

Forrest County General Hospital

A Component Unit of Forrest

County, Mississippi

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

September 30, 2025 and 2024

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Contents
September 30, 2025 and 2024

Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Financial Statements	
Balance Sheets	11
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14
Statements of Fiduciary Net Position	16
Statements of Changes in Fiduciary Net Position	17
Notes to Financial Statements	18
Required Supplementary Information (Unaudited)	
Schedules of Changes in the Hospital's Net Pension Liability and Related Ratios	70
Schedules of the Hospital's Pension Contributions	71
Schedules of Changes in the Hospital's Net OPEB Asset/Liability and Related Ratios	73
Schedules of the Hospital's OPEB Contributions	74
Supplementary Information (Unaudited)	
Schedule of Surety Bonds for Officials and Employees	76
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	
Based on an Audit of Financial Statements Performed in Accordance With Government	
Auditing Standards – Independent Auditor's Report	77

Independent Auditor's Report

Board of Trustees
Forrest County General Hospital
Hattiesburg, Mississippi

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Forrest County General Hospital (Hospital), a component unit of Forrest County, Mississippi, as of and for the years ended September 30, 2025 and 2024 and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the Hospital as of September 30, 2025 and 2024 and the respective changes in net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Forrest County General Hospital Pension Plan (Pension Plan), a fiduciary component unit of the Hospital, which represent 97%, 97%, and 98%, respectively, and 96%, 96%, and 96%, respectively, of the assets, net position, and additions of the fiduciary activities as of June 30, 2025 and 2024 and the respective changes in net position for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Plan, are based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, on October 1, 2024, the Hospital adopted Governmental Accounting Standards Board (GASB) statement, No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Surety Bonds for Officials and Employees is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The Schedule of Surety Bonds for Officials and Employees has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2025 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Jackson, Mississippi
November 24, 2025

**Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Management's Discussion and Analysis (Unaudited)
September 30, 2025 and 2024**

Introduction

This management's discussion and analysis of the financial performance of Forrest County General Hospital (Hospital) provides an overview of the Hospital's financial activities for the fiscal years that ended on September 30, 2025 and 2024. It should be read in conjunction with the accompanying financial statements of the Hospital. Unless otherwise indicated, amounts are in millions.

Financial Highlights

2025

- Total operating revenues increased 1.0% between 2025 and 2024. Current year changes impacting operating revenues include:
 - The Hospital's net patient revenue increased due to an increase in inpatient and outpatient volumes, offset by a decrease in recognized supplemental payments.
- Total operating expenses increased 4.6%. Current year changes impacting operating expenses include:
 - Supplies expense increased collectively by 10.0%, primarily due to an increase in inpatient and outpatient volumes.

2024

- Total operating revenues increased 19.0% between 2024 and 2023. Current year changes impacting operating revenues include:
 - The Hospital's admissions increased in 2024 as a result of an increased demand for services.
 - The Hospital received a significant increase in payments from the Mississippi Hospital Advocacy Program (MHAP), as the net benefit with this program increased approximately \$66,800,000.
- Total operating expenses increased 6.2%. Current year changes impacting operating expenses include:
 - Salaries, wages, and employee benefits and contractual services increased collectively by 10.2%, primarily due to an increase in paid full-time employees and a one-time incentive paid to employees.

Using This Annual Report

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

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

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses, and changes in net position report information about the Hospital's resources and its activities in a way that helps answer

**Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Management's Discussion and Analysis (Unaudited)
September 30, 2025 and 2024**

this question. These statements include all restricted and unrestricted assets, all liabilities, and all deferred inflows and outflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Cash Flows

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

The Hospital's Net Position

The Hospital's net position is the difference between its assets, liabilities, and deferred inflows and outflows of resources reported in the balance sheet. The Hospital's net position increased by approximately \$48,900,000 (8.7%) in 2025 over 2024 and increased by approximately \$78,000,000 (16.2%) in 2024 over 2023, as shown in Table A-1 and Table A-2. This increase was primarily due to the significant increase in net patient service revenue in 2025 that came from increased inpatient and outpatient volumes.

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Management's Discussion and Analysis (Unaudited)
September 30, 2025 and 2024

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

	2025	2024 (As Adjusted)	Dollar Change	Percentage Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and other current assets	\$ 280.3	\$ 243.2	\$ 37.1	15.3%
Patient accounts receivable, net	<u>66.9</u>	<u>66.3</u>	<u>0.6</u>	0.9%
Total Current Assets	347.2	309.5	37.7	12.2%
Investments and other assets	266.7	260.8	5.9	2.3%
Capital assets, net	282.7	283.3	(0.6)	-0.2%
Lease assets, net	16.3	18.8	(2.5)	-13.3%
Subscription assets, net	6.9	7.1	(0.2)	-2.8%
Deferred outflows of resources	<u>11.7</u>	<u>19.9</u>	<u>(8.2)</u>	<u>-41.2%</u>
Total Assets and Deferred Outflows of Resources	\$ 931.5	\$ 899.4	\$ 32.1	3.6%
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities	\$ 107.5	\$ 107.6	\$ (0.1)	-0.1%
Long-term liabilities	199.8	212.2	(12.4)	-5.8%
Long-term lease liabilities	9.5	11.8	(2.3)	-19.5%
Long-term subscription liabilities	1.9	2.7	(0.8)	-29.6%
Deferred inflows of resources	<u>3.4</u>	<u>4.6</u>	<u>(1.2)</u>	<u>-26.1%</u>
Total Liabilities and Deferred Inflows of Resources	322.1	338.9	(16.8)	-5.0%
NET POSITION				
Net investment in capital assets	137.5	134.4	3.1	2.3%
Restricted	5.3	5.9	(0.6)	-10.2%
Unrestricted	<u>466.6</u>	<u>420.2</u>	<u>46.4</u>	<u>11.0%</u>
Total Net Position	609.4	560.5	48.9	8.7%
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 931.5	\$ 899.4	\$ 32.1	3.6%

Table A-1 above shows cash and other current assets increased by approximately \$37,100,000 from 2024 to 2025, primarily due to the Hospital having \$89.5 million in additional cash in 2025 but \$50.8 million less short-term investments over 2024. Long-term liabilities decreased by approximately \$12,400,000 from 2024 to 2025, primarily due to the net pension liability decreasing by \$9.3 million in 2025.

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Management's Discussion and Analysis (Unaudited)
September 30, 2025 and 2024

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

	2024 (As Adjusted)	2023	Dollar Change	Percentage Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and other current assets	\$ 243.2	\$ 154.4	\$ 88.8	57.5%
Patient accounts receivable, net	<u>66.3</u>	<u>66.6</u>	<u>(0.3)</u>	<u>-0.5%</u>
Total Current Assets	309.5	221.0	88.5	40.0%
Investments and other assets	260.8	243.8	17.0	7.0%
Capital assets, net	283.3	272.4	10.9	4.0%
Lease assets, net	18.8	33.4	(14.6)	-43.7%
Subscription assets, net	7.1	6.8	0.3	4.4%
Deferred outflows of resources	<u>19.9</u>	<u>23.5</u>	<u>(3.6)</u>	<u>-15.3%</u>
Total Assets and Deferred Outflows of Resources	\$ 899.4	\$ 800.9	\$ 98.5	12.3%
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities	\$ 107.6	\$ 89.3	\$ 18.3	20.5%
Long-term liabilities	212.2	193.3	18.9	9.8%
Long-term lease liabilities	11.8	25.9	(14.1)	-54.4%
Long-term subscription liabilities	2.7	3.6	(0.9)	-25.0%
Deferred inflows of resources	<u>4.6</u>	<u>6.3</u>	<u>(1.7)</u>	<u>-27.0%</u>
Total Liabilities and Deferred Inflows of Resources	338.9	318.4	20.5	6.4%
NET POSITION				
Net investment in capital assets	134.4	132.6	1.8	1.4%
Restricted	5.9	9.7	(3.8)	-39.2%
Unrestricted	<u>420.2</u>	<u>340.2</u>	<u>80.0</u>	<u>23.5%</u>
Total Net Position	560.5	482.5	78.0	16.2%
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 899.4	\$ 800.9	\$ 98.5	12.3%

Table A-2 above shows cash and other current assets increased by approximately \$88,800,000 from 2023 to 2024, primarily due to the Hospital having \$39.3 million in additional cash in 2024 and \$50.8 million in short-term investments over 2023. Investments and other assets increased by approximately \$17,000,000 from 2023 to 2024, mostly due to increased market values of their held investments.

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Management's Discussion and Analysis (Unaudited)
September 30, 2025 and 2024

Current and long-term liabilities increased by approximately \$18,300,000 and \$18,900,000, respectively, and was primarily due to the retrospective adoption of Governmental Accounting Standards Board (GASB) 101 *Compensated Absences* (see Note 2 to financial statements for more). The adoption of this standard increased current liabilities by \$5.8 million and long-term by \$8.5 million.

Long-term lease liabilities decreased approximately \$14,100,000 and lease assets decreased approximately \$14,600,000, due primarily to the purchase of the Highland Community Hospital Medical Office Building and Medical Plaza through issuance of a \$19,000,000 note payable that increased long-term liabilities.

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

	2025	2024 (As Adjusted)	Dollar Change	Percentage Change
Operating Revenues				
Net patient service revenue	\$ 762.5	\$ 760.3	\$ 2.2	0.3%
Other	23.8	18.6	5.2	28.2%
Total Operating Revenues	786.3	778.9	7.4	1.0%
Operating Expenses				
Salaries, wages, and employee benefits	384.6	379.2	5.4	1.4%
Supplies and other expenses	322.8	296.6	26.2	8.8%
Depreciation and amortization	44.2	42.8	1.4	3.3%
Total Operating Expenses	751.6	718.6	33.0	4.6%
Operating Income (Loss)	34.7	60.3	-25.55	-42.4%
Nonoperating Revenues (Expenses), Net	14.3	28.7	(14.4)	-50.2%
Income (Loss) Before Capital Grants and Gifts	49.0	89.0	(40.0)	-44.9%
Capital Grants and Gifts	-	2.2	(2.2)	-100.0%
Increase (Decrease) in Net Position	49.0	91.2	(42.2)	-46.2%
Beginning Net Position	560.5	469.3	91.2	19.4%
Ending Net Position	\$ 609.5	\$ 560.5	\$ 49.0	8.7%

Table A-3 above shows net patient service revenue increased 1.00% from 2024 to 2025, due to an increase in inpatient and outpatient volumes, offset by a decrease in recognized supplemental payments.

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Management's Discussion and Analysis (Unaudited)
September 30, 2025 and 2024

Supplies and other expenses increased \$26,200,000, due primarily to an increase in inpatient and outpatient volumes.

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

	<u>2024 (As Adjusted)</u>	<u>2023</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues				
Net patient service revenue	\$ 760.3	\$ 639.0	\$ 121.3	19.0%
Other	<u>18.6</u>	<u>15.6</u>	<u>3.0</u>	23.8%
Total Operating Revenues	<u>778.9</u>	<u>654.6</u>	<u>124.3</u>	19.0%
Operating Expenses				
Salaries, wages and employee benefits	379.2	344.1	35.1	10.2%
Supplies and other expenses	296.6	289.9	6.7	2.3%
Depreciation and amortization	<u>42.8</u>	<u>42.4</u>	<u>0.4</u>	1.0%
Total Operating Expenses	<u>718.6</u>	<u>676.4</u>	<u>42.2</u>	6.2%
Operating Loss	60.3	(21.8)	82.0	-39.8%
Nonoperating Revenues, Net	<u>28.7</u>	<u>8.1</u>	<u>20.6</u>	254.3%
Loss Before Capital Grants and Gifts	89.0	(13.7)	102.7	-68.1%
Capital Grants and Gifts	<u>2.2</u>	<u>7.5</u>	<u>(5.3)</u>	0.0%
Increase (Decrease) in Net Position	<u>91.2</u>	<u>(6.2)</u>	<u>97.3</u>	-85.5%
Beginning Net Position, As Previously Reported	482.5	488.7	(6.2)	-1.3%
Cumulative Effect of Adoption of GASB 101	<u>(13.2)</u>	<u>-</u>	<u>(13.2)</u>	100.0%
Beginning Net Position, As Restated	<u>469.3</u>	<u>488.7</u>	<u>(19.4)</u>	-4.0%
Ending Net Position	<u>\$ 560.5</u>	<u>\$ 482.5</u>	<u>\$ 77.9</u>	16.2%

Table A-4 above shows net patient service revenue increased 19.0% from 2023 to 2024, due to an approximate \$66,800,000 increase in MHAP funding in 2024 from 2023.

Salaries, wages, and employee benefits increased \$35,100,000, due primarily to increased full-time employees from 2023 and an incentive bonus paid to employees.

**Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Management's Discussion and Analysis (Unaudited)
September 30, 2025 and 2024**

Capital Assets and Debt Financing

Capital Assets

The Hospital's investment in a variety of net capital assets was approximately \$282,800,000 as of September 30, 2025 and approximately \$283,300,000 as of September 30, 2024, as shown in Table A-5 below.

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

	2025	2024 (As Adjusted)	2023
Land and land improvements	\$ 35.1	\$ 34.4	\$ 35.3
Buildings	376.5	375.6	353.2
Furniture, fixtures, and equipment	347.8	333.7	354.2
 Total Capital Assets	 759.4	 743.7	 742.7
Accumulated depreciation	(492.8)	(463.0)	(492.7)
Construction in progress	16.2	2.6	22.4
 Capital Assets, Net	 \$ 282.8	 \$ 283.3	 \$ 272.4

Debt Financing

The Hospital executed a construction loan to finance the expansion of the Orthopedic Institute in the amount of \$9,000,000, of which \$3.15 million has been drawn.

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

Next Year's Operating Plan

The Hospital's Board of Trustees adopted the fiscal year 2026 operating plan in August 2025. The operating plan for 2026 assumes that inpatient admissions will increase slightly from 2025. The plan includes an increase in net position of approximately \$14,000,000.

Contacting the Hospital's Financial Management

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Balance Sheets
September 30, 2025 and 2024

	<u>2025</u>	2024 (As Adjusted)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 251,794,112	\$ 162,268,806
Restricted cash	526,745	714,424
Funds held by trustee for self-insurance funding – current	395,255	576,433
Short-term investments	1,393,983	52,174,623
Patient accounts receivable, net of allowance for doubtful accounts of \$79,489,000 in 2025 and \$81,934,000 in 2024	66,929,153	66,345,503
Other receivables	3,832,734	5,024,299
Supplies	11,513,737	10,324,568
Prepaid expenses and other	<u>10,848,945</u>	<u>12,057,730</u>
Total Current Assets	<u>347,234,664</u>	<u>309,486,386</u>
Noncurrent Cash and Investments		
Funds held by trustee for self-insurance funding	3,279,111	2,673,679
Funds designated by the Board for discretionary purposes	<u>222,852,437</u>	<u>221,986,664</u>
Total Noncurrent Cash and Investments	<u>226,131,548</u>	<u>224,660,343</u>
Capital Assets, Net	<u>282,729,012</u>	<u>283,285,570</u>
Lease Assets, Net	<u>16,270,293</u>	<u>18,793,773</u>
Subscription Assets, Net	<u>6,917,820</u>	<u>7,062,380</u>
Other Assets	<u>39,304,445</u>	<u>34,438,927</u>
Net Other Postemployment Benefit Asset	<u>1,230,367</u>	<u>1,767,666</u>
Deferred Outflows of Resources	<u>11,684,257</u>	<u>19,894,605</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 931,502,406</u></u>	<u><u>\$ 899,389,650</u></u>

**Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Balance Sheets
September 30, 2025 and 2024**

(Continued)

	2025	2024 (As Adjusted)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities		
Current installments of long-term debt	\$ 7,892,072	\$ 7,911,955
Current installments of lease liabilities	4,780,815	4,645,732
Current installments of subscription liabilities	3,120,110	2,911,397
Accounts payable	37,583,762	26,406,324
Salaries and wages payable	32,446,527	37,750,482
Payroll taxes and withholdings	5,332,545	5,082,297
Due to third-party payors	6,685,249	11,608,181
Other accrued expenses	<u>9,683,204</u>	<u>11,266,728</u>
Total Current Liabilities	<u>107,524,284</u>	<u>107,583,096</u>
Long-term debt	139,466,576	145,270,653
Lease liabilities	9,527,023	11,778,590
Subscription liabilities	1,854,415	2,749,484
Estimated insurance reserves and other	15,387,422	12,656,899
Net pension liability	<u>44,979,577</u>	<u>54,257,279</u>
Total Liabilities	<u>318,739,297</u>	<u>334,296,001</u>
Deferred Inflows of Resources	<u>3,380,562</u>	<u>4,613,018</u>
Net Position		
Net investment in capital assets	137,476,948	134,382,151
Restricted		
Other postemployment benefits	1,230,367	1,767,666
Capital expenditures and other	4,047,105	4,131,225
Unrestricted	<u>466,628,127</u>	<u>420,199,589</u>
Total Net Position	<u>609,382,547</u>	<u>560,480,631</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 931,502,406</u>	<u>\$ 899,389,650</u>

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2025 and 2024

	2025	2024 (As Adjusted)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts of \$78,244,000 in 2025 and \$66,869,000 in 2024	\$ 762,466,364	\$ 760,335,814
Other	23,779,549	18,565,186
Total Operating Revenues	786,245,913	778,901,000
Operating Expenses		
Salaries, wages, and employee benefits	384,603,030	379,224,547
Supplies	172,942,639	160,033,226
Contractual services	101,702,057	91,962,643
Repairs, maintenance, and other	40,599,381	38,184,089
Insurance	5,104,390	3,731,252
Lease and rentals	2,539,546	2,823,615
Depreciation and amortization	44,158,114	42,767,833
Total Operating Expenses	751,649,157	718,727,205
Operating Income	34,596,756	60,173,795
Nonoperating Revenues (Expenses)		
Net investment income	18,203,137	25,590,568
Interest expense	(5,794,099)	(5,735,955)
Noncapital grants and gifts received and other	2,713,489	10,626,390
Noncapital grants and gifts paid to others	(2,737,921)	(2,015,185)
Other	1,920,554	277,277
Total Nonoperating Revenues	14,305,160	28,743,095
Income Before Capital Grants and Gifts	48,901,916	88,916,890
Capital Grants and Gifts	-	2,238,964
Increase in Net Position	48,901,916	91,155,854
Net Position, Beginning of Year	560,480,631	469,324,777
Net Position, End of Year	\$ 609,382,547	\$ 560,480,631

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Statements of Cash Flows
Years Ended September 30, 2025 and 2024

	2025	2024 (As Adjusted)
Operating Activities		
Receipts from and on behalf of patients	\$ 755,954,216	\$ 755,877,969
Other cash received	23,513,366	18,301,364
Cash paid to suppliers and others	(322,374,998)	(296,216,540)
Cash paid to or on behalf of employees	<u>(391,968,957)</u>	<u>(363,810,727)</u>
Net Cash Provided by Operating Activities	65,123,627	114,152,066
Noncapital Financing Activities		
Noncapital grants and gifts received and other	2,713,489	10,626,390
Noncapital grants and gifts paid to others	<u>(2,737,921)</u>	<u>(2,015,185)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	(24,432)	8,611,205
Capital and Related Financing Activities		
Proceeds from issuance of long-term debt	3,155,556	19,000,000
Principal paid on long-term debt	(7,911,956)	(8,268,674)
Interest paid on long-term debt	(5,627,861)	(5,768,377)
Principal payments received on leases receivable	521,858	534,873
Interest payments received on leases receivable	80,075	101,935
Principal paid on lease liabilities	(5,182,712)	(5,307,717)
Interest paid on lease liabilities	(753,280)	(784,116)
Principal paid on subscription liabilities	(2,923,936)	(3,201,056)
Interest paid on subscription liabilities	(213,462)	(227,128)
Purchase of capital assets and lease assets	(28,191,320)	(44,588,701)
Proceeds from receipt of capital grants	<u>-</u>	<u>2,238,964</u>
Net Cash Used in Capital and Related Financing Activities	(47,047,038)	(46,269,997)
Investing Activities		
Interest and dividends on investments	16,628,954	11,321,388
Proceeds from sale of investments	222,144,248	239,780,831
Purchase of investments	<u>(174,197,394)</u>	<u>(287,216,589)</u>
Net Cash Provided by (Used in) Investing Activities	64,575,808	(36,114,370)
Increase in Cash and Cash Equivalents	82,627,965	40,378,904
Cash and Cash Equivalents, Beginning of Year	177,799,506	137,420,602
Cash and Cash Equivalents, End of Year	\$ 260,427,471	\$ 177,799,506

**Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Statements of Cash Flows
Years Ended September 30, 2025 and 2024**

(Continued)

	2025	2024 (As Adjusted)
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 34,596,756	\$ 60,173,795
Items not requiring cash		
Depreciation and amortization	44,158,114	42,767,833
Provision for uncollectible accounts	78,243,702	66,869,218
Changes in		
Patient accounts receivable, net	(78,827,352)	(66,600,442)
Accounts payable and accrued liabilities	(1,765,058)	17,199,774
Amounts due to third-party payors	(4,922,932)	(774,545)
Net pension liability	(9,277,702)	2,517,389
Other postemployment benefits	537,299	66,446
Deferred inflows of resources - pension and other postemployment benefits	(693,914)	(1,094,791)
Deferred outflows of resources - pension and other postemployment benefits	8,071,135	3,424,448
Other assets and liabilities	<u>(4,996,421)</u>	<u>(10,397,059)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 65,123,627</u></u>	<u><u>\$ 114,152,066</u></u>
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 252,320,857	\$ 162,983,230
Cash and cash equivalents in funds internally designated and held by trustee for capital acquisition	4,432,248	11,566,164
Cash and cash equivalents in funds held by trustee for self-insurance funding	<u>3,674,366</u>	<u>3,250,112</u>
Total Cash and Cash Equivalents	<u><u>\$ 260,427,471</u></u>	<u><u>\$ 177,799,506</u></u>
Noncash Investing, Capital, and Financing Activities		
Capital asset purchases included in accounts payable	\$ 6,928,731	\$ 775,686
Lease obligation for leased assets	\$ 3,066,228	\$ 4,616,369
Lease termination due to purchase of Highland Community Hospital Medical Office Building	\$ -	\$ (13,896,616)
Lease obligation for subscription assets	\$ 2,237,580	\$ 3,108,155

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Statements of Fiduciary Net Position
Years Ended September 30, 2025 and 2024

	2025	2024
	Pension and Other Employee Benefit Trust Funds	Pension and Other Employee Benefit Trust Funds
ASSETS		
Cash and cash equivalents	<u>\$ 432,086</u>	<u>\$ 431,060</u>
Investment income		
Accrued income	<u>569,040</u>	<u>483,729</u>
Investments at fair value		
Money market mutual funds	3,919,369	32,278,236
Treasury bills	-	2,001,071
Mutual funds		
Equities	134,261,821	127,957,344
Fixed income	90,644,842	46,944,029
Investments at contract value	<u>3,983,912</u>	<u>3,862,687</u>
Total Investments	<u>232,809,944</u>	<u>213,043,367</u>
Total Assets	<u>\$ 233,811,070</u>	<u>\$ 213,958,156</u>
NET POSITION		
Restricted for		
Pensions	\$ 225,987,829	\$ 206,370,431
Postemployment benefits other than pensions	<u>7,823,241</u>	<u>7,587,725</u>
Total Net Position	<u>\$ 233,811,070</u>	<u>\$ 213,958,156</u>

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Statements of Changes in Fiduciary Net Position
Years Ended September 30, 2025 and 2024

	2025	2024
	Pension and Other Employee Benefit Trust Funds	Pension and Other Employee Benefit Trust Funds
Additions		
Contributions		
Members	\$ 10,043,739	\$ 6,876,108
Investment earnings		
Net increase in fair value of investments	<u>24,365,055</u>	<u>20,273,274</u>
Total Additions	<u>34,408,794</u>	<u>27,149,382</u>
Deductions		
Benefits paid to participants or beneficiaries	14,131,863	13,373,258
Administrative expense	<u>424,017</u>	<u>385,033</u>
Total Deductions	<u>14,555,880</u>	<u>13,758,291</u>
Net Increase in Fiduciary Net Position	19,852,914	13,391,091
Fiduciary Net Position, Beginning of Year	<u>213,958,156</u>	<u>200,567,065</u>
Fiduciary Net Position, End of Year	<u><u>\$ 233,811,070</u></u>	<u><u>\$ 213,958,156</u></u>

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

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

Nature of Operations and Reporting Entity

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

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

- Highland Community Hospital (HCH), an acute care hospital located in Picayune, Mississippi, over which the Hospital obtained control on May 1, 2006;
- Walthall General Hospital (WGH), a critical access hospital located in Tylertown, Mississippi, over which the Hospital obtained control on October 1, 2010;
- Jefferson Davis General Hospital (JDGH), a critical access hospital and 60-bed nursing home located in Prentiss, Mississippi, over which the Hospital obtained control on July 1, 2011;
- Marion General Hospital (MGH), a hospital located in Columbia, Mississippi, over which the Hospital obtained control on January 1, 2012;
- Pearl River County Hospital and Nursing Home (PRH), a critical access hospital and 120-bed nursing home located in Poplarville, Mississippi, over which the Hospital obtained control on February 1, 2020; and
- Perry County General Hospital (PCH), a critical access hospital located in Richton, Mississippi, over which the Hospital obtained control on December 31, 2021. In April 2024, this hospital was designated a rural emergency hospital.

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

- AAA Ambulance Service, Inc. (AAA), a provider of medical and emergency transportation services;
- Forrest General Healthcare Foundation, Inc. (Foundation), which raises funds for the benefit of the Hospital;
- South Mississippi Health Services, Inc., a property management organization;
- Forrest General Health Services, Inc., a management and consulting organization;
- Clean Earth, Inc., a waste removal organization;
- Forrest General Managed Care Services, Inc., which owns a physical hospital organization and managed care contracting entity;
- Forrest General Occupational Medicine Services, Inc., which owns an occupational medicine provider; and
- Pine Grove Public Benefit Corporation (PGPB), a nonprofit corporation created as a part of the New Market Tax Credit transaction used to finance the Pine Grove building construction entered into on February 8, 2023.

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

**Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024**

Fiduciary Funds

The Forrest County General Hospital Pension Plan (Pension Plan) and the Forrest County General Hospital Employee Health Benefit Plan (OPEB Plan) are single-employer defined benefit plans included in the financial statements as a pension and OPEB trust fiduciary fund. The Board of Trustees of the Hospital performs the governing duties of the Pension Plan and the OPEB Plan, as the Pension Plan and the OPEB Plan do not have a separate board and are fiscally dependent on the Hospital. The fiduciary fund statements are presented as of June 30, 2025 and 2024 for the Pension Plan and September 30, 2025 and 2024 for the OPEB Plan, each plan's fiscal year-end.

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. The Hospital does consider uninvested cash held in investment accounts as cash or cash equivalents. At September 30, 2025, cash equivalents consisted primarily of money market accounts with brokers, IntraFi Cash Service, and U.S. Treasury bills.

Patient Accounts Receivable

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

Notes Receivable

Notes receivable are stated at the outstanding principal amount, net of allowance for uncollectible notes. The Hospital provides an allowance for uncollectible notes, which is based on review of outstanding receivables, historical collection information, and existing economic conditions. No allowance was recorded in 2025. Outstanding notes accrue interest based on the terms of the respective note agreements. A note receivable is considered delinquent when the debtor has missed three or more payments. At that time, the note is placed on nonaccrual status and interest accrual ceases and does not resume until the note is no longer classified as delinquent. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the borrower.

**Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024**

The Hospital did not have any notes receivable that were considered delinquent for 2025. See Note 4 for further information.

Supplies

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

Designated Funds and Funds Held by Trustees

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

Investments and Investment Income

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

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

Capital Assets

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

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

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

Lease Assets

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

**Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024**

Subscription Assets

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

Capital, Lease, and Subscription Asset Impairment

The Hospital recognizes the impairment of capital, lease, and subscription assets when events or changes in circumstances suggest that the service utility of the capital and lease asset may have significantly and unexpectedly declined. If such assets are no longer used, they are reported at the lower of carrying value or fair value. If such assets continue to be used, the impairment loss is measured using the method that best reflects the diminished utility of the capital and lease assets. No asset impairment was recognized during the years ended September 30, 2025 or 2024.

Compensated Absences

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

Risk Management

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

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Deferred Outflows/Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future reporting periods are reported as deferred outflows of resources and deferred inflows of resources. At September 30, 2025 and 2024, deferred outflows of resources and deferred inflows of resources were comprised of the following:

	Deferred Outflows of Resources	
	2025	2024
Deferred loss on refunding (Note 6)	\$ 1,190,096	\$ 1,313,146
Deferred outflow - acquisitions	1,078,666	1,094,829
Pension plan (Note 13)	7,140,437	15,575,532
OPEB Plan (Note 14)	<u>2,275,058</u>	<u>1,911,098</u>
	<u>\$ 11,684,257</u>	<u>\$ 19,894,605</u>

	Deferred Inflows of Resources	
	2025	2024
Gain on debt refunding of 2019 bonds (Note 6)	\$ 21,007	\$ 29,221
OPEB Plan (Note 14)	1,561,297	2,255,215
Leases	<u>1,798,258</u>	<u>2,328,582</u>
	<u>\$ 3,380,562</u>	<u>\$ 4,613,018</u>

Defined Benefit Pension Plan

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

Defined Benefit Other Postemployment Benefit Plan

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Split-Dollar Life Insurance Plan

The Hospital has a split-dollar life insurance plan for specified executives and physicians. The premium paid by the Hospital into the split-dollar life insurance plan, pursuant to Treasury regulations, are treated for tax and accounting purposes as loans receivable that are secured by the insurance policies and included in other assets on the balance sheets.

Lease Receivable

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

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

Lease Liability

The Hospital is a lessee for noncancelable leases. The Hospital recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. At the commencement of a lease, the Hospital initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

Subscription Liability

The Hospital has entered into noncancelable contracts for subscription based intangible assets. The Hospital recognizes a subscription liability and an SBITA asset in the financial statements. At the commencement of a SBITA, the Hospital initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The SBITA asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life.

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Net Position

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

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

Net Patient Service Revenue

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

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

Charity Care

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

Income Taxes

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

Note 2. Change in Accounting Principle

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 101, *Compensated Absences*. The new accounting guidance updates the recognition and measurement guidance for compensated absences under a unified model.

Specifically, the new standard clarifies that a liability should be recorded for compensated absences that are more likely than not to be paid or otherwise settled. Additionally, it amends certain existing disclosure requirements.

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

The Hospital adopted this standard on October 1, 2024, and applied it retrospectively to the earliest period presented. The cumulative effect adjustment to beginning net position at the date of initial application was \$13,154,286.

Beginning net position, as previously reported	\$ 482,479,063
Cumulative effect of adoption of GASB 101	<u>(13,154,286)</u>
Beginning net position, as restated	<u>\$ 469,324,777</u>

The Hospital's balances of compensated absences include accrued sick pay and accrued paid time off, and are summarized below as of September 30, 2025 and 2024:

	2025		
	Beginning Balance	Net Change	Ending Balance
Compensated absenses	\$ 23,793,047	\$ 2,457,195	\$ 26,250,242

	2024		
	Beginning Balance	Net Change	Ending Balance
Compensated absenses	\$ 21,693,248	\$ 2,099,799	\$ 23,793,047

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

At September 30, 2025 and 2024, short-term compensated absences totaled \$16,332,316 and \$15,292,673, respectively, and are included in the balance sheets within salaries and wages payable. At September 30, 2025 and 2024, long-term compensated absences totaled \$9,917,926 and \$8,500,374, respectively, and are included in the balance sheets within estimated insurance reserves and other. The effect of the retroactive application of GASB No. 101 on previously reported financial statement amounts is summarized below:

	2024 As Previously Reported	2024 As Adjustment	2024 As Adjusted
Balance Sheet			
Salaries and wages payable	\$ 31,889,804	\$ 5,860,678	\$ 37,750,482
Estimated insurance reserves and other	\$ 4,156,524	\$ 8,500,375	\$ 12,656,899
Unrestricted net position	\$ 434,560,642	\$ (14,361,053)	\$ 420,199,589
 Statement of Revenues, Expenses, and Changes in Net Position			
Salaries, wages, and employee benefits	\$ 378,017,780	\$ 1,206,767	\$ 379,224,547
Net position, beginning of year	\$ 482,479,063	\$ (13,154,286)	\$ 469,324,777
Net position, end of year	\$ 574,841,684	\$ (14,361,053)	\$ 560,480,631
 Statement of Cash Flows			
Operating income	\$ 61,380,562	\$ (1,206,767)	\$ 60,173,795
Accounts payable and accrued liabilities	\$ 11,339,096	\$ 5,860,678	\$ 17,199,774
Other assets and liabilities	\$ (5,743,148)	\$ (4,653,911)	\$ (10,397,059)

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Note 3. Deposits, Investments, and Investment Income

The Hospital's deposits and investments are summarized below as of September 30, 2025 and 2024:

	2025	2024
Cash and cash equivalents	\$ 224,253,111	\$ 137,667,868
Restricted cash	526,745	714,424
Money market mutual funds	27,541,001	24,600,938
Short-term investments		
U.S. Treasury securities	-	50,834,406
Certificates of deposit	1,393,983	1,340,217
Designated funds and funds held by trustees		
Cash and cash equivalents	8,106,614	14,816,276
U.S. agency securities	41,594,976	34,735,109
U.S. Treasury securities	36,564,782	24,379,931
State municipal securities	18,211,206	20,925,685
Corporate debt securities	35,126,905	38,991,362
Pooled investment securities	<u>86,922,320</u>	<u>91,388,413</u>
	<u>226,526,803</u>	<u>225,236,776</u>
	<u>\$ 480,241,643</u>	<u>\$ 440,394,629</u>

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

Credit Risk

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

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

A summary of cash and investments is as follows:

September 30, 2025	Fair Value	Percentage	Credit Rating
Cash and cash equivalents, operating funds	\$ 224,253,111	46.70%	Exempt from disclosure
Cash and cash equivalents, designated and held by trustee	8,106,614	1.69%	Exempt from disclosure
Restricted cash	526,745	0.11%	Exempt from disclosure
Money market mutual funds	27,541,001	5.73%	Exempt from disclosure
Certificates of deposit	1,393,983	0.29%	Exempt from disclosure
U.S. agency securities	41,594,976	8.66%	Exempt from disclosure
U.S. Treasury securities	36,564,782	7.61%	Exempt from disclosure
State municipal securities	18,211,206	3.79%	Exempt from disclosure
Corporate debt securities	35,126,905	7.31%	Aa1 - Ba2
Pooled investment securities	<u>86,922,320</u>	<u>18.11%</u>	**
	<u><u>\$ 480,241,643</u></u>	<u><u>100.00%</u></u>	

September 30, 2024	Fair Value	Percentage	Credit Rating
Cash and cash equivalents, operating funds	\$ 137,667,868	31.26%	Exempt from disclosure
Cash and cash equivalents, designated and held by trustee	14,816,276	3.36%	Exempt from disclosure
Restricted cash	714,424	0.16%	Exempt from disclosure
Money market mutual funds	24,600,938	5.59%	Exempt from disclosure
Certificates of deposit	1,340,217	0.30%	Exempt from disclosure
U.S. agency securities	34,735,109	7.89%	Exempt from disclosure
U.S. Treasury securities	75,214,337	17.08%	Exempt from disclosure
State municipal securities	20,925,685	4.75%	Exempt from disclosure
Corporate debt securities	38,991,362	8.85%	Aa1 - Ba2
Pooled investment securities	<u>91,388,413</u>	<u>20.76%</u>	**
	<u><u>\$ 440,394,629</u></u>	<u><u>100.00%</u></u>	

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

Concentration of Credit Risk

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

**Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024**

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer (an investment that represents more than 5% of the market value of the total investment portfolio). At September 30, 2025, approximately 9%, 8%, and 8% of the Hospital's investment portfolio concentrations were invested in Federal Home Loan Bank, bonds of the State of Mississippi, and Federal National Mortgage Association, respectively. At September 30, 2024, approximately 6%, 9%, and 9% of the Hospital's investment portfolio concentrations were invested in Federal Home Loan Bank, bonds of the State of Mississippi, and Federal National Mortgage Association, respectively.

Custodial Credit Risk

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

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

- In accordance with statutes of the State of Mississippi, the Hospital maintains its deposits at financial institutions authorized by the Board of Trustees.
- The collateral for public entity deposits in financial institutions is held in the name of the State Treasurer of Mississippi under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code Annotated (1972). Under this program, the Hospital's funds are protected through a collateral pool administered by the State Treasurer.
- Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits.
- In the event of a financial institution's failure, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. At September 30, 2025 and 2024, deposits and investments requiring custodial credit risk disclosure totaled approximately \$135,929,000 and \$130,499,000, respectively, and were exposed to credit risk by approximately \$6,014,964 and \$2,456,000 respectively.

Interest Rate Risk

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

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

The following is a summary of the Hospital's segmented time distribution investment maturities in years by investment type as of September 30, 2025 and 2024.

September 30, 2025	Fair Value	Years			
		< 1	1 – 5	6 – 10	More than 10
Money market mutual funds	\$ 27,541,001	\$ 27,541,001	\$ -	\$ -	\$ -
U.S. agency securities	41,594,976	3,902,278	36,429,545	1,263,153	-
U.S. Treasury securities	36,564,782	31,179,607	5,385,175	-	-
State municipal securities	18,211,206	3,397,572	9,242,557	5,571,077	-
Corporate debt securities	35,126,904	9,402,719	20,636,904	5,087,281	-
	\$ 159,038,869	\$ 75,423,177	\$ 71,694,181	\$ 11,921,511	\$ -

September 30, 2024	Fair Value	Years			
		< 1	1 – 5	6 – 10	More than 10
Money market mutual funds	\$ 24,600,938	\$ 24,600,938	\$ -	\$ -	\$ -
U.S. agency securities	34,735,109	4,173,300	29,065,844	1,495,965	-
U.S. Treasury securities	75,214,337	53,794,196	21,420,141	-	-
State municipal securities	20,925,686	4,377,654	10,018,963	6,529,069	-
Corporate debt securities	38,991,362	3,364,325	26,708,002	8,919,035	-
	\$ 194,467,432	\$ 90,310,413	\$ 87,212,950	\$ 16,944,069	\$ -

The Hospital has \$86,923,273 and \$91,388,413 in 2025 and 2024, respectively, in pooled investment securities whose underlying investments are primarily U.S. government and U.S. agency debt securities with varying maturities as determined by the pool; however, the average maturity is less than five years.

Investment Income

Investment income for the years ended September 30, 2025 and 2024 consisted of:

	2025	2024
Interest and dividend income	\$ 15,823,895	\$ 13,609,361
Realized losses on investments, net	(880,199)	(625,337)
Unrealized gains on investments, net	3,259,441	12,606,544
	\$ 18,203,137	\$ 25,590,568

Note 4. Notes Receivable

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Note 5. Capital, Lease, and Subscription Assets

Capital assets and related activity for the year ended September 30, 2025 consist of the items shown below.

	Balance October 1, 2024	Transfers in and Additions	Transfers Out and Retirements	Balance September 30, 2025
Capital assets not being depreciated				
Land	\$ 18,786,788	\$ 923,143	\$ -	\$ 19,709,931
Construction in progress	2,617,415	31,652,449	(18,075,444)	16,194,420
Total book value of capital assets not being depreciated	<u>21,404,203</u>	<u>32,575,592</u>	<u>(18,075,444)</u>	<u>35,904,351</u>
Capital assets being depreciated				
Land improvements	15,569,435	-	(169,117)	15,400,318
Leasehold improvements	6,403,503	168,310	-	6,571,813
Buildings	375,550,990	993,335	-	376,544,325
Fixed equipment	58,558,536	3,881,469	(248,395)	62,191,610
Movable equipment	261,619,706	12,587,131	(4,197,181)	270,009,656
Automotive equipment	7,195,390	2,040,905	(287,677)	8,948,618
Total book value of capital assets being depreciated	<u>724,897,560</u>	<u>19,671,150</u>	<u>(4,902,370)</u>	<u>739,666,340</u>
Less accumulated depreciation for				
Land improvements	11,595,138	670,706	(169,117)	12,096,727
Leasehold improvements	4,760,421	233,718	-	4,994,139
Buildings	195,919,716	13,872,742	-	209,792,458
Fixed equipment	41,294,185	3,430,636	(248,395)	44,476,426
Movable equipment	204,609,157	15,653,036	(4,197,181)	216,065,012
Automotive equipment	4,837,576	867,018	(287,677)	5,416,917
Total accumulated depreciation	<u>463,016,193</u>	<u>34,727,856</u>	<u>(4,902,370)</u>	<u>492,841,679</u>
Capital assets being depreciated, net	<u>261,881,367</u>	<u>(15,056,706)</u>	<u>-</u>	<u>246,824,661</u>
Capital assets, net	<u>\$ 283,285,570</u>	<u>\$ 17,518,886</u>	<u>\$ (18,075,444)</u>	<u>\$ 282,729,012</u>

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Capital assets and related activity for the year ended September 30, 2024 consist of the items shown below:

	Balance October 1, 2023	Transfers in and Additions	Transfers Out and Retirements	Balance September 30, 2024
Capital assets not being depreciated				
Land	\$ 18,415,461	\$ 371,327	\$ -	\$ 18,786,788
Construction in progress	22,441,248	41,825,259	(61,649,092)	2,617,415
Total book value of capital assets not being depreciated	<u>40,856,709</u>	<u>42,196,586</u>	<u>(61,649,092)</u>	<u>21,404,203</u>
Capital assets being depreciated				
Land improvements	16,871,110	495,942	(1,797,617)	15,569,435
Leasehold improvements	6,476,348	-	(72,845)	6,403,503
Buildings	353,187,458	45,534,926	(23,171,394)	375,550,990
Fixed equipment	57,074,315	3,410,754	(1,926,533)	58,558,536
Movable equipment	284,437,089	13,116,890	(35,934,273)	261,619,706
Automotive equipment	6,193,469	1,526,397	(524,476)	7,195,390
Total book value of capital assets being depreciated	<u>724,239,789</u>	<u>64,084,909</u>	<u>(63,427,138)</u>	<u>724,897,560</u>
Less accumulated depreciation for				
Land improvements	12,690,961	701,794	(1,797,617)	11,595,138
Leasehold improvements	4,600,681	232,585	(72,845)	4,760,421
Buildings	205,443,881	13,647,229	(23,171,394)	195,919,716
Fixed equipment	40,124,443	3,096,275	(1,926,533)	41,294,185
Movable equipment	225,068,783	15,468,539	(35,928,165)	204,609,157
Automotive equipment	4,799,544	562,508	(524,476)	4,837,576
Total accumulated depreciation	<u>492,728,293</u>	<u>33,708,930</u>	<u>(63,421,030)</u>	<u>463,016,193</u>
Capital assets being depreciated, net	<u>231,511,496</u>	<u>30,375,979</u>	<u>(6,108)</u>	<u>261,881,367</u>
Capital assets, net	\$ 272,368,205	\$ 72,572,565	\$ (61,655,200)	\$ 283,285,570

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Lease assets activity for the year ended September 30, 2025 follows:

	Balance October 1, 2024			Balance September 30, 2025
		Additions	Terminations	
Lease assets being amortized				
Building	\$ 14,523,851	\$ -	\$ (295,982)	\$ 14,227,869
Equipment	13,375,398	2,682,054	(853,099)	15,204,353
Vehicles	2,316,573	669,779	(829,079)	2,157,273
	<u>30,215,822</u>	<u>3,351,833</u>	<u>(1,978,160)</u>	<u>31,589,495</u>
Accumulated amortization				
Building	5,691,307	1,754,333	(295,982)	7,149,658
Equipment	4,492,217	3,288,234	(853,099)	6,927,352
Vehicles	1,238,525	832,746	(829,079)	1,242,192
	<u>11,422,049</u>	<u>5,875,313</u>	<u>(1,978,160)</u>	<u>15,319,202</u>
Lease assets, net	<u>\$ 18,793,773</u>	<u>\$ (2,523,480)</u>	<u>\$ -</u>	<u>\$ 16,270,293</u>

Lease assets activity for the year ended September 30, 2024 follows:

	Balance October 1, 2023			Balance September 30, 2024
		Additions	Terminations	
Lease assets being amortized				
Building	\$ 32,212,069	\$ 324,693	\$ (18,012,911)	\$ 14,523,851
Equipment	12,048,458	2,826,518	(1,499,578)	13,375,398
Vehicles	1,152,929	1,465,158	(301,514)	2,316,573
	<u>45,413,456</u>	<u>4,616,369</u>	<u>(19,814,003)</u>	<u>30,215,822</u>
Accumulated amortization				
Building	8,073,449	2,190,103	(4,572,245)	5,691,307
Equipment	3,168,158	2,823,637	(1,499,578)	4,492,217
Vehicles	749,875	790,164	(301,514)	1,238,525
	<u>11,991,482</u>	<u>5,803,904</u>	<u>(6,373,337)</u>	<u>11,422,049</u>
Lease assets, net	<u>\$ 33,421,974</u>	<u>\$ (1,187,535)</u>	<u>\$ (13,440,666)</u>	<u>\$ 18,793,773</u>

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Subscription assets activity for the year ended September 30, 2025 follows:

	2025		
	Beginning Balance	Additions	Disposals
Subscription assets	\$ 12,823,416	\$ 3,492,668	\$ (767,005)
Less accumulated amortization			
Subscription assets	<u>5,761,036</u>	<u>3,637,228</u>	<u>(767,005)</u>
Subscription assets, net	<u>\$ 7,062,380</u>	<u>\$ (144,560)</u>	<u>\$ -</u>

Subscription assets activity for the year ended September 30, 2024 follows:

	2024		
	Beginning Balance	Additions	Disposals
Subscription assets	\$ 11,116,901	\$ 3,470,459	\$ (1,763,944)
Less accumulated amortization			
Subscription assets	<u>4,318,550</u>	<u>3,206,430</u>	<u>(1,763,944)</u>
Subscription assets, net	<u>\$ 6,798,351</u>	<u>\$ 264,029</u>	<u>\$ -</u>

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Note 6. Long-term Debt

A summary of long-term obligation transactions for the Hospital for the years ended September 30, 2025 and 2024 follows:

Description	Balance October 1, 2024		Additions	Retired	Amortization	Balance September 30, 2025		Due Within One Year
	\$	63,530,000	\$	-	\$	63,530,000	\$	-
Series 2019A (A)	\$ 63,530,000		\$ -	\$ -	\$ -	\$ 63,530,000	\$ -	-
Series 2019B (B)	19,790,000		-	(2,105,000)	-	17,685,000	2,215,000	
Cadence (C)	13,480,527		-	(1,444,391)	-	12,036,136	1,490,269	
Cadence (D)	5,189,880		-	(1,390,179)	-	3,799,701	1,427,693	
Cadence (E)	3,699,979		-	(1,235,165)	-	2,464,814	1,268,505	
Trustmark (F)	273,048		-	(273,048)	-	-	-	
Trustmark (G)	4,263,797		-	(704,173)	-	3,559,624	730,605	
NMTC debt (H)	16,570,000		-	-	-	16,570,000	-	
Trustmark (I)	18,430,000		-	(760,000)	-	17,670,000	760,000	
Trustmark (J)	-	3,155,556		-	-	3,155,556	-	
Unamortized bond premium	<u>7,955,377</u>		<u>-</u>	<u>-</u>	<u>(1,067,560)</u>	<u>6,887,817</u>	<u>-</u>	
	<u>\$ 153,182,608</u>		<u>\$ 3,155,556</u>	<u>\$ (7,911,956)</u>	<u>\$ (1,067,560)</u>	<u>\$ 147,358,648</u>	<u>\$ 7,892,072</u>	

Description	Balance October 1, 2023		Additions	Retired	Amortization	Balance September 30, 2024		Due Within One Year
	\$	63,530,000	\$	-	\$	63,530,000	\$	-
Series 2019A (A)	\$ 63,530,000		\$ -	\$ -	\$ -	\$ 63,530,000	\$ -	-
Series 2019B (B)	21,790,000		-	(2,000,000)	-	19,790,000	2,105,000	
Cadence (C)	14,888,703		-	(1,408,176)	-	13,480,527	1,444,391	
Cadence (D)	6,543,086		-	(1,353,206)	-	5,189,880	1,390,179	
Cadence (E)	4,902,350		-	(1,202,371)	-	3,699,979	1,235,164	
Trustmark (F)	537,512		-	(264,464)	-	273,048	273,048	
Trustmark (G)	5,734,254		-	(1,470,457)	-	4,263,797	704,173	
NMTC debt (H)	16,570,000		-	-	-	16,570,000	-	
Trustmark (I)	-	19,000,000		(570,000)		18,430,000	760,000	
Unamortized bond premium	<u>9,075,718</u>		<u>-</u>	<u>-</u>	<u>(1,120,341)</u>	<u>7,955,377</u>	<u>-</u>	
	<u>\$ 143,571,623</u>		<u>\$ 19,000,000</u>	<u>\$ (8,268,674)</u>	<u>\$ (1,120,341)</u>	<u>\$ 153,182,608</u>	<u>\$ 7,911,955</u>	

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,950,737. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to interest expense through the year 2039 using the effective interest method. The Hospital completed the advance refunding to reduce its total debt service payments over the next 20 years by \$18,442,057 and to obtain an economic gain between the present values of the old and new debt service payments of \$12,081,158. The unamortized loss on refinancing of the debt was \$1,190,096 and \$1,313,146 at September 30, 2025 and 2024, respectively, and is included in the balance sheets as a deferred outflow of resources.

(B) On October 3, 2019, the Hospital issued \$26,365,000 in Series 2019B Revenue Refunding Bonds bearing interest at 5.00% to advance refund \$30,155,000 of Series 2009 Revenue Refunding Bonds (Series 2009 Bonds) and to pay certain expenses incurred in connection with the issuance of the bonds. The total bond proceeds were \$31,080,518, resulting in an issuance premium of \$4,853,935. The net proceeds of \$30,826,061 (after payment of \$392,875 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2009 Bonds. As a result, the Series 2009 Bonds are considered to be defeased, and the liability for those bonds has been removed from the Hospital's balance sheets. The unamortized gain on refunding of the debt was \$21,007 and \$29,221 at September 30, 2025 and 2024, respectively, and is included in the balance sheets as a deferred inflow of resources.

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

(C) Promissory note dated January 25, 2018, bearing interest at 3.55%; collateralized by Hospital revenues; due from February 20, 2018 to January, 20, 2033. On May 3, 2021, this note was refinanced, changing the interest rate to 2.87%. The current principal balance at the time of refinancing and maturity date remain the same as stated in the original note.

(D) Promissory note dated April 9, 2018, bearing interest at 4.17%; collateralized by real property; due from May 9, 2018 to April 9, 2028. On May 3, 2021, this note was refinanced, changing the interest rate to 2.63%. The current principal balance at the time of refinancing and maturity date remain the same as stated in the original note.

(E) Promissory note dated August 31, 2018, bearing interest at 4.57%; collateralized by real property; due from September 30, 2018 to August 31, 2027. On May 3, 2021, this note was refinanced, changing the interest rate to 2.63%. The current principal balance at the time of refinancing and maturity date remain the same as stated in the original note.

(F) Promissory note dated September 17, 2020, bearing interest at 3.05%; collateralized by real property; due from September 17, 2020 to September 17, 2025.

(G) Promissory note for construction of Pine Grove building which can be drawn up to \$12,000,000 dated June 13, 2022, bearing interest at 3.64%; collateralized by real property; due from June 15, 2024 to June 13, 2029.

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

(H) The Hospital executed loan agreements on February 8, 2023 that provide borrowings of \$8,730,000 from SCC Sub-CDE 18, LLC and \$7,840,000 from PBCIF Sub-CDE 8, LLC. The loans financed the construction of a new Pine Grove Medical Office Building. The notes were secured by security interest and lien on the property.

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

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

- (I) On December 21, 2023, the Hospital executed a loan agreement for the Highland Community Hospital Medical Office Building and Medical Plaza for \$19,000,000, which was previously leased by the Hospital. The loan has an interest rate of 6.35%; collateralized by real property; due from December 21, 2023 to December 21, 2028.
- (J) On April 18, 2025, the Hospital executed a construction loan agreement to finance the expansion of the Orthopedic Institute's existing facility for \$9,000,000. The loan has an interest rate of 4.20%; collateralized by pledged revenues and real property; due from April 18, 2025 to April 18, 2030. As of September 30, 2025, the Hospital has drawn \$3,155,556 under the loan.

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

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

Years Ending September 30	Principal	Interest	Total
2026	\$ 7,892,072	\$ 5,286,528	\$ 13,178,600
2027	8,301,009	5,093,098	13,394,107
2028	8,761,209	4,723,562	13,484,771
2029	23,759,250	3,416,358	27,175,608
2030	8,371,897	2,956,023	11,327,920
2031 – 2035	35,263,159	9,979,336	45,242,495
2036 – 2040	36,634,494	3,044,817	39,679,311
2041 – 2045	3,311,176	586,954	3,898,130
Thereafter	8,176,565	620,502	8,797,067
	\$ 140,470,831	\$ 35,707,178	\$ 176,178,009

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Note 7. Leases Receivable

The Hospital leases a portion of its office space to various third parties, the terms of which expire 2025 through 2037. Revenue recognized under lease contracts during the years ended September 30, 2025 and 2024 was \$1,236,109 and \$1,280,061, respectively, which includes both lease revenue and interest. The Hospital's current and noncurrent lease receivable are included on the accompanying balance sheets in other receivables and other assets, respectively, for the years ended 2025 and 2024.

The following is a schedule by year of receipts under the leases as of September 30, 2025:

	Principal	Interest
2026	\$ 526,784	\$ 62,671
2027	544,027	43,256
2028	357,776	25,919
2029	211,500	14,697
2030	51,729	10,891
2031 – 2035	204,417	28,498
2036 – 2040	66,558	2,363
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	\$ 1,962,791	\$ 188,295

Note 8. Lease Liabilities

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

During the years ended September 30, 2025 and 2024, the Hospital recognized approximately \$2,539,546 and \$2,823,615, respectively, of rental expense for variable payments not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of September 30, 2025.

Year Ending September 30,	Total to be Paid		
	Principal	Interest	
2026	\$ 5,364,970	\$ 4,780,815	\$ 584,155
2027	3,772,174	3,382,903	389,271
2028	2,755,599	2,515,160	240,439
2029	1,806,143	1,670,750	135,393
2030	1,032,711	967,861	64,850
2031 – 2035	1,020,058	990,349	29,709
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	\$ 15,751,655	\$ 14,307,838	\$ 1,443,817

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Lease liabilities activity for the years ended September 30 was:

Asset Type	Balance October 1, 2024	Additions	Payments	Balance September 30, 2025
Building	\$ 6,733,128	\$ 64,148	\$ (1,499,542)	\$ 5,297,734
Equipment	8,724,621	2,332,301	(2,900,892)	8,156,030
Vehicles	<u>966,573</u>	<u>669,779</u>	<u>(782,278)</u>	<u>854,074</u>
	<u><u>\$ 16,424,322</u></u>	<u><u>\$ 3,066,228</u></u>	<u><u>\$ (5,182,712)</u></u>	<u><u>\$ 14,307,838</u></u>

Asset Type	Balance October 1, 2023	Additions	Payments	Balance September 30, 2024
Building	\$ 22,018,670	\$ 324,693	\$ (15,610,235)	\$ 6,733,128
Equipment	8,578,904	2,826,518	(2,680,801)	8,724,621
Vehicles	<u>414,712</u>	<u>1,465,158</u>	<u>(913,297)</u>	<u>966,573</u>
	<u><u>\$ 31,012,286</u></u>	<u><u>\$ 4,616,369</u></u>	<u><u>\$ (19,204,333)</u></u>	<u><u>\$ 16,424,322</u></u>

Note 9. Subscription Liabilities

The Hospital has various SBITAs, the terms of which expire in various years through 2030. Variable payments of certain subscriptions are based upon the Consumer Price Index (Index). The subscriptions were measured based upon the Index at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liabilities because they are not fixed in substance.

The following is a schedule by year of payments under the SBITAs as of September 30, 2025:

Year Ending	Total to be		
	Paid	Principal	Interest
2026	\$ 3,263,452	\$ 3,120,110	\$ 143,342
2027	1,426,138	1,375,918	50,220
2028	283,051	261,820	21,231
2029	187,660	181,515	6,145
2030	<u>35,805</u>	<u>35,162</u>	<u>643</u>
	<u><u>\$ 5,196,106</u></u>	<u><u>\$ 4,974,525</u></u>	<u><u>\$ 221,581</u></u>

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Subscription liabilities activity for the years ended September 30 follows:

Asset Type	Balance October 1, 2024	Additions	Payments	Balance September 30, 2025
Subscription liabilities	\$ 5,660,881	\$ 2,237,580	\$ (2,923,936)	\$ 4,974,525

Asset Type	Balance October 1, 2023	Additions	Payments	Balance September 30, 2024
Subscription liabilities	\$ 5,753,782	\$ 3,108,155	\$ (3,201,056)	\$ 5,660,881

Note 10. Other Accrued Expenses

Other accrued expenses consist of the following:

	2025	2024
Patient credit balances	\$ 3,881,284	\$ 5,226,948
Reserve for incurred but not reported employee health claims	1,151,000	1,730,000
Malpractice – current	395,255	576,433
Workers' compensation – current	860,000	830,000
Revenue received in advance	730,662	613,037
Accrued interest expense	1,256,877	1,104,657
Other	1,408,126	1,185,653
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	\$ 9,683,204	\$ 11,266,728

Note 11. Net Patient Service Revenue

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

Medicare

Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain other Medicare reimbursement items are paid based on other retroactive-determination methodologies. WGH, JDGH, PRH, and PCH are classified as critical access hospitals and are reimbursed based on the reasonable costs of providing care to Medicare program beneficiaries. Effective April 2024, PCH became classified as a Rural Emergency Hospital (REH). As an REH, PCH will receive a fixed

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

monthly payment and 5% add-on for outpatient services. PCH will no longer provide inpatient services. MGH and HCH are not classified as critical access hospitals but are receiving payments based on reasonable costs through the Rural Community Hospital Demonstration Project. The demonstration project ends on September 30, 2027 for HCH and September 30, 2026 for MGH. The Hospital is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary. Revenue from the Medicare program (including Medicare managed care) accounted for approximately 50% and 49% of the Hospital's net patient service revenue for the years ended September 30, 2025 and 2024, respectively.

Medicaid

Inpatient and certain outpatient services rendered to Medicaid program beneficiaries are generally paid based upon prospective reimbursement methodologies established by the State of Mississippi. Inpatient services are reimbursed using a prospective-payment system based on All Patient Refined Diagnosis Related Groups (APR-DRG). Outpatient services are reimbursed using an Ambulatory Payment Classification (APC) methodology, similar to the Medicare payment model. The Hospital is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits by the State of Mississippi Medicaid Program. Revenue from the Medicaid program (including Medicaid managed care) accounted for approximately 23% and 26% of the Hospital's net patient service revenue for the years ended September 30, 2025 and 2024, respectively. This includes revenue from the programs described below.

Beginning July 1, 2015, Upper Payment Limit (UPL) payments were phased out, and the Division of Medicaid (DOM) implemented the Mississippi Hospital Access Payment (MHAP) program. The program is administered by DOM through the Mississippi CAN coordinated care organizations (CCOs). The CCOs subcontract with hospitals throughout the state for distribution of MHAP for the purpose of protecting patient access to hospital care. In December 2023, The Centers for Medicare and Medicaid Services (CMS) approved an amendment to the existing MHAP program, whereby hospitals would be reimbursed near the average commercial rate for Medicaid managed care reimbursement retroactive to July 1, 2023, the beginning of the state fiscal year. The net benefit recognized for the Hospital associated with the MHAP program was approximately \$92,800,000 and \$104,500,000 for the years ended September 30, 2025 and 2024, respectively. The Hospital also participates in a voluntary disproportionate share program (DSH) available to certain qualifying hospitals in the state Medicaid program. The net program cost for the Hospital was approximately \$338,000 and \$2,006,000 for the years ended September 30, 2025 and 2024, respectively, due to estimated recoupment liabilities related to the 2021-2024 state DSH audits. Both MHAP and DSH are recognized as net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position.

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

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

The composition of net patient service revenue follows:

	2025	2024
Gross patient service revenue	\$ 2,427,372,343	\$ 2,349,743,618
Provisions for		
Contractual, charity, and other adjustments	(1,586,662,277)	(1,522,538,586)
Bad debts	<u>(78,243,702)</u>	<u>(66,869,218)</u>
	<u><u>\$ 762,466,364</u></u>	<u><u>\$ 760,335,814</u></u>

Note 12. Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The level of charity care provided for 2025 and 2024 is shown in the table below.

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

	2025	2024
Charges foregone, based on established rates	\$ 25,299,933	\$ 28,309,584
Estimated costs and expenses incurred to provide charity care	\$ 7,569,050	\$ 8,387,590
Equivalent percentage of charity care patients to all patients served	1.04%	1.20%

Note 13. Pension Plans

Defined Contribution Pension Plan

The Hospital has a defined contribution pension plan that allows for employee and employer contributions. The plan was established on July 1, 2011, and only full-time employees hired after that date are eligible to receive Hospital contributions to the plan. Hospital contributions were approximately \$3,241,000 and \$2,785,000 during 2025 and 2024, respectively. The Hospital's contributions are vested after five years of service. Forfeitures are used to offset future employer contributions. At September 30, 2025 and 2024, forfeitures were approximately \$261,000 and \$438,000, respectively. Employee contributions were approximately \$7,234,000 and \$6,382,000 during 2025 and 2024, respectively.

Defined Benefit Pension Plan

The Hospital contributes to the Forrest County General Hospital Pension Plan (Pension Plan), a single-employer defined benefit pension plan, which was frozen effective July 1, 2011, thereby excluding new entrants into the Pension Plan. The Pension Plan's fiscal year ends June 30. Actuarial valuations are performed annually on July 1. The Pension Plan is administered by the Hospital's Human Resources Support Department, whose work on the

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Pension Plan is overseen by the Pension Committee of the Hospital's Board of Trustees. The Hospital retains Capital Research and Planning in an advisory capacity for the Pension Plan's matters. The Pension Plan issues a financial report available for all participants that includes financial statements and required supplementary information. The report may be obtained at www.mshospitaltransparency.com when issued or by writing the administration of the Hospital at P. O. Box 16389, Hattiesburg, MS 39404 or calling 601.288.7000.

Benefits Provided

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

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

The employees covered by the Pension Plan at June 30, 2025 and 2024 follow:

	2025	2024
Active participants	597	656
Vested former employees	454	454
Retirees and beneficiaries	752	712
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	1,803	1,822

Contributions

The Hospital's Board of Trustees has the authority to establish and amend the contribution requirements of the Hospital. The Board of Trustees establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Pension Plan members are not required or permitted to contribute any portion of their salary to fund the Pension Plan. The Hospital is required to contribute to the Pension Plan at actuarially determined rates at a percentage of annual covered payroll. For the fiscal year ended September 30, 2025, the Hospital contributed \$10,043,736 (or 21% of covered payroll) to the Pension Plan. For the fiscal year ended September 30, 2024, the Hospital contributed \$6,876,110 (or 14% of covered payroll) to the Pension Plan.

Net Pension Liability

The Hospital's net pension liability was measured as of June 30, 2025 and 2024, as reported as of September 30, 2025 and 2024, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025 and 2024, respectively.

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

The total pension liability in the June 30, 2025 and 2024 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	1.0% – 5.0% for 2025, based on age, including inflation
	2.5% – 5.0% for 2024, based on age, including inflation
Ad hoc cost-of-living adjustments	2.5% per year
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

In 2025 and 2024, mortality rates were based on 125% of the PubG-2010 Total Dataset Mortality Table, adjusted with the MP-2021 Improvement Scale.

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

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

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

Asset Class	Target Allocations			
	Tier One Near-Term Sub Portfolio	Tier Two Mid-Term Sub Portfolio	Tier Three Long-term Sub Portfolio	Tactical Asset Allocation Portfolio
Cash/fixed income	60.00%	40.00%	0.00%	40.00%
Equities	40.00%	60.00%	100.00%	60.00%
Total	100.00%	100.00%	100.00%	100.00%

Asset Class	Long-Term Expected Rate of Return (Arithmetic Mean)	
	June 30, 2025 and 2024	
Cash/fixed income	5.00% – 5.50%	
Equities	7.00% – 10.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for both years ended June 30, 2025 and 2024. The projection of cash flows used to determine the discount rate assumed that Hospital contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

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

	2025		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	<u>\$ 260,627,710</u>	<u>\$ 206,370,431</u>	<u>\$ 54,257,279</u>
Changes for the year			
Service cost	1,598,396	-	1,598,396
Interest	18,517,592	-	18,517,592
Experience gains	3,845,793	-	3,845,793
Contributions	-	10,043,739	(10,043,739)
Net investment income	-	14,705,161	(14,705,161)
Difference between expected and actual returns	-	8,888,972	(8,888,972)
Benefit payments	(13,622,085)	(13,622,085)	-
Administrative expense	-	(398,389)	398,389
Net changes	<u>10,339,696</u>	<u>19,617,398</u>	<u>(9,277,702)</u>
Balance, end of year	<u>\$ 270,967,406</u>	<u>\$ 225,987,829</u>	<u>\$ 44,979,577</u>
	2024		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, beginning of year	<u>\$ 245,198,757</u>	<u>\$ 193,458,867</u>	<u>\$ 51,739,890</u>
Changes for the year			
Service cost	1,461,633	-	1,461,633
Interest	17,421,912	-	17,421,912
Experience gains	3,546,588	-	3,546,588
Change in assumptions	5,715,132	-	5,715,132
Contributions	-	6,876,108	(6,876,108)
Net investment income	-	13,803,295	(13,803,295)
Difference between expected and actual returns	-	5,308,558	(5,308,558)
Benefit payments	(12,716,312)	(12,716,312)	-
Administrative expense	-	(360,085)	360,085
Net changes	<u>15,428,953</u>	<u>12,911,564</u>	<u>2,517,389</u>
Balance, end of year	<u>\$ 260,627,710</u>	<u>\$ 206,370,431</u>	<u>\$ 54,257,279</u>

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

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

	Current Discount Rate		
	1% Decrease	7.25%	1% Increase
Hospital's net pension liability	\$ 75,068,868	\$ 44,979,577	\$ 19,422,480

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

For the years ended September 30, 2025 and 2024, the Hospital recognized pension expense of \$10,144,134 and \$12,391,525, respectively. At September 30, 2025 and 2024, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,878,682	\$ -
Changes in assumptions	1,943,473	-
Net difference between projected and actual earnings on pension plan investments	(2,192,655)	-
Hospital's contributions made subsequent to the measurement date of the net pension liability	<u>2,510,934</u>	<u>-</u>
	<u>\$ 7,140,434</u>	<u>\$ -</u>
 2024		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,805,876	\$ -
Changes in assumptions	3,925,372	-
Net difference between projected and actual earnings on pension plan investments	5,276,349	-
Hospital's contributions made subsequent to the measurement date of the net pension liability	<u>1,567,935</u>	<u>-</u>
	<u>\$ 15,575,532</u>	<u>\$ -</u>

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

For the years ended September 30, 2025 and 2024, the Hospital reported \$2,510,934 and \$1,567,935, respectively, as deferred outflows of resources related to pensions resulting from Hospital contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net pension liability in future periods. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2025 related to pensions will be recognized in pension expense as follows:

2026	\$ 10,707,449
2027	(1,460,645)
2028	(2,839,508)
2029	(1,777,796)
	<hr/>
	<u>\$ 4,629,500</u>

Note 14. Other Postemployment Benefit Plan

Plan Description

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

Benefits Provided

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

Monthly contributions required by retirees depend on the service period at time of retirement and the type of coverage (single or family). Employees are eligible to retire and receive medical benefits under the OPEB Plan if their age plus years of service are greater than or equal to 70 (Rule of 70). Qualifying retirees may only participate in the medical plans offered to active employees until the earlier of age 65, or the date the retiree becomes Medicare eligible. Employees covered by the benefit terms as of the measurement date of September 30, 2025 and 2024 were as follows:

	2025	2024
Actives (covered)	601	647
Retirees (covered)	34	43

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

The following table summarizes the monthly contribution rates for employees retiring on or after January 1, 2025:

2025 Coverage Options	Plan A	Plan B	Plan C
Single	\$ 231	\$ 313	\$ 366
Retiree + 1 child	\$ 347	\$ 475	\$ 566
Retiree + 2 children	\$ 426	\$ 596	\$ 727
Retiree + spouse	\$ 428	\$ 574	\$ 712
Family	\$ 493	\$ 657	\$ 826

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

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

Contributions

The Hospital's governing body has the authority to establish and amend the contribution requirements of the Hospital and active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For both years ended September 30, 2025 and 2024, the Hospital contributed \$0 to the OPEB Plan.

Net OPEB Assets

The Hospital's net OPEB assets of \$1,230,367 and \$1,767,666 were measured as of September 30, 2024 and 2023, respectively, for the years ended September 30, 2025 and 2024, respectively, and the total OPEB asset used to calculate the net OPEB asset was determined by actuarial valuations as of October 1, 2024 and 2023. Due to the significance of favorable claims activity and changes in actuarial assumptions, management had an actuarial valuation completed as of October 1, 2024. There were no other changes between the measurement date of the net OPEB asset and the Hospital's reporting date that are expected to have a significant effect on the net OPEB asset.

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

The total OPEB asset in the October 1, 2023 and 2024 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	2.0% to 6.0% for 2024, based on age 3.0% for 2023
Healthcare cost trend rates	7.00% for 2023, decreasing uniformly to 5.60% over 3 years, to an ultimate rate of 4.04% 7.50% for 2024, decreasing uniformly to 6.60% over 3 years, to an ultimate rate of 4.04%
Investment rate of return	6.0%, net of OPEB Plan investment expense, including inflation
Retirees' share of benefit-related costs	Retirees meet the requirement for enhanced retirement in the retiree medical plan if retiring on or after age 59 with 30 years of service. These retirees pay a monthly premium that is estimated to be 22% (Plan A), 30% (Plan B), or 35% (Plan C) of the expected claims paid under the plan.

Mortality rates were based on 125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2021.

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 6.0% at October 1, 2023 and 2024. The projection of cash flows used to determine the discount rate assumed that Hospital contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Changes in the Net OPEB Asset/Liability

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

	2025		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Asset/Liability (a) - (b)
Balance, beginning of year	\$ 5,340,532	\$ 7,108,198	\$ (1,767,666)
Changes for the year			
Service cost	25,029	-	25,029
Interest	282,517	-	282,517
Difference between expected and actual experience	114,845	-	114,845
Change in actuarial assumptions	1,251,381	-	1,251,381
Net investment income	-	1,161,421	(1,161,421)
Benefit payments	(656,946)	(656,946)	-
Plan administrative expenses	-	(24,948)	24,948
Net changes	1,016,826	479,527	537,299
Balance, end of year	\$ 6,357,358	\$ 7,587,725	\$ (1,230,367)
	2024		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Asset/Liability (a) - (b)
Balance, beginning of year	\$ 5,012,849	\$ 6,846,961	\$ (1,834,112)
Changes for the year			
Service cost	26,039	-	26,039
Interest	279,354	-	279,354
Difference between expected and actual experience	200,311	-	200,311
Change in actuarial assumptions	204,960	-	204,960
Net investment income	-	668,157	(668,157)
Benefit payments	(382,981)	(382,981)	-
Plan administrative expenses	-	(23,939)	23,939
Net changes	327,683	261,237	66,446
Balance, end of year	\$ 5,340,532	\$ 7,108,198	\$ (1,767,666)

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

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

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

	1% Decrease 5.00%	Current Trend 6.00%	1% Increase 7.00%
Hospital's net OPEB asset	\$ (597,845)	\$ (1,230,367)	\$ (1,793,159)

The net OPEB asset of the Hospital has been calculated using healthcare cost trend rates of 7.50% to grade uniformly to 6.60% over a three-year period. The following presents the net OPEB asset using healthcare cost trend rates 1% higher and 1% lower than the current healthcare cost trend rates:

	6.50% to 5.60% Over 3 Years and Following the Getzen Model Thereafter	7.50% to 6.60% Over 3 Years and Following the Getzen Model Thereafter	8.50% to 7.60% Over 3 Years and Following the Getzen Model Thereafter
Hospital's net OPEB asset	\$ (1,850,546)	\$ (1,230,367)	\$ (526,080)

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

For the years ended September 30, 2025 and 2024, the Hospital recognized OPEB credit of \$520,301 and \$601,996, respectively. At September 30, 2025 and 2024, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB Plan investments	\$ 654,002	\$ 967,441
Difference between expected and actual experience	443,099	579,256
Change in actuarial assumptions	1,177,957	14,600
Hospital's contributions made subsequent to the measurement date of the net OPEB liability	-	-
	<u>\$ 2,275,058</u>	<u>\$ 1,561,297</u>

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB Plan investments	\$ 981,004	\$ 626,027
Difference between expected and actual experience	506,803	1,607,288
Change in actuarial assumptions	423,291	21,900
Hospital's contributions made subsequent to the measurement date of the net OPEB liability	-	-
	<u>\$ 1,911,098</u>	<u>\$ 2,255,215</u>

At both September 30, 2025 and 2024, the Hospital reported \$0 as deferred outflows of resources related to OPEB resulting from Hospital contributions subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the net OPEB asset/liability at both October 1, 2024 and 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2025 related to OPEB will be recognized in OPEB expense as follows:

2026	\$ (21,376)
2027	463,426
2028	422,727
2029	(151,016)
	<u>\$ 713,761</u>

OPEB Plan's Fiduciary Net Position

At the September 30, 2024 and 2023 measurement dates, trust assets were comprised of the following:

	2024	2023
Cash and cash equivalents	\$ 2,604,508	\$ 2,571,379
Tweedy Browne Global Value	1,210,423	1,107,069
Vanguard Total International Stock Index Fund	489,285	391,675
Vanguard Russell 2000 Index Fund	640,497	512,165
Vanguard Russell 1000 Index Fund	895,251	1,056,347
Vanguard Value Index Fund	824,599	635,313
Pimco Income Fund	606,788	-
American Funds Emerging Markets Bond Fund	269,937	233,165
Vanguard Total Bond Market Index Fund	-	539,725
Accrued income	<u>46,437</u>	<u>61,360</u>
	<u>\$ 7,587,725</u>	<u>\$ 7,108,198</u>

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Note 15. Pension and Other Postemployment Benefit Plan Financial Statements

The following tables include financial information for the Pension and OPEB Plans as of June 30, 2025 and 2024 and September 30, 2025 and 2024, respectively.

Fiduciary Activities – Statements of Fiduciary Net Position

	2025		
	Pension June 30	OPEB September 30	Pension and Other Employee Benefit Trust Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 432,086	\$ 432,086
Investment income			
Accrued income	551,648	17,392	569,040
Investments at fair value			
Money market mutual funds	3,907,556	11,813	3,919,369
Mutual funds			
Equities	130,320,368	3,941,453	134,261,821
Fixed income	87,224,345	3,420,497	90,644,842
Investments at contract value	3,983,912	-	3,983,912
Total Investments	225,436,181	7,373,763	232,809,944
Total Assets	\$ 225,987,829	\$ 7,823,241	\$ 233,811,070
NET POSITION			
Restricted for			
Pensions	\$ 225,987,829	\$ -	\$ 225,987,829
Postemployment benefits other than pension	-	7,823,241	7,823,241
Total Net Position	\$ 225,987,829	\$ 7,823,241	\$ 233,811,070

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

	2024		
	Pension June 30	OPEB September 30	Pension and Other Employee Benefit Trust Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 431,060	\$ 431,060
Investment income			
Accrued income	437,291	46,438	483,729
Investments at fair value			
Money market mutual funds	32,219,818	58,418	32,278,236
Treasury bills	-	2,001,071	2,001,071
Mutual funds			
Equities	123,897,289	4,060,055	127,957,344
Fixed income	45,953,346	990,683	46,944,029
Investments at contract value	3,862,687	-	3,862,687
Total Investments	205,933,140	7,110,227	213,043,367
Total Assets	\$ 206,370,431	\$ 7,587,725	\$ 213,958,156
NET POSITION			
Restricted for			
Pensions	\$ 206,370,431	\$ -	\$ 206,370,431
Postemployment benefits other than pension	-	7,587,725	7,587,725
Total Net Position	\$ 206,370,431	\$ 7,587,725	\$ 213,958,156

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Fiduciary Activities – Statements of Changes in Fiduciary Net Position

	2025		
	Pension	OPEB	Pension and Other Employee Benefit Trust Funds
	June 30	September 30	
Additions			
Contributions			
Members	\$ 10,043,739	\$ -	\$ 10,043,739
Investment earnings			
Net increase in fair value of investments	23,594,133	770,922	24,365,055
Total Additions	33,637,872	770,922	34,408,794
Deductions			
Benefits paid to participants or beneficiaries	13,622,085	509,778	14,131,863
Administrative expense	398,389	25,628	424,017
Total Deductions	14,020,474	535,406	14,555,880
Net Increase in Fiduciary Net Position	19,617,398	235,516	19,852,914
Fiduciary Net Position, Beginning of Year	206,370,431	7,587,725	213,958,156
Fiduciary Net Position, End of Year	\$ 225,987,829	\$ 7,823,241	\$ 233,811,070

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

	2024		
	Pension June 30	OPEB September 30	Pension and Other Employee Benefit Trust Funds
Additions			
Contributions			
Members	\$ 6,876,108	\$ -	\$ 6,876,108
Investment earnings			
Net increase in fair value of investments	<u>19,111,853</u>	<u>1,161,421</u>	<u>20,273,274</u>
Total Additions	<u>25,987,961</u>	<u>1,161,421</u>	<u>27,149,382</u>
Deductions			
Benefits paid to participants or beneficiaries	12,716,312	656,946	13,373,258
Administrative expense	<u>360,085</u>	<u>24,948</u>	<u>385,033</u>
Total Deductions	<u>13,076,397</u>	<u>681,894</u>	<u>13,758,291</u>
Net Increase in Fiduciary Net Position	<u>12,911,564</u>	<u>479,527</u>	<u>13,391,091</u>
Fiduciary Net Position, Beginning of Year	<u>193,458,867</u>	<u>7,108,198</u>	<u>200,567,065</u>
Fiduciary Net Position, End of Year	<u><u>\$ 206,370,431</u></u>	<u><u>\$ 7,587,725</u></u>	<u><u>\$ 213,958,156</u></u>

Note 16. Fiduciary Activities

Pension Plan

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

Other Postemployment Benefit Plan

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The OPEB Plan's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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

At September 30, 2025 and 2024, none of the OPEB Plan's deposits were exposed to custodial credit risk.

**Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024**

Investments

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

Interest Rate Risk

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

Interest rate risk inherent in the portfolio is measured by monitoring the segment time distribution of the investments in the portfolio. The weighted average maturity for fixed income mutual funds is approximately eight years for both 2025 and 2024.

Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the OPEB Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The investment policy does not address how investments are to be held.

Concentration of Credit Risk

The OPEB Plan does not have a policy to limit its holdings in any one issuer. At September 30, 2024 and 2023, all the OPEB Plan's investments were held through its trustee and custodian.

Disclosures About Fair Value of Assets

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

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying fiduciary financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2025 and 2024:

Asset Class	Total Fair Value	2025		
		Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual funds	\$ 11,813	\$ 11,813	\$ -	\$ -
Mutual funds				
Fixed income	3,420,497	3,420,497	-	-
Equities	3,941,453	3,941,453	-	-
	<u>\$ 7,373,763</u>	<u>\$ 7,373,763</u>	<u>\$ -</u>	<u>\$ -</u>
Asset Class	Total Fair Value	2024		
		Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual funds	\$ 58,418	\$ 58,418	\$ -	\$ -
Treasury bills	2,001,071	2,001,071	-	-
Mutual funds				
Fixed income	990,683	990,683	-	-
Equities	4,060,055	4,060,055	-	-
	<u>\$ 7,110,227</u>	<u>\$ 7,110,227</u>	<u>\$ -</u>	<u>\$ -</u>

Investments

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

Note 17. Concentrations of Credit Risk

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

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

	2025		2024	
Medicare	\$ 45,244,459	30.9%	\$ 46,116,802	31.1%
Medicaid	13,944,998	9.5%	13,857,134	9.3%
Other third-party payors	48,393,867	33.1%	43,520,018	29.4%
Patients	<u>38,834,993</u>	<u>26.5%</u>	<u>44,785,826</u>	<u>30.2%</u>
	146,418,317	100.0%	148,279,780	100.0%
Less allowance for uncollectible accounts	<u>79,489,164</u>	<u>54.3%</u>	<u>81,934,277</u>	<u>55.3%</u>
	<u>\$ 66,929,153</u>	<u>45.7%</u>	<u>\$ 66,345,503</u>	<u>44.7%</u>

Note 18. Risk Management

Medical Malpractice and General Liability Risks

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

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

The following is a summary of changes in the Hospital's self-insurance liability for professional and general liability costs for fiscal 2025 and 2024:

	2025	2024
Balance, October 1	\$ 2,949,636	\$ 3,231,163
Provisions for claims reported and claims incurred but not reported	1,343,884	351,635
Claims and related expenses paid	<u>(288,830)</u>	<u>(633,162)</u>
 Balance, September 30	 <u>\$ 4,004,690</u>	 <u>\$ 2,949,636</u>

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

Employee Health Insurance

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

A summary of changes in the Hospital's self-insurance liability for employee health coverage (included in other accrued expenses in the accompanying balance sheets) for fiscal 2025 and 2024 follows:

	2025	2024
Balance, October 1	\$ 1,730,000	\$ 1,183,000
Provisions for claims reported and claims incurred but not reported	12,982,006	16,769,537
Claims paid	<u>(13,561,006)</u>	<u>(16,222,537)</u>
 Balance, September 30	 <u>\$ 1,151,000</u>	 <u>\$ 1,730,000</u>

Workers' Compensation

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

The following is a summary of changes in the Hospital's actuarially determined self-insurance liability for workers' compensation coverage for fiscal 2025 and 2024:

	2025	2024
Balance, October 1	\$ 2,673,319	\$ 2,583,830
Provisions for claims reported and claims incurred but not reported	1,152,628	530,657
Claims paid	<u>(935,093)</u>	<u>(441,168)</u>
Balance, September 30	<u><u>\$ 2,890,854</u></u>	<u><u>\$ 2,673,319</u></u>

Note 19. Disclosures About Fair Value of Assets and Liabilities

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

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

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

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2025 and 2024:

Asset Class	Total Fair Value	2025		
		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money market mutual funds	\$ 27,541,001	\$ 27,541,001	\$ -	\$ -
U.S. agency securities	41,594,976	-	41,594,976	-
U.S. Treasury securities	36,564,782	-	36,564,782	-
State municipal securities	18,211,206	-	18,211,206	-
Corporate debt securities	35,126,905	-	35,126,905	-
Pooled investment securities	86,922,320	-	86,922,320	-
Total investments by fair value level	<u>\$ 245,961,190</u>	<u>\$ 27,541,001</u>	<u>\$ 218,420,189</u>	<u>\$ -</u>
Derivative Instrument				
Interest rate swap	\$ 49,611	\$ -	\$ 49,611	\$ -
2024				
Asset Class	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money market mutual funds	\$ 24,600,938	\$ 24,600,938	\$ -	\$ -
U.S. agency securities	34,735,109	-	34,735,109	-
U.S. Treasury securities	75,214,337	-	75,214,337	-
State municipal securities	20,925,685	-	20,925,685	-
Corporate debt securities	38,991,362	-	38,991,362	-
Pooled investment securities	91,388,413	-	91,388,413	-
Total investments by fair value level	<u>\$ 285,855,844</u>	<u>\$ 24,600,938</u>	<u>\$ 261,254,906</u>	<u>\$ -</u>
Derivative Instrument				
Interest rate swap	\$ 59,048	\$ -	\$ 59,048	\$ -

**Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024**

Investments

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

Interest Rate Swap Agreement

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

Note 20. Contingencies

Medical Malpractice Claims

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

Admitting Physicians

For the years ended September 30, 2025 and 2024, admissions by physicians employed by a large, multi-specialty physician practice located adjacent to the Hospital accounted for approximately 73% and 71%, respectively, of the Hospital's gross revenues.

General Litigation

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

Pension and Other Postretirement Benefit Obligations

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

Investments

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

**Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024**

Note 21. Condensed Combining Information

The following tables include condensed balance sheets information for the Hospital and its blended component units as of September 30, 2025 and 2024.

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

	September 30, 2025									
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Pine Grove Public Benefit Corporation	Eliminations	Total
Assets and Deferred Outflows of Resources										
Current assets	\$ 315,825,322	\$ 994,548	\$ 9,631	\$ 2,261,824	\$ -	\$ 22,389,986	\$ 5,049,068	\$ 704,285	\$ -	\$ 347,234,664
Noncurrent cash and investments	223,687,347	-	-	-	-	2,393,535	50,666	-	-	226,131,548
Capital assets, net	257,728,737	1,216,145	-	279,092	-	8,346,353	-	15,158,685	-	282,729,012
Lease assets, net	16,091,192	-	-	-	-	179,101	-	-	-	16,270,293
Subscription assets, net	6,709,140	-	-	-	-	208,680	-	-	-	6,917,820
Other assets	39,784,045	577,110	-	-	161,459	12,035	163	-	-	40,534,812
Intercompany receivables	218,634,703	-	202,992	-	1,560,626	-	-	-	(220,398,321)	-
Deferred outflows of resources	11,684,257	-	-	-	-	-	-	-	-	11,684,257
Total Assets and Deferred Outflows of Resources	\$ 1,090,144,743	\$ 2,787,803	\$ 212,623	\$ 2,540,916	\$ 1,722,085	\$ 33,529,690	\$ 5,099,897	\$ 15,862,970	\$ (220,398,321)	\$ 931,502,406
Liabilities and Deferred Inflows of Resources										
Current liabilities	\$ 107,524,163	\$ 23,371	\$ -	\$ 115,846	\$ -	\$ (139,096)	\$ -	\$ -	\$ -	\$ 107,524,284
Intercompany payables	214,513,013	(184,627)	-	5,630,132	-	-	-	439,803	(220,398,321)	-
Long-term liabilities	194,153,675	-	-	-	-	491,338	-	16,570,000	-	211,215,013
Deferred inflows of resources	3,380,562	-	-	-	-	-	-	-	-	3,380,562
Total Liabilities and Deferred Inflows of Resources	519,571,413	(161,256)	-	5,745,978	-	352,242	-	17,009,803	(220,398,321)	322,119,859
Net Position										
Net investment in capital assets	129,009,075	1,216,145	-	279,092	-	8,383,951	-	(1,411,315)	-	137,476,948
Restricted	1,230,367	-	-	-	-	-	3,520,360	526,745	-	5,277,472
Unrestricted	440,333,888	1,732,914	212,623	(3,484,154)	1,722,085	24,793,497	1,579,537	(262,263)	-	466,628,127
Total Net Position	570,573,330	2,949,059	212,623	(3,205,062)	1,722,085	33,177,448	5,099,897	(1,146,833)	-	609,382,547
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,090,144,743	\$ 2,787,803	\$ 212,623	\$ 2,540,916	\$ 1,722,085	\$ 33,529,690	\$ 5,099,897	\$ 15,862,970	\$ (220,398,321)	\$ 931,502,406

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

	September 30, 2024 (As Adjusted)									
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Pine Grove Public Benefit Corporation	Eliminations	Total
Assets and Deferred Outflows of Resources										
Current assets	\$ 281,029,210	\$ 954,211	\$ 9,265	\$ 2,059,205	\$ -	\$ 19,338,340	\$ 4,972,063	\$ 1,124,092	\$ -	\$ 309,486,386
Noncurrent cash and investments	222,349,226	-	-	-	-	2,311,117	-	-	-	224,660,343
Capital assets, net	258,835,266	1,325,217	-	416,348	-	7,067,355	-	15,641,384	-	283,285,570
Lease assets, net	18,609,452	-	-	-	-	184,321	-	-	-	18,793,773
Subscription assets, net	6,964,002	-	-	-	-	98,378	-	-	-	7,062,380
Other assets	35,551,804	580,469	-	-	62,294	12,026	-	-	-	36,206,593
Intercompany receivables	201,756,906	-	203,967	-	1,439,273	-	-	-	(203,400,146)	-
Deferred outflows of resources	19,894,605	-	-	-	-	-	-	-	-	19,894,605
Total Assets and Deferred Outflows of Resources	\$ 1,044,990,471	\$ 2,859,897	\$ 213,232	\$ 2,475,553	\$ 1,501,567	\$ 29,011,537	\$ 4,972,063	\$ 16,765,476	\$ (203,400,146)	\$ 899,389,650
Liabilities and Deferred Inflows of Resources										
Current liabilities	\$ 105,636,667	\$ 4,533	\$ -	\$ 49,191	\$ -	\$ 1,892,705	\$ -	\$ -	\$ -	\$ 107,583,096
Intercompany payables	196,486,561	265,238	-	5,337,390	-	-	-	1,310,957	(203,400,146)	-
Long-term liabilities	209,802,923	-	-	-	-	339,982	-	16,570,000	-	226,712,905
Deferred inflows of resources	4,613,018	-	-	-	-	-	-	-	-	4,613,018
Total Liabilities and Deferred Inflows of Resources	516,539,169	269,771	-	5,386,581	-	2,232,687	-	17,880,957	(203,400,146)	338,909,019
Net Position										
Net investment in capital assets	126,705,456	1,325,217	-	416,348	-	6,863,746	-	(928,616)	-	134,382,151
Restricted	1,767,666	-	-	-	-	-	3,416,801	714,424	-	5,898,891
Unrestricted	399,978,180	1,264,909	213,232	(3,327,376)	1,501,567	19,915,104	1,555,262	(901,289)	-	420,199,589
Total Net Position	528,451,302	2,590,126	213,232	(2,911,028)	1,501,567	26,778,850	4,972,063	(1,115,481)	-	560,480,631
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,044,990,471	\$ 2,859,897	\$ 213,232	\$ 2,475,553	\$ 1,501,567	\$ 29,011,537	\$ 4,972,063	\$ 16,765,476	\$ (203,400,146)	\$ 899,389,650

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

The following tables include condensed combining statements of revenues, expenses, and changes in net position information for the Hospital and its blended component units for the years ended September 30, 2025 and 2024.

	September 30, 2025									
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Pine Grove Public Benefit Corporation	Eliminations	Total
Operating Revenues										
Net patient service revenue	\$ 737,164,843	\$ -	\$ -	\$ -	\$ 26,562,642	\$ -	\$ -	\$ (1,261,121)	\$ 762,466,364	
Other	18,953,910	186,000	-	952,047	-	2,667,505	1,480,252	778,962	(1,239,127)	23,779,549
Total Operating Revenues	756,118,753	186,000	-	952,047	-	29,230,147	1,480,252	778,962	(2,500,248)	786,245,913
Operating Expenses										
Other operating expenses	684,348,615	7,405	1,000	1,192,019	63,647	22,743,198	1,563,816	71,591	(2,500,248)	707,491,043
Depreciation and amortization	41,855,028	109,072	-	137,256	-	1,514,578	-	542,180	-	44,158,114
Total Operating Expenses	726,203,643	116,477	1,000	1,329,275	63,647	24,257,776	1,563,816	613,771	(2,500,248)	751,649,157
Operating Income (Loss)	29,915,110	69,523	(1,000)	(377,228)	(63,647)	4,972,371	(83,564)	165,191	-	34,596,756
Nonoperating Revenues (Expenses)										
Net investment income	17,244,529	40,362	391	83,194	-	623,263	211,398	-	-	18,203,137
Interest expense	(5,587,473)	-	-	-	-	(10,083)	-	(196,543)	-	(5,794,099)
Other	549,862	249,048	-	-	284,165	813,047	-	-	-	1,896,122
Total Nonoperating Revenues (Expenses)	12,206,918	289,410	391	83,194	284,165	1,426,227	211,398	(196,543)	-	14,305,160
Increase (Decrease) in Net Position	42,122,028	358,933	(609)	(294,034)	220,518	6,398,598	127,834	(31,352)	-	48,901,916
Net Position, Beginning of Year	528,451,302	2,590,126	213,232	(2,911,028)	1,501,567	26,778,850	4,972,063	(1,115,481)	-	560,480,631
Net Position, End of Year	\$ 570,573,330	\$ 2,949,059	\$ 212,623	\$ (3,205,062)	\$ 1,722,085	\$ 33,177,448	\$ 5,099,897	\$ (1,146,833)	\$ -	\$ 609,382,547

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2025 and 2024

	September 30, 2024 (As Adjusted)										
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Pine Grove Public Benefit Corporation	Eliminations	Total	
Operating Revenues											
Net patient service revenue	\$ 735,997,425	\$ -	\$ -	\$ -	\$ 25,942,209	\$ -	\$ -	\$ (1,603,820)	\$ 760,335,814		
Other	14,130,227	186,000	-	866,550	2,441,490	1,415,146	447,680	(921,907)	18,565,186		
Total Operating Revenues	750,127,652	186,000		866,550		28,383,699	1,415,146	447,680	(2,525,727)	778,901,000	
Operating Expenses											
Other operating expenses	656,816,326	7,634	1,000	927,813	57,598	19,993,813	616,340	64,575	(2,525,727)	675,959,372	
Depreciation and amortization	41,037,584	109,073	-	138,357	-	1,169,435	-	313,384	-	42,767,833	
Total Operating Expenses	697,853,910	116,707		1,066,170	57,598	21,163,248	616,340	377,959	(2,525,727)	718,727,205	
Operating Income (Loss)	52,273,742	69,293		(1,000)	(199,620)	(57,598)	7,220,451	798,806	69,721	-	60,173,795
Nonoperating Revenues (Expenses)											
Net investment income	24,709,237	20,571	200	41,914	-	618,131	200,515	-	-	25,590,568	
Interest expense	(5,515,889)	-	-	-	-	(23,522)	-	(196,544)	-	(5,735,955)	
Other	7,312,653	253,396	-	-	121,208	1,201,225	-	-	-	8,888,482	
Total Nonoperating Revenues (Expenses)	26,506,001	273,967		41,914	121,208	1,795,834	200,515	(196,544)	-	28,743,095	
Income (Loss) Before Capital Grants and Gifts	78,779,743	343,260		(800)	(157,706)	63,610	9,016,285	999,321	(126,823)	-	88,916,890
Capital Grants and Gifts	2,238,964			-	-	-	-	-	-	-	2,238,964
Increase (Decrease) in Net Position	81,018,707	343,260		(800)	(157,706)	63,610	9,016,285	999,321	(126,823)		91,155,854
Net Position, Beginning of Year	460,340,020	2,246,866		214,032	(2,753,322)	1,437,957	18,009,426	3,972,742	(988,658)		482,479,063
Impact of GASB 101	(12,907,425)			-	-	-	(246,861)	-	-		(13,154,286)
Net Position, End of Year	\$ 528,451,302	\$ 2,590,126		\$ 213,232	\$ (2,911,028)	\$ 1,501,567	\$ 26,778,850	\$ 4,972,063	\$ (1,115,481)	\$ -	\$ 560,480,631

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Notes to Financial Statements
September 30, 2024 and 2023

The following tables include condensed combining statements of cash flows information for the Hospital and its blended component units for the years ended September 30, 2025 and 2024.

	September 30, 2025									
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Pine Grove Public Benefit Corporation	Eliminations	Total
Net Cash Provided by (Used in) Operating Activities	\$ 61,637,251	\$ (252,431)	\$ (25)	\$ 122,695	\$ (284,165)	\$ 4,198,481	\$ (134,393)	\$ (163,786)	\$ -	\$ 65,123,627
Net Cash Provided by Noncapital Financing Activities	(24,432)	-	-	-	-	-	-	-	-	(24,432)
Net Cash Used in Capital and Related Financing Activities	(44,692,013)	-	-	-	-	(2,099,001)	-	(256,024)	-	(47,047,038)
Net Cash Provided by (Used in) Investing Activities	63,776,221	292,768	391	83,079	284,165	(72,214)	211,398	-	-	64,575,808
Increase (Decrease) in Cash and Cash Equivalents	80,697,027	40,337	366	205,774	-	2,027,266	77,005	(419,810)	-	82,627,965
Cash and Cash Equivalents, Beginning of Year	154,529,937	954,211	9,265	2,059,205	-	14,150,733	4,972,063	1,124,092	-	177,799,506
Cash and Cash Equivalents, End of Year	\$ 235,226,964	\$ 994,548	\$ 9,631	\$ 2,264,979	\$ -	\$ 16,177,999	\$ 5,049,068	\$ 704,282	\$ -	\$ 260,427,471
	9/30/2024 (As Adjusted)									
	Forrest County General Hospital	South Mississippi Health Services, Inc.	Forrest General Health Services, Inc.	Clean Earth, Inc.	Forrest General Managed Care Services, Inc.	AAA Ambulance Service, Inc.	Forrest General Healthcare Foundation, Inc.	Pine Grove Public Benefit Corporation	Eliminations	Total
Net Cash Provided by (Used in) Operating Activities	\$ 104,001,243	\$ (25)	\$ (26)	\$ 367,974	\$ (121,208)	\$ 7,422,953	\$ 798,806	\$ 1,682,349	\$ -	\$ 114,152,066
Net Cash Provided by Noncapital Financing Activities	8,611,205	-	-	-	-	-	-	-	-	8,611,205
Net Cash Used in Capital and Related Financing Activities	(39,343,312)	-	-	-	-	(1,275,681)	-	(5,651,004)	-	(46,269,997)
Net Cash Provided by (Used in) Investing Activities	(37,673,727)	20,571	200	41,914	121,208	1,174,949	200,515	-	-	(36,114,370)
Increase (Decrease) in Cash and Cash Equivalents	35,595,409	20,546	174	409,888	-	7,322,221	999,321	(3,968,655)	-	40,378,904
Cash and Cash Equivalents, Beginning of Year	118,934,528	933,665	9,091	1,649,317	-	6,828,512	3,972,742	5,092,747	-	137,420,602
Cash and Cash Equivalents, End of Year	\$ 154,529,937	\$ 954,211	\$ 9,265	\$ 2,059,205	\$ -	\$ 14,150,733	\$ 4,972,063	\$ 1,124,092	\$ -	\$ 177,799,506

Required Supplementary Information (Unaudited)

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability											
Service cost	\$ 1,598,396	\$ 1,461,633	\$ 1,593,431	\$ 1,825,614	\$ 2,051,672	\$ 2,617,170	\$ 2,802,670	\$ 3,091,562	\$ 3,302,712	\$ 3,530,410	\$ 3,740,713
Interest	18,517,592	17,421,912	16,705,067	16,094,628	16,488,559	16,327,946	15,507,856	14,823,878	14,098,001	13,267,635	12,440,681
Experience gains	3,845,793	3,546,588	3,825,557	1,586,118	5,803,314	3,502,267	1,514,956	(587,916)	(165,919)	1,186,135	1,333,643
Change in assumptions	-	5,715,132	-	345,849	(464,488)	8,502,729	-	-	-	-	-
Benefit payments	(13,622,085)	(12,716,312)	(11,493,176)	(10,907,180)	(47,265,882)	(9,072,621)	(7,584,183)	(7,624,734)	(6,398,362)	(6,207,933)	(5,589,011)
Net change in total pension liability	10,339,696	15,428,953	10,630,879	8,945,029	(23,386,825)	21,877,491	12,241,299	9,702,790	10,836,432	11,776,247	11,926,026
Total pension liability - beginning	260,627,710	245,198,757	234,567,878	225,622,849	249,009,674	227,132,183	214,890,884	205,188,094	194,351,662	182,575,415	170,649,389
Total pension liability - ending (a)	\$ 270,967,406	\$ 260,627,710	\$ 245,198,757	\$ 234,567,878	\$ 225,622,849	\$ 249,009,674	\$ 227,132,183	\$ 214,890,884	\$ 205,188,094	\$ 194,351,662	\$ 182,575,415
Plan Fiduciary Net Position											
Contributions	\$ 10,043,739	\$ 6,876,108	\$ 6,102,252	\$ 5,718,915	\$ 6,094,296	\$ 4,997,214	\$ 10,063,476	\$ 10,063,476	\$ 30,063,476	\$ 10,063,476	\$ 9,782,490
Net investment income (loss)	23,594,133	19,111,853	12,825,954	(24,074,437)	46,732,309	7,731,083	11,120,790	14,722,571	18,424,809	(2,210,133)	5,766,222
Benefit payments	(13,622,085)	(12,716,312)	(11,493,176)	(10,907,180)	(47,265,882)	(9,072,622)	(7,584,183)	(7,624,734)	(6,398,362)	(6,207,933)	(5,589,011)
Administrative expense	(398,389)	(360,085)	(364,558)	(398,002)	(713,260)	(374,856)	(364,184)	(352,565)	(317,168)	(295,012)	(338,826)
Net change in plan fiduciary net position	19,617,398	12,911,564	7,070,472	(29,660,704)	4,847,463	3,280,819	13,235,899	16,808,748	41,772,755	1,350,398	9,620,875
Plan fiduciary net position - beginning	206,370,431	193,458,867	186,388,395	216,049,099	211,201,636	207,920,817	194,684,918	177,876,170	136,103,415	134,753,017	125,132,142
Plan fiduciary net position - ending (b)	\$ 225,987,829	\$ 206,370,431	\$ 193,458,867	\$ 186,388,395	\$ 216,049,099	\$ 211,201,636	\$ 207,920,817	\$ 194,684,918	\$ 177,876,170	\$ 136,103,415	\$ 134,753,017
Net pension liability - ending (a) - (b)	\$ 44,979,577	\$ 54,257,279	\$ 51,739,890	\$ 48,179,483	\$ 9,573,750	\$ 37,808,038	\$ 19,211,366	\$ 20,205,966	\$ 27,311,924	\$ 58,248,247	\$ 47,822,398
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability											
	83%	79%	79%	79%	96%	85%	92%	91%	87%	70%	74%
Covered Payroll	\$ 47,987,752	\$ 50,147,681	\$ 52,800,621	\$ 58,524,431	\$ 62,473,412	\$ 63,499,147	\$ 66,860,831	\$ 72,436,009	\$ 76,926,859	\$ 80,727,008	\$ 84,626,337
Net Pension Liability as a Percentage of Covered Payroll											
	94%	108%	98%	82%	15%	60%	29%	28%	36%	72%	57%

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 10,043,736	\$ 6,876,110	\$ 6,102,250	\$ 5,718,916	\$ 6,094,298	\$ 4,997,212	\$ 5,758,919	\$ 6,397,344	\$ 8,516,539	\$ 8,562,658
Contributions in relation to the actuarially determined contribution	<u>10,043,739</u>	<u>6,876,108</u>	<u>6,102,252</u>	<u>5,718,915</u>	<u>6,094,296</u>	<u>4,997,214</u>	<u>10,063,476</u>	<u>10,063,476</u>	<u>30,063,476</u>	<u>10,063,476</u>
Contribution (excess) deficiency	<u>\$ (3)</u>	<u>\$ 2</u>	<u>\$ (2)</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ (2)</u>	<u>\$ (4,304,557)</u>	<u>\$ (3,666,132)</u>	<u>\$ (21,546,937)</u>	<u>\$ (1,500,818)</u>
Covered payroll	\$ 47,987,752	\$ 50,147,681	\$ 52,800,621	\$ 58,524,431	\$ 62,473,412	\$ 63,499,147	\$ 66,860,831	\$ 72,436,009	\$ 76,926,859	\$ 80,727,008
Contributions as a percentage of covered payroll	20.90%	13.71%	11.56%	9.77%	9.76%	7.87%	15.05%	13.89%	39.08%	12.47%

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

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

(Continued)

Methods and assumptions used to determine contribution rates:

Valuation date: July 1, 2025

Remaining amortization period: 10 years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarial cost method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method
Amortization method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method	Level dollar amount; closed method
Asset valuation method	Fair market value	Fair market value	Fair market value	Fair market value	Fair market value					
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Salary increases	1.0% - 5.0%, based on age, including inflation	2.5% - 5.0%, based on age, including inflation	1.5% - 4.0%, based on age, including inflation	1.5% - 4.0%, based on age, including inflation	1.5% - 4.0%, based on age, including inflation	1.5% - 4.0%, based on age, including inflation	2.0% - 4.5%, based on age, including inflation	2.0% - 4.5%, based on age, including inflation	2.0% - 4.5%, based on age, including inflation	2.0% - 4.5%, based on age, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation	7.25%, net of pension plan investment expense, including inflation
Retirement Age	65	65	65	65	65	65	65	65	65	65
Mortality	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2021	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2021	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2021	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2021	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2021	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2020	RP-2000 Combined Healthy Mortality Table projected using Scale AA	RP-2000 Combined Healthy Mortality Table projected using Scale AA	RP-2000 Combined Healthy Mortality Table projected using Scale AA	RP-2000 Combined Healthy Mortality Table projected using Scale AA

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Asset/Liability									
Service cost	\$ 25,029	\$ 26,039	\$ 27,441	\$ 30,788	\$ 32,635	\$ 302,061	\$ 347,946	\$ 410,388	\$ 390,846
Interest	282,517	279,354	250,383	314,975	387,273	372,639	386,399	519,745	497,299
Differences between expected and actual experience	114,845	200,311	577,590	(741,519)	(1,503,937)	(569,984)	(4,006,538)	-	-
Change in actuarial assumptions	1,251,381	204,960	11,828	(43,800)	293,544	-	1,080,635	-	-
Benefit payments	(656,946)	(382,981)	(426,122)	(415,016)	(366,510)	(347,803)	(218,518)	(574,046)	(592,057)
Net change in total OPEB asset/liability	1,016,826	327,683	441,120	(854,572)	(1,156,995)	(243,087)	(2,410,076)	356,087	296,088
Total OPEB asset/liability - beginning	<u>5,340,532</u>	<u>5,012,849</u>	<u>4,571,729</u>	<u>5,426,301</u>	<u>6,583,296</u>	<u>6,826,383</u>	<u>9,236,459</u>	<u>8,880,372</u>	<u>8,584,284</u>
Total OPEB asset/liability - ending (a)	<u>\$ 6,357,358</u>	<u>\$ 5,340,532</u>	<u>\$ 5,012,849</u>	<u>\$ 4,571,729</u>	<u>\$ 5,426,301</u>	<u>\$ 6,583,296</u>	<u>\$ 6,826,383</u>	<u>\$ 9,236,459</u>	<u>\$ 8,880,372</u>
Plan Fiduciary Net Position									
Contributions	\$ -	\$ -	\$ -	\$ 294,905	\$ 366,510	\$ 2,603,916	\$ 711,140	\$ 1,493,458	\$ 1,595,051
Net investment income (loss)	1,161,421	668,157	(1,142,673)	1,431,997	437,465	221,483	318,959	269,922	240,612
Benefit payments	(656,946)	(382,981)	(426,122)	(415,016)	(366,510)	(347,803)	(218,518)	(574,046)	(592,057)
Other	(24,948)	(23,939)	(5,788)	(26,885)	-	-	-	-	-
Net change in plan fiduciary net position	479,527	261,237	(1,574,583)	1,285,001	437,465	2,477,596	811,581	1,189,334	1,243,606
Plan fiduciary net position - beginning	<u>7,108,198</u>	<u>6,846,961</u>	<u>8,421,544</u>	<u>7,136,543</u>	<u>6,699,078</u>	<u>4,221,482</u>	<u>3,409,901</u>	<u>2,220,567</u>	<u>976,961</u>
Plan fiduciary net position - ending (b)	<u>\$ 7,587,725</u>	<u>\$ 7,108,198</u>	<u>\$ 6,846,961</u>	<u>\$ 8,421,544</u>	<u>\$ 7,136,543</u>	<u>\$ 6,699,078</u>	<u>\$ 4,221,482</u>	<u>\$ 3,409,901</u>	<u>\$ 2,220,567</u>
Net OPEB asset/liability - ending (a) - (b)	<u>\$ (1,230,367)</u>	<u>\$ (1,767,666)</u>	<u>\$ (1,834,112)</u>	<u>\$ (3,849,815)</u>	<u>\$ (1,710,242)</u>	<u>\$ (115,782)</u>	<u>\$ 2,604,901</u>	<u>\$ 5,826,558</u>	<u>\$ 6,659,805</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset/Liability									
	119%	133%	137%	184%	132%	102%	62%	37%	25%
Covered Payroll	\$ 41,927,711	\$ 42,670,479	\$ 45,121,715	\$ 48,530,578	\$ 52,963,804	\$ 60,290,013	\$ 61,707,726	\$ 65,964,267	\$ 75,249,772
Net OPEB Asset/Liability as a Percentage of Covered Payroll	-2.93%	-4.14%	-4.06%	-7.93%	-3.23%	-0.19%	4.22%	8.83%	8.85%

This schedule is presented as of the measurement date for the fiscal year (e.g., September 30, 2024 measurement date information for September 30, 2025 fiscal year).

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ 23,795	\$ 519,112	\$ 937,045	\$ 1,007,606	\$ 1,066,717
Contributions in relation to the actuarially determined contribution	-	-	-	294,905	366,510	2,603,916	711,140	1,493,457	1,595,051
Contribution (excess) deficiency	\$ -	\$ -	\$ -	\$ (294,905)	\$ (342,715)	\$ (2,084,804)	\$ 225,905	\$ (485,851)	\$ (528,334)
Covered payroll	\$ 41,927,711	\$ 42,670,479	\$ 45,121,715	\$ 48,530,578	\$ 52,963,804	\$ 131,576,632	\$ 129,156,605	\$ 146,557,573	\$ 142,288,906
Contributions as a percentage of covered payroll	0%	0%	0%	1%	1%	2%	1%	1%	1%

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

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

(Continued)

Methods and assumptions used to determine contribution rates:

Valuation date: August 1, 2025

Remaining amortization period: 20 years (open)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarial cost method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method	Entry age method
Amortization method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method	Level percentage of pay, closed method
Asset valuation method	Fair market value	Fair market value	Fair market value	Fair market value	Fair market value					
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Healthcare cost trend rates	7.5% to grade uniformly to 6.6% over a 3-year period, to ultimate rate of 4.04% in 2075	7.0% to grade uniformly to 5.6% over a 3-year period, to ultimate rate of 4.04% in 2075	6.5% to grade uniformly to 5.2% over a 3-year period, to ultimate rate of 4.04% in 2075	6.0% to grade uniformly to 5.5% over a 2-year period, to ultimate rate of 4.04% in 2075	8.0% to grade uniformly to 3.5% over a 3-year period, to ultimate rate of 3.94% in 2075	8.0% to grade uniformly to 3.5% over a 3-year period, to ultimate rate of 3.94% in 2075	8.0% to grade uniformly to 3.5% over a 3-year period, to ultimate rate of 3.94% in 2075	8.0% to grade uniformly to 5.0% over a 12-year period	8.0% to grade uniformly to 5.0% over a 12-year period	8.0% to grade uniformly to 5.0% over a 12-year period
Salary increases	Age Rate ≤40 6.0% 40-49 4.5% 50-54 3.5% 55-64 3.0% 65+ 2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Investment rate of return	6.0%, net of investment expense, including inflation	6.0%, net of investment expense, including inflation	6.0%, net of investment expense, including inflation	6.0%, net of investment expense, including inflation	6.0%, net of investment expense, including inflation					
Retirement Age	65	65	65	65	65	65	65	65	65	65
Mortality	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2021	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2021	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2021	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2020	125% of the PubG-2010 Total Dataset Mortality Table, with Mortality Improvement Scale MP-2019	RP-2000 Mortality Table, projected from the base year to the valuation year between 7 and 15 years beyond the valuation year under scale AA	IRS Static Mortality Table for the Year of Valuation (Separate Male/Female Tables)	IRS Static Mortality Table for the Year of Valuation (Separate Male/Female Tables)	IRS Static Mortality Table for the Year of Valuation (Separate Male/Female Tables)	IRS Static Mortality Table for the Year of Valuation (Separate Male/Female Tables)

Supplementary Information (Unaudited)

Forrest County General Hospital
A Component Unit of Forrest County, Mississippi
Schedule of Surety Bonds for Officials and Employees
September 30, 2025

Name	Position	Company	Amount of Bond
Jana Causey	Board Chairman	Travelers Casualty & Surety	\$ 100,000
Eric K. Steele	Board Vice Chairman	Travelers Casualty & Surety	\$ 100,000
Peggy Answorth	Board Secretary	Travelers Casualty & Surety	\$ 100,000
Andy Mercier	Board Member	Travelers Casualty & Surety	\$ 100,000
Shea McNease	Board Member	Travelers Casualty & Surety	\$ 100,000
Chip McArthur	Board Member	Travelers Casualty & Surety	\$ 100,000
Lewis Hatten	Board Member	Travelers Casualty & Surety	\$ 100,000
Employee Blanket Bond	All Others	Travelers Casualty & Surety	\$ 100,000

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards – Independent Auditor's Report**

Board of Trustees
Forrest County General Hospital
Hattiesburg, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activities of Forrest County General Hospital (Hospital) as of and for the year ended September 30, 2025 and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated November 24, 2025. Our report includes a reference to other auditors who audited the financial statements of the Forrest County General Hospital Pension Plan, a fiduciary component unit of the Hospital, as described in our report on the Hospital's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Forvis Mazars, LLP

Jackson, Mississippi
November 24, 2025