Equipment	**3,782**	3,765
Major moveable equipment	**103,103**	101,583

(Continued)

Capital Assets (Continued)

	Fiscal Year	
September 30,	**2024**	**2023**
Right of use assets - buildings	**7,310**	6,489
Right of use assets - equipment	**16,147**	15,830
Right of use assets - vehicles	**1,446**	1,158
Right of use assets - subscription agreements	**1,079**	1,079
Total capital assets	**211,773**	206,754
Less accumulated depreciation	**(164,907)**	(160,201)
Capital assets, net	**$ 46,866**	$ 46,553

Capital assets increased primarily due to additions to property and equipment and leases that was offset by disposals and lease termination and current year depreciation expenses. More detailed information about capital assets is presented in the notes to the financial statements.

Long-Term Debt

The following summarizes the Medical Center’s long-term debt, including current portion, as of September 30, 2024 and 2023:

Long-term Debt
(In Thousands)

	Fiscal Year	
September 30,	**2024**	**2023**
USDA Bonds payable	**$ 14,723**	$ 15,497
Notes payable	**3,484**	3,368
Estimated third-party settlements	**565**	969
Leases payable	**12,935**	13,027
Subscription agreements payable	**234**	656
Total long-term debt	**$ 31,941**	$ 33,517

During 2024, total long-term debt decreased due to required principal payments that is partially offset by new lease agreements.

Economic Factors and Next Year’s Budget

While the annual budget of the Medical Center is not presented within these financial statements, the Medical Center’s Board and management considered many factors when setting the fiscal year 2025 budget. While the financial outlook for the Medical Center is improving, the primary importance in setting the 2025 budget is the status of the economy and the healthcare environment, which takes into account market forces and environmental factors such as:

- Medicare reimbursement and regulatory changes.
- Medicaid reimbursement changes, as well as the continuation at the current level of the Disproportionate Share and Mississippi Hospital Access Payment programs.
- Increased regulatory requirements for enhanced information technology.
- Further increase efficiencies as related to electronic health record conversions.
- Ability to manage the increase in patient portions of billings for services seen in the newer high deductible insurance plans.
- Ongoing competition for services.
- Workforce shortages primarily in nursing and other clinically skilled positions.
- Increased cost of supplies, including pharmaceuticals.
- Increased number of uninsured and working poor.
- Newly established Residency Program moving into second program year to aide in recruitment and retention of medical staff.

Contacting Medical Center’s Financial Management

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

Southwest Mississippi Regional Medical Center
Statement of Net Position

September 30,	**2024**
Assets	
Current assets	
Cash and cash equivalents	$ 9,838,846
Restricted cash and cash equivalents	2,292,222
Restricted investments	2,942,079
Patient accounts receivable, net	28,482,538
Current portion of leases receivable	93,559
Pharmacy revenue receivable	2,520,517
Other receivables	448,821
Inventories	4,474,779
Prepaid expenses and other current assets	1,934,153
Total current assets	53,027,514
Noncurrent assets	
Capital assets	
Non-depreciable	3,051,951
Depreciable, net	31,127,127
Right-to-use lease assets, net	12,397,383
Right-to-use subscription assets, net	289,280
Capital assets, net	46,865,741
Other noncurrent assets	
Leases receivable, net of current portion	391,775
Investments	205,228
Due from physicians	540,230
Other assets	13,029
Total noncurrent assets	1,150,262
Total assets	$ 101,043,517

(Continued)

September 30,		**2024**
Liabilities, Deferred Inflows and Net Position		
Current liabilities		
Accounts payable	$	6,526,877
Salaries and benefits payable		5,254,519
Other accrued expenses		21,705
Accrued compensated absences		2,572,338
Estimated claims payable		695,339
Estimated third-party settlements		1,305,756
Current portion of estimated third-party settlements		446,309
Current portion of leases payable		3,136,837
Current portion of subscription payable		233,979
Current portion of notes payable		1,455,945
Current portion of bonds payable		799,402
Total current liabilities		22,449,006
Long-term liabilities		
Estimated claims payable		2,926,526
Estimated third-party settlements, less current portion		118,856
Leases payable, less current portion		9,798,203
Notes payable, less current portion		2,027,769
Bonds payable, less current portion		13,923,907
Total long-term liabilities		28,795,261
Total liabilities		51,244,267
Deferred inflows of resources		
Deferred inflows related to leases		474,495
Net position (deficit):		
Net investment in capital assets		17,105,505
Restricted for		
Self-insurance		2,942,079
Debt service		676,416
Unrestricted		28,600,755
Total net position	$	49,324,755

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

Year Ended September 30,	**2024**
Operating revenue	
Patient service revenue, net of contractual allowances and discounts	$ 206,499,758
Provision for bad debts	(16,569,717)
Net patient service revenue	189,930,041
Other operating revenue	9,850,130
Total operating revenue	199,780,171
Operating expenses	
Salaries and wages	83,975,591
Contract employee salaries	5,554,210
Professional fees	3,405,357
Employee benefits	13,604,156
Supplies	42,314,622
Maintenance and repairs	8,725,661
Other operating expense	20,079,812
Depreciation and amortization	10,028,244
Total operating expenses	187,687,653
Operating income	12,092,518
Nonoperating revenues (expenses)	
Grants and contributions	599,138
Investment income	431,097
Interest expense	(1,297,927)
Insurance proceeds	1,490,619
Other revenue	247,689
Total nonoperating revenues (expenses)	1,470,616
Change in net position	13,563,134
Net position, beginning of year	35,761,621
Net position, end of year	$ 49,324,755

Year Ended September 30,	**2024**
Operating Activities	
Cash received from and on behalf of patients	$ 199,146,060
Cash paid to and on behalf of employees	(101,672,239)
Cash paid to suppliers	(89,610,474)
Cash received from other operating activities	9,840,156
Net cash provided by operating activities	17,703,503
Noncapital Financing Activities	
Other grants and contributions	2,162,919
Insurance proceeds	1,490,619
Other receipts and payments, net	255,751
Net cash provided by noncapital financing activities	3,909,289
Capital and Related Financing Activities	
Purchase of capital assets	(5,949,922)
Principal paid on bonds payable	(773,873)
Principal paid on notes payable	(954,970)
Principal paid on leases payable	(3,420,479)
Principal paid on subscriptions payable	(422,118)
Principal paid on estimated third party payable	(404,381)
Interest paid on long-term debt	(1,297,927)
Net cash used in capital and related financing activities	(13,223,670)
Investing Activities	
Purchases of investments	(544,195)
Receipt of interest and investment earnings	213,690
Net cash used in investing activities	(330,505)
Net increase in cash and cash equivalents	8,058,617
Cash and cash equivalents, beginning of year	4,072,451
Cash and cash equivalents, end of year	$ 12,131,068
Reconciliation of cash and cash equivalents to the statement of net position	
Cash and cash equivalents included in current assets	$ 9,838,846
Restricted cash and cash equivalents in current assets	2,292,222
Total cash and cash equivalents	$ 12,131,068

(Continued)

Year Ended September 30,		**2024**
Reconciliation of operating income to net cash used in operating activities		
Operating income from operations	$	12,092,518
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization		10,028,244
Provision for bad debt		16,569,717
Changes in assets and liabilities		
(Increase) decrease in assets		
Patient accounts receivable		(17,931,846)
Leases receivable		(464,928)
Other receivables		10,578,148
Inventories		39,447
Prepaid expenses and other current assets		(644,686)
Other noncurrent assets		(29,710)
Increase (decrease) in liabilities		
Accounts payable		(15,332,337)
Salaries and payroll taxes payable		221,876
Accrued compensated absences		(46,500)
Estimated third-party settlements		1,306,278
Estimated claims payable		862,243
Other accrued expenses		85
Deferred inflows of resources - leases		454,954
Net cash provided by operating activities	$	17,703,503
Supplemental disclosures of noncash financing activities		
Capital assets financed through leases payable	$	4,711,825
Capital assets financed through financing agreements	$	1,070,877
Unrealized/realized loss on investments	$	90,163

NOTE 1: DESCRIPTION OF MEDICAL CENTER

Nature of Operations and Reporting Entity

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

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

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

Reporting Entity

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

NOTE 1: DESCRIPTION OF MEDICAL CENTER (Continued)

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Medical Center's financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America as prescribed by GASB. The GASB has issued Statement No. 35 (GASB 35), *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities* and GASB 39, *Determining Whether Certain Organizations Are Component Units*. The financial statement presentation required by these statements provides a comprehensive, entity-wide perspective of the Hospital's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows and replaces the fund-group perspective previously required. In addition, these statements require the Hospital to present Management's Discussion & Analysis (MD&A). The MD&A is considered to be required supplementary information and precedes the financial statements.

For financial reporting purposes, the Medical Center is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and operating expenses. All other activities are reported as non-operating activities.

The Hospital's financial statements are prepared based on accounting principles applicable to governmental units as established by the GASB and the provisions of the American Institute of Certified Public Accountants, "Audit and Accounting Guide, Health Care Entities," to the extent that they do not conflict with GASB.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and Cash Equivalents

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

Restricted Cash and Investments

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

Investments and Investment Income

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

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

Patient Accounts Receivable, Net

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Patient Accounts Receivable, Net (continued)

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

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

The Medical Center has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2024 and did not have significant write-offs from third-party payors related to collectability in fiscal year 2024.

Leases Receivable

The Medical Center is a lessor for noncancellable leases of property and recognizes leases receivable and deferred inflows of resources in the statement of net position. At the commencement of the lease, the Medical Center initially measures the lease receivable at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is initially measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. Subsequently, the lease receivable is reduced by the principal portion of lease payments made, and interest revenue is recognized. Lease revenue is recognized from the inflow of resources in a systematic and rational matter over the term of the lease.

Inventories

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Prepaid Expenses

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

Capital Assets

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

As the Medical Center constructs or acquires capital assets each period, they are capitalized and reported at historical cost (except for right-to-use leased assets, the measurement of which is discussed under the heading leases and subscription payables on page 39). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Long-Lived Asset Impairment

Long-lived assets are reviewed for impairment if circumstances suggest that there is a significant, unexpected decline in service utility of a long-lived asset. The service utility of a long-lived asset is the usable capacity that at acquisition was expected to be used to provide service. An assessment of recoverability is performed prior to any write-down of assets and an impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. Based on management's evaluations, no long-lived assets impairments were recognized during the year ended September 30, 2024.

Due from Physicians

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

Compensated Absences

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

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

Long-Term Obligations

Long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred except for prepaid insurance costs. As of September 30, 2024, the Medical Center did not report any bond premiums or discounts.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Leases Payable

Lease contracts that provide the Medical Center with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a right-to-use lease asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. When the interest rate charged by the lessor is not provided, the Hospital uses its estimated incremental borrowing rate as the discount rate for leases. The intangible right-to-use lease asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Right-to-use lease assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

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

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

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

Subscription-Based Information Technology Arrangements

Under GASB No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, all contracts allowing for the Hospital to use another entity's information technology software alone or in combination with tangible capital assets (the underlying IT assets) for a period greater than 12 months are recorded as both a right-of-use (ROU) asset and a subscription liability. The liability is measured using the present value of total expected payments over the subscription term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. The ROU asset should be measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Amortization of the ROU subscription asset flows through amortization expense monthly using straight-line basis over the life of the subscription.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Subscription-Based Information Technology Arrangements (continued)

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

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

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

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

Deferred Outflows/Inflows of Resources

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Categories and Classification of Net Position

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

Net investment in capital assets – These net positions represent capital assets, net of accumulated depreciation, reduced by the current balances of any outstanding borrowings (including leases and subscription liabilities) used to finance the acquisition or construction of those assets.

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

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

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Operating Revenues and Expenses

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses (Continued)

For the year ending September 30, 2024, other operating expenses consisted of the following:

September 30,	**2024**
Advertising	$ 506,202
Bank service charges	395,216
Collection agencies	156,940
Fleet vehicles	323,950
Freight expense	248,742
Insurance	970,700
Marketing	93,743
Medical purchased services	3,078,461
Meetings and conventions	309,663
Mileage	178,498
Miscellaneous expenses	766,448
Other operating expenses	1,055,268
Other purchased services	5,830,608
Recruiting	371,880
Remote hosting expense	1,736,263
Rentals	1,584,403
Utilities	2,472,827
Total other operating expenses	$ 20,079,812

Net Patient Service Revenue

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses (Continued)

Net Patient Service Revenue

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

340B Program and Contract Pharmacy Revenue

The Medical Center participates in the 340B Drug Pricing Program (340B Program), enabling the Medical Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Medical Center earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Medical Center records revenue when earned. The Medical Center recorded 340B Program revenues of $8,920,014 for the year ended September 30, 2024, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

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

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

Grants and Contributions

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses (Continued)

Charity Care

The Medical Center provides medical care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue.

The amount of charges foregone for services and supplies furnished under the Medical Center's charity care policy totaled approximately $3,802,239 for the year ended September 30, 2024, and estimated costs and expenses incurred to provide charity care totaled approximately $1,204,388. The estimated costs and expenses incurred to provide charity care were determined by applying the Medical Center's cost to charge ratio from its latest filed Medicare cost report to its charges foregone by charity care, at established rates.

Income Taxes

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

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

Advertising Expense

Advertising is expensed as incurred. Total advertising expense incurred was approximately $506,202 the year ended September 30, 2024, and is included in other operating expenses in the accompanying statements of revenues, expenses, and changes in net position.

Use of Estimates

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

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

The Medical Center considers the need for recording a liability for self-insured and malpractice claims. The provision for estimated self-insured and malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Current Healthcare Environment

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

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

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

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Medical Center’s financial position and operating results.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 24, 2025, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In April 2022, GASB issued GASB Statement No. 99, *Omnibus 2022* (GASB 99). This Statement seeks to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 were effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Medical Center adopted GASB 99 for the year ended September 30, 2024, and GASB 99 did not have an impact on the financial statements.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Effective in Future Years

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

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

GASB Statement No. 102*, Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

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

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2024, the deposits of the Medical Center consisted of the following:

September 30,		**2024**
Petty cash	$	8,828
Cash deposits with financial institutions		9,830,018
Money market mutual funds (Moody's rating: Aaa-mf)		2,292,222
Total cash and cash equivalents	$	12,131,068

September 30,		**2024**
Cash and cash equivalents	$	9,838,846
Restricted cash and cash equivalents		2,292,222
Total cash and cash equivalents	$	12,131,068

Custodial credit risk is the risk that, in the event of a bank failure, the Medical Center's deposits might not be recovered. The Medical Center has a deposit policy for custodial credit risk that requires deposits to be part of the collateral pool administered by the State. However, cash deposits with The St. Luke Foundation are not part of this pool and are exposed to custodial credit risk. Uninsured and uncollateralized cash deposits with financial institutions totaled $1,043,835 as September 30, 2024.

The collateral for public entity deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation ("FDIC"). All deposits with financial institutions must be collateralized in an amount equal to 105% of uninsured deposits. At September 30, 2024, the Medical Center had $9,193,514 in bank deposits held in a financial institution that is part of this program.

At September 30, 2024, cash and cash equivalents in the amount of $2,292,222 were restricted subject to a borrowing agreement with the United States Department of Agriculture for federal funds.

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments

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

The Medical Center's investments consist of the following at September 30, 2024:

September 30, 2024	**Fair Value**	**Percentage**	**Maturity**	**Interest Rate**	**Rating**
MHA Investment Pool					
MHA Intermediate Duration Trust	1,701,937	54.08%	N/A	N/A	Not rated
MHA Short Duration Trust	1,445,370	45.92%	N/A	N/A	Not rated
Total investments	$ 3,147,307	100.00%			

At September 30, 2024, funds in the amount $2,942,079 were restricted for purposes of self-insurance arrangements and were reported as restricted investments in the statement of net position.

Interest rate risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its value to changes in market interest rates. The Medical Center does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Medical Center limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements.

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

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

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

NOTE 4: FAIR VALUE DISCLOSURES

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

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

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

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

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

Since the MHA Investment Pool is measured at fair value using the net asset value per share practical expedient, these amounts are not classified in the fair value hierarchy. The Medical Center invests in these types of investments to obtain competitive market returns while ensuring the safety and liquidity of the portfolio. These types of investments may be redeemed without advance notice and there are no unfunded commitments for further investment. There are currently no limitations as to the frequency of redemptions. The total investment in the pool as of September 30, 2024 was $3,147,307.

The Medical Center's fair value levels consist of the following at September 30, 2024:

September 30, 2024	Fair Value	Level 1	Level 2	Level 3
Money market mutual funds	$ 2,292,222	$ 2,292,222	$ -	$ -
Total	$ 2,292,222	$ 2,292,222	$ -	$ -

NOTE 5: PATIENT ACCOUNTS RECEIVABLE

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2024 was:

September 30,		**2024**
Medicare	$	9,550,174
Medicaid		3,040,247
Other third-party payers		12,156,858
Patients		3,735,259
Patient accounts receivables, net	$	28,482,538

The Medical Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payors agreements. The percentage mix of net accounts receivable from patients and major third-party payors at September 30, 2024 was as follows:

September 30,	**2024**
Medicare	34%
Medicaid	11%
Other third-party payers	42%
Patients	13%
Total	100%

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024 was as follows:

	Balance 10/1/2023	Additions	Retirements	Transfers	Balance 9/30/2024
Capital assets, not being depreciated					
Land	$ 957,341	$ -	$ -	$ -	$ 957,341
Construction-in-progress	3,336,907	1,761,345	-	(3,003,642)	2,094,610
Capital assets, not being depreciated	4,294,248	1,761,345	-	(3,003,642)	3,051,951
Capital assets, being depreciated					
Land improvements	3,267,862	29,082	-	257,383	3,554,327
Building and improvements	67,498,281	247,102	-	2,746,259	70,491,642
Leasehold improvements	1,790,353	17,900	-	-	1,808,253
Equipment	3,764,889	17,058	-	-	3,781,947
Major moveable equipment	101,582,544	4,948,312	(3,427,774)	-	103,103,082
Capital assets, being depreciated	177,903,929	5,259,454	(3,427,774)	3,003,642	182,739,251
Less accumulated depreciation for					
Land improvements	3,004,872	100,987	-	-	3,105,859
Building and improvements	48,090,503	1,486,182	-	-	49,576,685
Leasehold improvements	1,251,975	118,191	-	-	1,370,166
Equipment	3,297,343	141,322	-	-	3,438,665
Major moveable equipment	93,227,388	4,184,569	(3,291,208)	-	94,120,749
Total accumulated depreciation	148,872,081	6,031,251	(3,291,208)	-	151,612,124
Total capital assets being depreciated, net	29,031,848	(771,797)	(136,566)	3,003,642	31,127,127
Right-to-use lease assets, being amortized					
Building	6,488,719	821,113	-	-	7,309,832
Equipment	15,829,996	3,356,601	(3,039,971)	-	16,146,626
Vehicles	1,158,052	534,111	(246,136)	-	1,446,027
Right-to-use lease assets, being amortized	23,476,767	4,711,825	(3,286,107)	-	24,902,485
Less accumulated amortization for					
Buildings	2,033,305	642,067	-	-	2,675,372
Equipment	8,453,051	2,620,949	(1,889,281)	-	9,184,719
Vehicles	451,369	335,445	(141,803)	-	645,011
Total accumulated amortization	10,937,725	3,598,461	(2,031,084)	-	12,505,102
Right-to-use lease assets being amortized, net	12,539,042	1,113,364	(1,255,023)	-	12,397,383

(Continued)

NOTE 7: CAPITAL ASSETS (Continued)

	Balance 10/1/2023	Additions	Retirements	Transfers	Balance 9/30/2024
Right-to-use subscription assets, being amortized					
Subscription-based information technology agreements	1,078,761	-	-	-	1,078,761
Right-to-use subscription assets, being amortized	1,078,761	-	-	-	1,078,761
Less accumulated amortization for					
Subscription-based information technology right-to-use subscription accounts	390,949	398,532	-	-	789,481
Right-to-use subscription assets being amortized, net	687,812	(398,532)	-	-	289,280
Total capital assets, net	$ 46,552,950	$ 1,704,380	$ (1,391,589)	$ -	$ 46,865,741

Depreciation and amortization expense for the year ended 2024 totaled $10,028,244

NOTE 8: LONG-TERM DEBT

Notes and Bonds Payable

The Medical Center's long-term debt, including long-term lease and subscription obligations, consisted of the following at September 30, 2024:

September 30,	**2024**
USDA Hospital Revenue Bonds, Series 2019, issued in the amount of $18,575,000, to refund the outstanding Hospital Revenue Notes, Series 2018A and 2018B, at an annual interest rate of 3.25%, maturing in May 2039, secured by the revenue and receivables of the Medical Center.	$ 14,723,309
Notes payable issued in the amount of $2,000,000 to pay the costs of certain capital improvements, at an annual interest rate of 3.94%, maturing January 30, 2033, secured by a pledge of revenues. Two years of interest only payments followed by thirteen years of monthly principal and interest payments of $12,821, with a final balloon payment in January 2033.	1,613,828
Note payable for the purchase of land and a building with annual principal and interest payments of $29,023 at an interest rate of 4.95% maturing April 1, 2029, secured by real estate.	118,526

(Continued)

NOTE 8: LONG-TERM DEBT (Continued)

Notes and Bonds Payable (Continued)

September 30,		**2024**
Financing agreements for software at interest rates ranging from 6.58% to 9.60% with agreements terms through 2025.		1,280,661
Note payable issued in the amount of $630,000 with monthly principal and interest payments of $4,642 at an interest rate of 3.942%, maturing in December 2024, with a balloon payment of $462,838, secure by real estate.		470,699
Total		18,207,023
Less - current portion of notes and bonds payable		(2,255,347)
Long-term debt, net of current portion	$	15,951,676

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

	Notes Payable				**Bonds Payable**			
Year Ending September 30,		**Principal**		**Interest**		**Principal**		**Interest**
2025	$	1,455,945	$	81,591	$	799,402	$	466,670
2026		531,407		62,288		825,774		440,298
2027		125,697		57,171		853,015		413,058
2028		131,028		51,840		881,154		384,918
2029		124,316		46,374		910,222		355,850
2030-2034		1,115,321		121,546		5,021,822		1,308,538
2034-2038		-		-		5,431,920		426,010
Total	$	3,483,714	$	420,810	$	14,723,309	$	3,795,342

Debt Covenants

In connection the USDA Hospital Revenue Bonds, Series 2019, the Medical Center has agreed to certain debt covenants. The Medical Center's debt service coverage ratio must be at least equal to 1:15 to 1 and they must maintain a minimum 75 days cash on hand. The Medical Center reported 20 days cash on hand for the year ended September 30, 2024, which is not in compliance with the debt covenant. The Medical Center obtained a waiver from USDA for the debt covenant violations stating that USDA would not call the debt through October 1, 2025.

NOTE 8: LONG-TERM DEBT (Continued)

Leases and Subscription Payables

GASB No. 87, *Leases,* was adopted for periods beginning October 1, 2021. Under the guidance, nearly all contracts allowing for the Hospital to use another entity's asset for a period greater than 12 months must be recorded as both a right-of-use (ROU) asset and a lease liability. The liability is measured using the present value of expected payments over the lease term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. Depreciation of the ROU asset flows through depreciation expense monthly using straight-line basis over the life of the lease.

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

The Medical Center's lease and subscription agreement liabilities, consisted of the following at September 30, 2024:

September 30,		**2024**
Leases payable for buildings, equipment, and vehicles at interest rates ranging from .186% to 11.52% with lease terms through 2046.	$	12,935,040
Subscription payable for information technology agreements at an interest rate of 3.94% with agreement terms through 2025.		233,979
Total		13,169,019
Less - current portion of leases and subscription agreements payable		(3,370,816)
Leases and subscription agreements payable, net of current portion	$	9,798,203

NOTE 8: LONG-TERM DEBT (Continued)

Leases and Subscription Payables (Continued)

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

	Leases Payable		Subscription payable	
Year Ending September 30,	**Principal**	**Interest**	**Principal**	**Interest**
2025	$ 3,136,837	$ 480,581	$ 233,979	$ 1,625
2026	2,643,676	359,270	-	-
2027	1,994,882	255,448	-	-
2028	1,442,337	171,874	-	-
2029	396,894	136,262	-	-
2030-2034	810,260	574,319	-	-
2035-2039	906,731	408,288	-	-
2040-2044	1,103,847	210,555	-	-
2044-2048	499,576	19,425	-	-
Total	$ 12,935,040	$ 2,616,022	$ 233,979	$ 1,625

Estimated third-party settlements payable

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

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

	Estimated third-party settlements	
Year Ending September 30,	**Principal**	**Interest**
2025	$ 446,309	$ 36,911
2026	118,856	2,012
Total	565,165	38,923

NOTE 8: LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended September 30, 2024 are as follows:

	Restated Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Bonds payable	$ 15,497,182	$ -	$ (773,873)	$ 14,723,309	$ 799,402
Notes payable	3,367,807	1,070,877	(954,970)	3,483,714	1,455,945
Leases payable	13,027,221	4,711,825	(4,804,006)	12,935,040	3,136,837
Subscription agreements payable	656,097	-	(422,118)	233,979	233,979
Estimated third-party settlements payable	969,546	-	(404,381)	565,165	446,309
Estimated claims payable	2,759,622	8,620,963	(7,758,720)	3,621,865	695,339
Total long-term debt	$ 36,277,475	$ 14,403,665	$ (15,118,068)	$ 35,563,072	$ 6,767,811

NOTE 9: NET INVESTMENT IN CAPITAL ASSETS

The portion of net position classified as net investment in capital assets is as follows at September 30, 2024:

September 30,	**2024**
Capital assets	$ 211,772,448
Less accumulated depreciation	(164,906,707)
Plus restricted investments available for capital assets	1,615,806
Less debt outstanding related to capital assets	
Leases payable	(12,935,040)
Subscription payable	(233,979)
Notes payable	(3,483,714)
Bond payable	(14,723,309)
Net investment in capital assets	$ 17,105,505

NOTE 10: DEFERRED INFLOWS OF RESOURCES

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

The Medical Center, as a lessor, has entered into two long-term lease agreements (in excess of one-year, including options to extend which are reasonably certain of being exercised), for buildings. On September 30, 2024, deferred inflows of resources of $474,495 was reported on the accompanying statement of net position.

NOTE 11: PATIENT SERVICE REVENUES

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

Medicare

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

Medicaid

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

NOTE 11: PATIENT SERVICE REVENUES (Continued)

The Medical Center participates in the Mississippi Intergovernmental Transfer Program as a Medicaid Disproportionate Share Hospital ("DSH"). Under the program, the Medical Center receives enhanced reimbursement through a matching mechanism. For the fiscal year ended September 30, 2024, the Medical Center reported approximately $98,000 in enhanced reimbursements, and assessments of approximately $65,000 through the DSH program.

The Medical Center participates in the Division of Medicaid ("DOM") Mississippi Hospital Access Payment ("MHAP") program. The MHAP program is administered by the DOM through the Mississippi CAN coordinated care organizations ("CCO"). The CCO’s subcontract with hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care. For the fiscal year ended September 30, 2024, the Medical Center reported approximately $30,000,000 in enhanced reimbursements, and assessments of approximately $4,100,000 through the MHAP program. Additionally, the Medical Center reported approximately $2,100,000 in enhanced reimbursements through the UPL program and assessments of approximately $323,000. MHAP and UPL amounts are reported as a reduction of contractual adjustments.

Regulatory Matters

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. For the year ended September 30, 2024, the Medical Center’s net patient revenues increased approximately $104,000 due to prior year retroactive adjustments for amounts previously estimated.

Other

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

NOTE 11: PATIENT SERVICE REVENUES (Continued)

Other (Continued)

A summary of net patient service revenue for the year ended September 30, 2024 follows:

Year ended September 30,	**2024**
Gross patient service revenue	$ 531,158,001
Less provisions for	
Bad debts	(16,569,717)
Contractual adjustments under third-party reimbursement programs	(324,658,243)
Net patient service revenue	$ 189,930,041

A summary of the changes in the allowance for uncollectible accounts for the year ended September 30, 2024 follows:

Year ended September 30,	**2024**
Allowance for uncollectible accounts, beginning	$ 28,714,675
Write-offs	(14,062,674)
Increase for current claims and changes in estimate	16,569,717
Allowance for uncollectible accounts, ending	$ 31,221,718

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

Patient service revenue by major payor class, net of contractual allowances and before the provision for bad debts, consisted of the following for the year ended September 30, 2024:

Year Ended September 30, 2024	**Amount**	**Percentage**
Medicare	$ 98,707,276	48%
Medicaid	50,381,031	25%
Blue Cross Blue Shield	17,307,618	8%
Other	40,103,833	19%
Patient service revenue, net of contractual allowances	$ 206,499,758	100%

Note 12: 340B DRUG PRICING PROGRAM

The Medical Center participates in the 340B Drug Pricing Program (340B Program), enabling the Medical Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Medical Center earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Medical Center operates an internal pharmacy and has partnered with a network of participating local pharmacies that dispense the pharmaceuticals to its patients under a contractual arrangement with the Medical Center. The Medical Center recorded 340B Program revenues of $8,920,014 for the year ended September 30, 2024, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. 340B program expenses of $2,067,162 for the years ended September 30, 2024 are included in net patient service revenue in the accompanying statements of revenues, expenses and changes in net position.

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

NOTE 13: LESSOR AGREEMENTS

The Medical Center, as a lessor, has entered into two long-term lease agreements (in excess of one-year, including options to extend which are reasonably certain of being exercised), for buildings. The long-term lease agreements have interest rates of 3.94%, and mature at various dates through 2029. The Medical Center recognized lease revenue in the amount of $95,538 for fiscal year ending September 30, 2024, and interest revenue in the amount of $16,929. The Medical Center reported leases receivable in the amount of $485,334 for the fiscal year ended September 30, 2024.

The Medical Center reported an additional $13,842 in short-term lease revenue for fiscal year ending September 30, 2024.

Future payments due to the Medical Center are as follows:

	Leases Receivable	
Year Ending September 30,	Principal	Interest
2025	$ 93,559	$ 17,148
2026	90,243	13,475
2027	88,714	10,008
2028	92,254	6,457
2029	95,975	2,724
2030-2034	24,589	84
Total	$ 485,334	$ 49,896

NOTE 14: INSURANCE PROGRAMS

Risk Management

The Medical Center is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for most of these risks. However, certain general and professional liability risks and employee health benefits are self-funded as further explained below. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

Self-Funded Professional Liability and General Liability

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

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

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

Consistent with these insurance program changes (and in accordance with the process described below), the Medical Center recorded an accrual for self-insured losses totaling $2,926,526 at September 30, 2024. The future assertion of claims for occurrences prior to year-end is reasonably possible and may occur; however, management does not anticipate any material impact on the financial statements.

Incurred losses identified through the Medical Center incident reporting system and incurred but not reported losses are accrued based on estimates that incorporate the Medical Center’s current inventory of reported claims and historical experiences, as well as considerations such as the nature of each claim or incident, relevant trend factors and advice from consulting actuaries. The Medical Center has established a self-insurance trust fund for payment of liability claims. The balance of the account at September 30, 2024 was $2,942,079, and is reported in the statement of net position as a restricted investment.

NOTE 14: INSURANCE PROGRAMS (Continued)

Changes in the Medical Center's insurance claims liability amount, including related legal fees, for the year 2024 were as follows:

Years ended September 30,	**2024**	**2023**
Claims liability, beginning of year	**$ 2,073,972**	$ 2,882,163
Current year claims and changes in estimates	**957,554**	(684,691)
Claims payments	**(105,000)**	(123,500)
Claims liability, end of year	**$ 2,926,526**	$ 2,073,972

Self-Funded Health Insurance Claim Liability

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

Years ended September 30,	**2024**	**2023**
Claims liability, beginning of year	**$ 685,650**	$ 516,773
Current year claims and changes in estimates	**7,663,409**	5,799,669
Claims payments	**(7,653,720)**	(5,630,792)
Claims liability, end of year	**$ 695,339**	$ 685,650

NOTE 15: RETIREMENT PLANS

Defined Contribution Plan – Medical Center

The Medical Center contributes to the Southwest Mississippi Regional Medical Center Retirement Matching Plan (the "Plan") for the benefit of its employees. Effective November 1, 2017, the Medical Center adopted a Section 457(b) deferred compensation plan. The Plan is administered by OneAmerica Retirement Services LLC. The Plan provides retirement and disability benefits to Plan members and death benefits to beneficiaries of Plan members. Under provisions of the Plan, all employees with one year of service, and who are at least 21 years old, are eligible to participate. Plan provisions and Medical Center contributions are amended by the Board of Trustees. The Medical Center's contribution to the Plan for the year ended September 30, 2024 was $874,363.

NOTE 15: RETIREMENT PLANS (Continued)

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

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become 100% vested in Medical Center contributions and earnings on Medical Center contributions after the completion of five years of creditable service. Non-vested contributions are forfeited upon termination of employment and such forfeitures are used to reduce future Medical Center contributions. For the year ended September 30, 2024, there were no forfeitures that reduced the Medical Center's contribution expense.

All required contributions were made to the Plan during the year and the Medical Center's liability to the Plan at September 30, 2024 was $642.

Defined Contribution Plan – St. Luke Home Health

St. Luke Home Health Services, LLC (SLHH) contributes to the St. Luke Home Health Retirement Savings Plan (the "Plan"), a single-employer 403(b) defined contribution plan, for the benefit of its employees. The Plan is administered by OneAmerica Retirement Services LLC. The Plan provides retirement and disability benefits to Plan members and death benefits to beneficiaries of Plan members. Under provisions of the Plan, all employees are eligible to make salary deferral contribution elections as of their employment commencement date. Employees are eligible for employer contributions upon attainment of age 21 and completion of one year of service. Plan provisions and SLHH contributions are amended by the Board of Directors. SLHH's contributions to the Plan for the year ended September 30, 2024 was $128,338.

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

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

All required contributions were made to the Plan during the year and SLHH had no liability to the Plan at September 30, 2024.

NOTE 16: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

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

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in Note 11.

Litigation

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

Note 17: COMMITMENTS AND CONTINGENCIES

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

The Medical Center is exposed to various risks of loss related to contractual obligations and torts. Examples are: theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illness, injuries to visitors, natural disasters, medical malpractice and employee health, dental and accident benefits. The Medical Center is self-insured for employee health coverage, up to a certain limit per individual claim. The Hospital is self-insured for workers compensation coverage, up to a certain limit per individual claim. The Medical Center has additional coverage with third parties providing coverage in excess of those limits with deductibles and coverage limits based upon experience and market conditions. Commercial insurance coverage is purchased for other significant exposures, including professional and general liability in excess of a self-insured program are described in Note 14. Claims settled through September 30, 2024, have not exceeded this commercial coverage in any of the five preceding years.

NOTE 18: BLENDED COMPONENT UNIT

The St. Luke Foundation, Inc.

Condensed component unit information for The St. Luke Foundation, Inc., the Medical Center's blended component unit, for the year ended September 30, 2024, is reported as follows:

Condensed Statement of Net Position

Assets	
Current assets	$ 3,417,234
Due from Medical Center	22,976,413
Capital assets, net	9,616,503
Other assets	372,502
Total assets	36,382,652
Liabilities	
Current liabilities	2,698,361
Noncurrent liabilities	875,770
Total liabilities	3,574,131
Deferred inflow of resources	749,679
Net position	
Net investment in capital assets	7,948,637
Unrestricted	24,110,205
Total net position	$ 32,058,842

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

Operating revenues	$ 14,891,056
Operating expenses	
Operations	13,764,112
Depreciation and amortization	882,464
Total operating expenses	14,646,576
Operating income	244,480
Nonoperating revenues (expenses)	2,163,497
Change in net position	2,407,977
Net position, beginning of year	29,650,865
Net position, end of year	$ 32,058,842

NOTE 18: BLENDED COMPONENT UNIT

Condensed Statement of Cash Flows

Net cash provided by (used in)		
Operating activities	$	661,171
Noncapital financing activities		2,381,103
Capital and related financing activities		(1,801,304)
Investing activities		32,254
Net decrease in cash and cash equivalents		1,273,224
Cash and cash equivalents, beginning of year		395,092
Cash and cash equivalents, end of year	$	1,668,316

Southwest Mississippi Regional Medical Center
Schedule of Gross Patient Service Revenue

Year Ended September 30, 2024	Inpatient	Outpatient	Total
Nursing services			
Medical and surgical	$ 8,259,341	$ 3,236,761	$ 11,496,102
Newborn nursery	602,360	2,018	604,378
Intensive care	9,077,558	256,100	9,333,658
Total nursing services	17,939,259	3,494,879	21,434,138
Other professional services			
Ambulatory surgery center	964,321	15,896,755	16,861,076
Anesthesiology	988,474	1,544,268	2,532,742
Cardiac cath lab	9,539,121	15,638,066	25,177,187
Cardiac surgery	3,791	-	3,791
Cardiology	2,498,267	8,574,235	11,072,502
Dialysis	767,931	131,813	899,744
Electrocardiology	20,767	331,900	352,667
EEG-Neurology	14,014	13,015	27,029
Emergency services	8,786,113	40,175,830	48,961,943
GI Endosuite	859,801	10,457,297	11,317,098
Health watch	-	23,691	23,691
Home health and hospice	-	16,294,606	16,294,606
Hyperbarics	40,739	1,740,462	1,781,201
Intensive outpatient program	1,050	1,405,801	1,406,851
Labor, delivery, recovery and postpartum	3,502,607	419,442	3,922,049
Laboratory	13,857,517	35,275,118	49,132,635
MS Cancer Institute - medical oncology	388,926	114,860,541	115,249,467
MS Cancer Institute - radiation therapy	11,522	8,390,413	8,401,935
Occupational therapy	449,829	34,493	484,322
Other departments	(736,506)	-	(736,506)
Operating and recovery services	5,647,126	12,985,537	18,632,663
Outpatient rehabilitation	2,095	2,163,666	2,165,761
Outpatient services	-	65,045	65,045
Pharmacy	19,591,984	42,616,600	62,208,584
Physical therapy	813,017	67,070	880,087
Physician clinics	-	25,616,753	25,616,753
Pulmonary rehabilitation	590	742,675	743,265
Radiology	9,978,555	49,666,260	59,644,815
Respiratory therapy	18,541,681	2,831,131	21,372,812
Rural health clinics	624	7,096,604	7,097,228
Senior life	-	39,009	39,009
Sleep lab	229	1,893,821	1,894,050
Total other professional services	96,534,185	416,991,917	513,526,102
Total including charity	$ 114,473,444	$ 420,486,796	534,960,240
Less charity			3,802,239
Total			$ 531,158,001

Year Ended September 30, 2024	Salaries and Wages	Contract Employee Salaries	Employee Benefits	Professional Fees	Supplies	Maintenance and Repairs	Other Operating Expense	Total
Nursing services								
Medical and surgical	$ 7,446,060	$ 64,826	$ 803,189	$ 24,026	$ 479,751	$ 200,500	$ 192,563	$ 9,210,915
Newborn nursery	-	-	-	-	28,935	16,743	458	46,136
Intensive care	4,157,697	63,776	331,157	24,026	657,303	120,975	54,641	5,409,575
Swing bed unit	93,472	-	7,137	-	659	-	4,176	105,444
Total nursing services	11,697,229	128,602	1,141,483	48,052	1,166,648	338,218	251,838	14,772,070
Other professional services								
Ambulatory surgery center	929,844	-	78,134	-	1,101,295	153,771	558,769	2,821,813
Anesthesiology	-	2,167,621	-	-	123,212	70,604	19,265	2,380,702
Cardiac cath lab	931,731	(12,000)	83,027	-	2,773,188	369,870	218,156	4,363,972
Cardiac surgery	-	-	-	-	367	26,740	31,699	58,806
Cardiology	602,470	-	49,021	-	138,191	51,716	6,039	847,437
Central supply	371,694	-	29,288	-	105,059	44,060	10,803	560,904
Dialysis	3,851	-	294	-	12,661	12,757	531,095	560,658
Disaster tracking	-	-	-	-	1,790	692	-	2,482
EEG-Neurology	11,802	-	758	-	291	295	2,725	15,871
Emergency services	8,952,897	317,986	388,708	-	814,805	87,535	118,403	10,680,334
GI Endosuite	1,186,276	-	100,873	-	485,802	106,095	43,145	1,922,191
Health watch	-	-	-	-	-	69	-	69
Home health and hospice	7,873,539	142,875	1,080,108	118,370	659,142	477,024	2,174,900	12,525,958
Hyperbarics	7,501	-	433	-	29,255	296	126	37,611
Inpatient services	-	-	-	-	-	4,316	-	4,316
Intensive outpatient program	227,463	-	14,086	-	8,249	2,686	155,917	408,401
Labor, delivery, and recovery	1,998,693	-	164,842	-	247,073	98,041	36,636	2,545,285
Laboratory	2,840,232	297,324	233,748	-	3,438,684	180,614	1,922,514	8,913,116
Med/Card 3rd Floor	-	-	-	-	470	-	177	647
MS Cancer Institute - medical oncology	2,902,687	8,988	136,937	-	16,815,349	(82,345)	49,770	19,831,386
MS Cancer Institute - radiation therapy	614,937	-	53,342	995	11,386	278,217	4,393	963,270
MS Cardiovascular Inst.	-	1,050	-	-	727	-	4,594	6,371
Non-emergency transport	42,520	-	3,124	-	611	2,649	440	49,344
Occupational therapy	127,053	-	12,740	-	340	-	10	140,143
Operating and recovery services	1,432,348	-	116,370	-	1,991,434	342,741	145,290	4,028,183
Outpatient infusion therapy	199,067	-	16,722	-	20,386	2,854	7,599	246,628
Outpatient rehabilitation	742,674	-	67,297	-	14,350	3,544	1,926	829,791
Outpatient services	126,353	-	8,661	-	10,135	1,336	110	146,595
Pharmacy	1,519,951	337,660	129,886	8,000	8,355,276	86,311	438,158	10,875,242
Physical therapy	309,816	-	19,317	-	1,580	2,095	7,113	339,921
Physicians' clinics	15,429,940	326,895	782,300	786,970	468,114	81,469	113,019	17,988,707
Pulmonary rehabilitation	118,639	-	9,682	-	112	6,430	1,387	136,250
Radiology	2,848,259	80,387	239,078	-	1,273,772	936,171	546,766	5,924,433
Residency program	394,826	-	27,686	11,330	1,693	17,490	56,665	509,690
Respiratory therapy	1,474,852	-	123,089	-	180,193	54,408	62,526	1,895,068
Rural health clinics	2,837,113	1,500	209,861	496,699	150,587	35,110	132,294	3,863,164
Sleep lab	270,670	-	20,579	-	11,832	5,267	14,718	323,066
Sports Training	-	-	3,248	-	-	240	-	3,488
Women's Center Support	1,467	-	-	-	-	67	4,643	6,177
Wound care	164	-	643	-	595	-	-	1,402
Total other professional services	57,331,329	3,670,286	4,203,882	1,422,364	39,248,006	3,461,235	7,421,790	116,758,892

Year Ended September 30, 2024

Year Ended September 30, 2024	Salaries and Wages	Contract Employee Salaries	Employee Benefits	Professional Fees	Supplies	Maintenance and Repairs	Other Operating Expense	Total
General services								
Housekeeping	$ -	$ 1,633,657	$ -	$ -	391,663	$ 24,555	$ 2,492	$ 2,052,367
Laundry and linen	-	-	-	-	237,868	63,160	412,751	713,779
Dietary	905,086	-	69,342	-	1,090,425	22,261	3,768	2,090,882
Plant operation and maintenance	1,578,579	-	125,911	3,783	201,631	968,169	1,671,555	4,549,628
Total general services	2,483,665	1,633,657	195,253	3,783	1,921,587	1,078,145	2,090,566	9,406,656
Fiscal and administrative services								
Administrative	3,009,579	2,275	451,886	1,790,397	100,960	107,550	2,024,917	7,487,564
Patient registration	938,967	-	76,018	-	26,339	3,060	4,941	1,049,325
Auxiliary office	-	-	-	-	-	-	24	24
Bio-medical	-	-	-	-	4,294	11,105	5,056	20,455
Call center	137,465	-	10,323	-	58	-	-	147,846
Case management	991,905	-	78,789	-	12,124	218,829	4,453	1,306,100
Contract and asset management	-	-	-	-	1,552	-	170	1,722
Communications	270,081	-	21,169	-	1,579	18,657	2,055	313,541
Community education	246,832	-	66	-	20,676	17,713	50,393	335,680
Chaplain services	41,096	-	3,144	-	249	62	39	44,590
General accounting	735,034	-	62,360	21,237	8,098	82,853	688,528	1,598,110
Health information management	1,132,050	80,890	93,054	44,570	4,843	232,016	85,788	1,673,211
Human resources	588,258	-	6,917,649	-	55,127	33,077	359,758	7,953,869
Infection control	90,914	-	7,794	-	776	278	1,706	101,468
Information systems	854,035	38,500	66,647	924	39,091	2,777,010	3,416,309	7,192,516
Materials management	333,147	-	24,297	-	(363,485)	88,584	286,951	369,494
Medical director	-	-	-	-	-	-	-	-
MS Cancer Institute	456,970	-	35,956	-	22,556	55,720	169,920	741,122
MS Cardiovascular Institute	2,323	-	139	-	-	25,860	-	28,322
Pharmacy retail	-	-	-	-	-	355	2,067,162	2,067,517
Patient accounting	1,524,547	-	127,014	68,501	19,076	58,326	683,531	2,480,995
Physician clinic accounting	92,666	-	6,704	-	8,859	2,711	23,710	134,650
Public relations	187,410	-	14,783	-	7,365	959	287,013	497,530
Quality assurance/performance	497,765	-	37,363	5,529	7,421	110,061	35,460	693,599
Reimbursement specialist	12,487	-	948	-	-	-	(26)	13,409
Revenue cycle	319,837	-	27,435	-	820	-	83,393	431,485
Risk management	-	-	-	-	-	996	12,348	13,344
System Implementation	-	-	-	-	353	2,281	17,025	19,659
Telecommunications	-	-	-	-	(350)	-	4,994	4,644
Total fiscal and administrative services	12,463,368	121,665	8,063,538	1,931,158	(21,619)	3,848,063	10,315,618	36,721,791

Year Ended September 30, 2024		
Other operating revenue		
Cafeteria sales	$	448,840
Leases		95,817
Pharmacy retail		8,920,014
Other		385,459
Total other operating revenue	$	9,850,130

Southwest Mississippi Regional Medical Center
Schedule of Surety Bonds for Officials and Employees

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

Reports on Internal Control and Compliance Matters

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

Board of Trustees
Southwest Mississippi Regional Medical Center
McComb, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Mississippi Regional Medical Center (the "Medical Center"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements, and have issued our report thereon dated March 24, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Metairie, Louisiana
March 24, 2025

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Southwest Mississippi Regional Medical Center
McComb, Mississippi

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southwest Mississippi Regional Medical Center (the "Medical Center") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Medical Center's major federal programs for the year ended September 30, 2024. The Medical Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Medical Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Medical Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Medical Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

Metairie, Louisiana
March 24, 2025

Southwest Mississippi Regional Medical Center
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Direct Program				
Community Facilities Loans and Grants Cluster				
Community Facilities Loans and Grants	10.766	NA	$ -	$ 17,533,388
Total Community Facilities Loans and Grants Cluster				17,533,388
Total U.S. Department of Agriculture			-	17,533,388
U.S. Department of Health and Human Services				
Pass through the Mississippi Department of Health				
Rural Residency Planning and Development Program	93.155	6 P13RH45804-01-01	-	340,192
Community Project Funding/Congressionally Directed Spending - Construction	93.493	6 CE1HS46580-01-03	-	407,211
Total U.S. Department of Health and Human Services			-	747,403
U.S. Department of Homeland Security				
Passed through the Mississippi Emergency Management Agency				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4626-DR-MS	-	29,520
Total U.S. Department of Homeland Security				29,520
Total Expenditures of Federal Awards			**$ -**	**$ 18,310,311**

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Southwest Mississippi Regional Medical Center (the "Medical Center") under programs of the federal government for the year ended September 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Medical Center, it is not intended to and does not present the net position, changes in net position, or cash flows of the Medical Center.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Indirect Cost Rate

The Uniform Guidance allows an organization to elect a 10% de minimis indirect cost rate. For the year ended September 30, 2024, the Medical Center did not elect to use this rate.

Loan / Loan Guarantee Outstanding Balances

The balance of loans outstanding at September 30, 2024 for the Community Facilities Loans and Grants Cluster (Federal Assistance Listing Number 10.766) was $16,336,026. The outstanding balance of loans at the beginning of the year is included in the federal expenditures presented in the Schedule.

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(es) identified?	None noted
Noncompliance material to financial statements noted?	No

Federal Awards

1. Type of auditor's report issued on compliance for major federal programs:	Unmodified
2. Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(es) identified?	None noted
3. Any audit findings disclosed that are required to be report in accordance with 2 CF 200.516(a)?	No
4. Identification of major programs:	

Federal Assistance Listing Number	Federal Program
10.766	Community Facilities Loans and Grants Cluster
	Community Facilities Loans and Grants

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

SECTION II: FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III: FEDERAL AWARD FINDINGS

None noted.

SECTION IV: SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Finding 2023-001 – Allowable Activities and Costs of Provider Relief Fund
Significant Deficiency in Internal Control over Compliance

Program: COVID-19 Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution

Federal Assistance Listing Number: 93.498

Condition: Our audit procedures over the calculation of COVID patient days used to allocate the payroll cost to the PRF/ARP federal program disclosed the amounts were not properly calculated.

Status: Per review of FYE 2024 SEFA, the Hospital did not receive any funds in this federal program during the year ended September 30, 2024. The hospital received the last phase of this federal program in prior year and no further funding is expected from this program. This prior year finding is expected to not have effect on any future financial information for the Hospital. Management will make necessary adjustments to their policies and procedures regarding future similar funding as received.