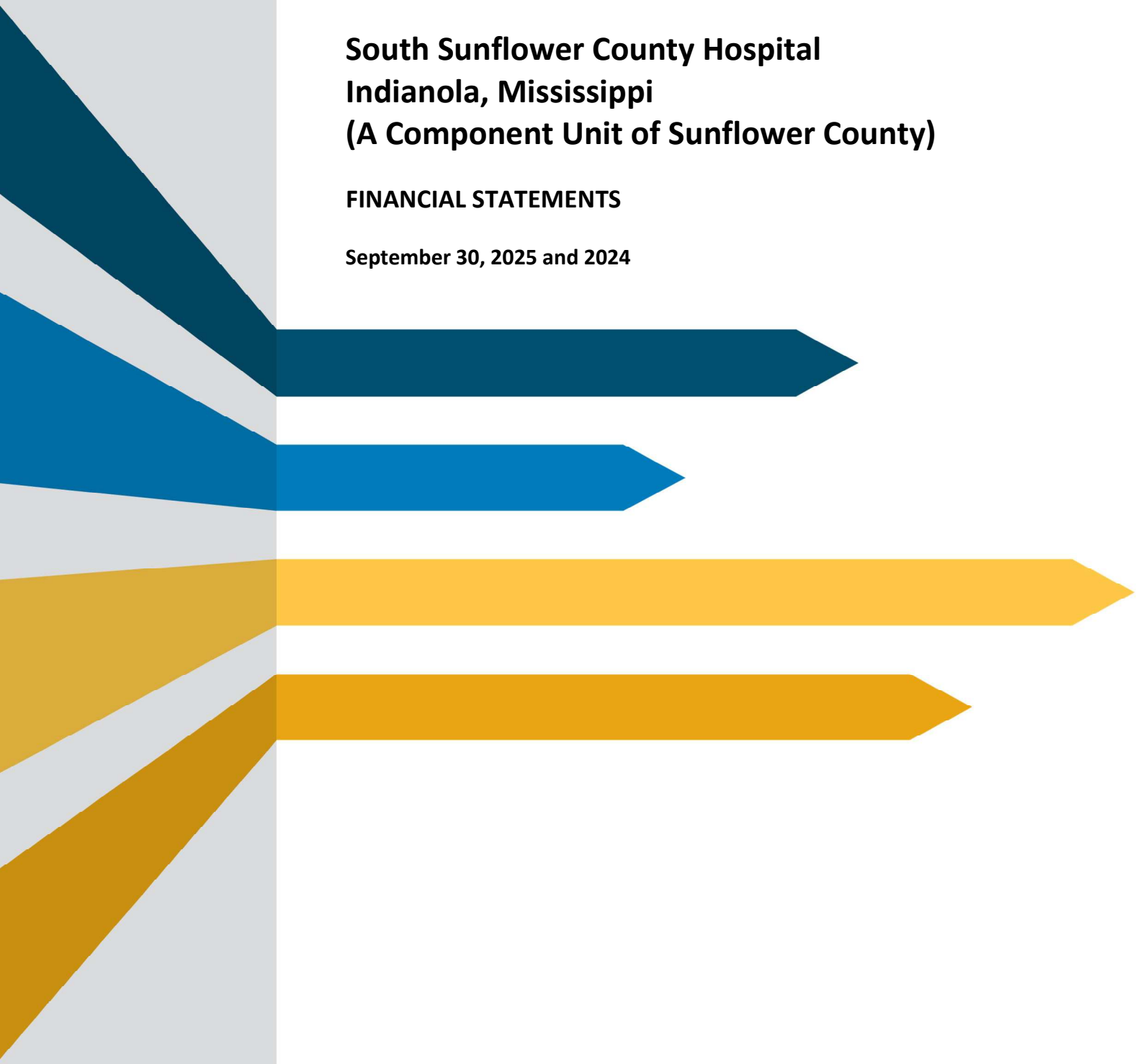
# South Sunflower County Hospital
# Indianola, Mississippi
# (A Component Unit of Sunflower County)

## FINANCIAL STATEMENTS

**September 30, 2025 and 2024**



# Table of Contents

# REPORT

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees
South Sunflower County Hospital
Indianola, Mississippi

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

***Opinion***

We have audited the accompanying financial statements of South Sunflower County Hospital (the Hospital) 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of September 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 audit.

**Required Supplementary Information**

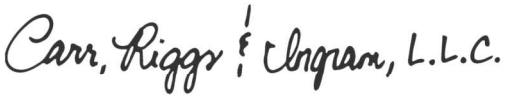
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of net pension liability, and the schedule of employer contributions be presented to supplement the basic financial statements. Such information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

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The schedule of surety bonds for officers and employees is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of surety bonds for officers is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2026, 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.



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

Metairie, Louisiana
June 23, 2026

# FINANCIAL STATEMENTS

This section of South Sunflower County Hospital's (the Hospital) annual financial report presents background information and our analysis of the Hospital's financial performance during the fiscal years that ended on September 30, 2025 and 2024. Please read it in conjunction with the financial statements in this report. The amounts contained within this section are rounded to the nearest thousand.

## 2025

### FINANCIAL HIGHLIGHTS

Fiscal Year Ended September 30, 2025

The Hospital's total net position increased by $5,140,625 or approximately 42.1 percent, from the prior year. This increase results from the donation of capital assets.

At the end of the 2025 fiscal year, the assets and deferred outflows of the Hospital exceeded liabilities and deferred inflows by $17,328,576. Of this amount, $1,529,459 represents an unrestricted deficit net position, $15,567,338 is invested in capital assets and $3,290,697 is designated for use in the Hospital's self-insurance programs. The Hospital established a self-insurance fund in accordance with the requirements of the Mississippi Tort Claims Board.

Net patient service revenue decreased by $3,535,058, or 12.7 percent, from the prior year. This is due to a decrease in outpatient utilization. During this same period, operating expenses decreased by $455,300 or 1.6 percent from the prior year. This decrease is due to a decrease in professional fees. These variances will be further discussed in the Operating and Financial Performance section of this analysis.

Fiscal Year Ended September 30, 2024

The Hospital's total net position increased by $2,293,584 or approximately 23.2 percent, from the prior year. This increase results from the increase of Mississippi Hospital Access Program funding.

At the end of the 2024 fiscal year, the assets and deferred outflows of the Hospital exceeded liabilities and deferred inflows by $12,187,951. Of this amount, $275,592 represents an unrestricted deficit net position, $9,289,685 is invested in capital assets and $3,173,858 is designated for use in the Hospital's self-insurance programs. The Hospital established a self-insurance fund in accordance with the requirements of the Mississippi Tort Claims Board.

Net patient service revenue increased by $1,725,234, or 6.6 percent, from the prior year. This is due to an increase in outpatient utilization. During this same period, operating expenses decreased by $140,985 or 0.5 percent from the prior year. This decrease is due to a decrease in professional fees. These variances will be further discussed in the Operating and Financial Performance section of this analysis.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statements of net position include all of the Hospital's assets, deferred outflows, liabilities and deferred inflows and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities) for both the current year and the prior year. It also provides the basis for evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses and changes in net position. These statements measure the performance of the Hospital's operations over the past year and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

The primary purpose of the statements of cash flows is to provide information about the Hospital's cash from operations, investments, and capital and related financial activities. The statements of cash flows outline where cash comes from, how it is used, and the changes in the cash balance during the reporting period.

The annual report also includes notes to the financial statements that are essential to gain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Following the notes to the financial statements is a section containing supplementary information which further explains and supports the information reported in the financial statements.

## FINANCIAL ANALYSIS OF THE HOSPITAL

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

**Net Position**

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

| *September 30,* | **Fiscal Year 2025** | Fiscal Year 2024 | Fiscal Year 2023 |
|---|---|---|---|
| Current and other assets | **$ 33,554,565** | $ 34,325,464 | $ 29,818,446 |
| Capital assets | **18,568,752** | 10,431,001 | 10,919,849 |
| Total assets | **52,123,317** | 44,756,465 | 40,738,295 |
| Deferred outflows of resources | **3,280,858** | 3,451,078 | 5,385,083 |
| Long-term debt outstanding | **2,170,815** | 808,482 | 1,141,515 |
| Other liabilities | **6,665,055** | 6,642,435 | 5,339,641 |
| Net pension liability | **27,028,132** | 26,077,703 | 27,580,429 |
| Total liabilities | **35,864,002** | 33,528,620 | 34,061,585 |
| Deferred inflows of resources | **2,211,597** | 2,490,972 | 2,167,426 |
| Net invested in capital assets | **15,567,338** | 9,289,685 | 9,425,622 |
| Restricted | **3,290,697** | 3,173,858 | 2,916,104 |
| Unrestricted | **(1,529,459)** | (275,592) | (2,447,359) |
| Total net position | **$ 17,328,576** | $ 12,187,951 | $ 9,894,367 |

Fiscal Year Ended September 30, 2025

Total assets increased by $7,366,852 in 2025. The most significant component of the change in the Hospital's assets for 2025 relates to the increase in capital assets due to the donation of capital assets and the increase right of use assets – SBITA, that was offset by the decrease in patient receivables.

Total liabilities increased by $2,335,382 in 2025, which is primarily attributable to the increase in subscription payable and increase in net pension liability, offset by a decrease in accrued self-insurance claims.

Fiscal Year Ended September 30, 2024

Total assets increased by $4,018,170 in 2025. The most significant component of the change in the Hospital's assets for 2025 relates to the increase in cash and cash equivalents due to increase in payment from Mississippi Hospital Access Program.

Total liabilities decreased $532,965 in 2025, which is primarily attributable to the decrease in lease payable and decrease in net pension liability, offset by an increase in accrued salaries.

**Summary of Revenue and Expenses**

The following table presents a summary of the Hospital's revenues, expenses and changes in net position for each of the fiscal years ended September 30, 2025, 2024, and 2023:

| *For The Years Ended September 30,* | **Fiscal Year 2025** | Fiscal Year 2024 | Fiscal Year 2023 |
|---|---|---|---|
| Net patient service revenue | **$ 24,333,192** | $ 27,868,250 | $ 26,143,016 |
| Other operating revenue | **2,202,269** | 2,127,739 | 1,743,491 |
| Total operating revenue | **26,535,461** | 29,995,989 | 27,886,507 |
| Salaries and benefits | **15,278,454** | 15,310,526 | 15,142,427 |
| Depreciation and amortization | **1,623,369** | 1,078,851 | 1,253,423 |
| Professional fees, supplies, and maintenance | **11,621,925** | 12,589,671 | 12,724,183 |
| Total operating expenses | **28,523,748** | 28,979,048 | 29,120,033 |
| Income (loss) from operations | **(1,988,287)** | 1,016,941 | (1,233,526) |
| Nonoperating revenues (expenses) | | | |
| Investment income (loss) | **1,139,889** | 1,227,773 | 379,258 |
| Donation of capital assets | **6,105,772** | - | - |
| CARES Act funding | **-** | - | 138,060 |
| State contribution to pension | **-** | 110,467 | - |
| Loss on sale of assets | **(3,214)** | (10,274) | - |
| Interest expense | **(113,535)** | (51,323) | (36,475) |
| Increase (decrease) in net position | **$ 5,140,625** | $ 2,293,584 | $ (752,683) |

**Operating Revenue**

Fiscal Year Ended September 30, 2025

The Hospital derived 91.7 percent of its total operating revenues from net patient service revenues. Such revenues include revenues from the Medicare and Medicaid programs, patients, or their third-party carriers who pay for care in the Hospital's facilities.

Fiscal Year Ended September 30, 2024

The Hospital derived 92.9 percent of its total operating revenues from net patient service revenues. Such revenues include revenues from the Medicare and Medicaid programs, patients, or their third-party carriers who pay for care in the Hospital's facilities.

The following table represents the Hospital's relative percentage of gross charges billed for patient services by payor for the fiscal years ended September 30, 2025, 2024, and 2023:

| *For The Years Ended September 30,* | **Fiscal Year 2025** | Fiscal Year 2024 | Fiscal Year 2023 |
|---|---|---|---|
| Medicare | **43%** | 44% | 43% |
| Medicaid | **21%** | 22% | 26% |
| Commercial | **24%** | 24% | 21% |
| Other | **12%** | 10% | 10% |
| | **100%** | 100% | 100% |

**Operating and Financial Performance**

The following summarizes changes in the Hospital's statements of revenues, expenses and changes in net position for 2025 as compared to 2024:

Fiscal Year Ended September 30, 2025

- Total admissions decreased from the previous year, and there was a decrease in total patient days. The Hospital patient days and admissions are 2,998 and 541, respectively. This is a decrease of 24.5 percent and a decrease of 19.7 percent, respectively, from 2024.
- Net patient service revenues decreased as stated in the financial highlights. Operating expenses decreased as a result of a decrease in professional fees and employee benefits. Gross patient service revenue decreased to $41,376,754 from $45,382,612 in the prior year.
- Salaries and wages expense increased $339,448 or 2.9 percent from the prior year.
- Investment income decreased $87,884 from prior year due to decreases in the market values.

The following summarizes changes in the Hospital's statements of revenues, expenses and changes in net position for 2024 as compared to 2023:

Fiscal Year Ended September 30, 2024

- Total admissions decreased from previous year, and there was a decrease in total patient days. The Hospital patient days and admissions are 3,971 and 674, respectively. This is a decrease of 4.3 percent and decrease of 3.2 percent, respectively, from 2023.
- Net patient service revenues increased as stated in the financial highlights. Operating expenses decreased as a result of a decrease in professional fees and depreciation and amortization. Gross patient service revenue decreased to $45,382,612 from $48,262,054 in the prior year.
- Salaries and wages and employee benefits expense increased $168,099 or 1.1 percent from the prior year.
- Investment income increased $848,515 from prior year due to increases in the market values.

**Capital Assets and Debt Activities**

The following summarizes the Hospital's investment in capital assets as of September 30, 2025 and 2024:

| *September 30,* | **Fiscal Year 2025** | Fiscal Year 2024 | Fiscal Year 2023 |
|---|---|---|---|
| Land | **$ 191,036** | $ 191,036 | $ 191,036 |
| Land improvements | **582,977** | 582,977 | 582,977 |
| Buildings and improvements | **22,170,512** | 16,843,131 | 16,706,619 |
| Fixed equipment | **280,384** | 280,384 | 280,384 |
| Right of use assets - equipment | **1,834,552** | 1,834,552 | 1,834,552 |
| Right of use assets - SBITA | **2,692,551** | 114,003 | 114,003 |
| Vehicles | **33,611** | 33,611 | 33,611 |
| Major movable equipment | **18,980,911** | 17,131,221 | 16,742,900 |
| Total capital assets | **46,766,534** | 37,010,915 | 36,486,082 |
| Less accumulated depreciation | **(28,197,782)** | (26,579,914) | (25,566,233) |
| Capital assets, net | **$ 18,568,752** | $ 10,431,001 | $ 10,919,849 |

Fiscal Year Ended September 30, 2025

Net capital assets increased by $8,137,751 or 78.0 percent due to the Hospital's purchases and donated capital assets exceeding depreciation. Before depreciation, capital assets increased by $9,755,619 due to the increase in major movable equipment and building and improvements, and due to the increase in right of use assets – SBITA.

Fiscal Year Ended September 30, 2024

Net capital assets decreased approximately $488,848 or 4.5 percent due to the Hospital's purchases exceeding depreciation. Before depreciation, capital assets increased $524,833 due to the increase in major moveable equipment and building and improvements.

**Long-Term Lease and Subscription Obligations**

The following summarizes the Hospital's long-term lease and subscription obligations as of September 30, 2025 and 2024:

| *September 30,* | **Fiscal Year 2025** | Fiscal Year 2024 | Fiscal Year 2023 |
|---|---|---|---|
| Lease obligation | **$ -** | $ 29,257 | $ 140,951 |
| Lease obligation | **808,482** | 1,110,714 | 195,662 |
| Subscription obligation | **2,192,932** | 1,345 | 56,190 |
| Total lease and subscription obligations, net | **$ 3,001,414** | $ 1,141,316 | $ 392,803 |

**Cash Flows**

Changes in the Hospital's cash flows are consistent with changes in operating income losses and changes in net position discussed earlier.

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

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

- Medicare reimbursement changes,
- Increased number of uninsured and working poor,
- Ongoing competition for services,
- Workforce shortages primarily in nursing and other clinically skilled positions,
- Cost of supplies, including pharmaceuticals,
- Impact of Healthcare Reform as it relates to reimbursement and employee health insurance coverage, and potential repeals or replacements due to political changes.

**CONTACTING THE HOSPITAL FINANCIAL MANAGER**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances. If you have any questions about this report or need additional financial information, please contact the Hospital's Business Office at South Sunflower County Hospital, 121 Baker Street, Indianola, MS 38751.

## South Sunflower County Hospital
## Indianola, Mississippi
## Statements of Net Position

| *September 30,* | **2025** | 2024 |
|---|---|---|
| **Assets and Deferred Outflows of Resources** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 17,644,877** | $ 16,109,215 |
| Patient accounts receivable, net of allowance for doubtful accounts of $9,147,949 in 2025 and $7,006,670 in 2024 | **1,996,512** | 4,882,855 |
| Estimated third-party payor settlements | **311,000** | 294,000 |
| Inventories | **455,749** | 514,837 |
| Prepaid expenses | **548,228** | 371,225 |
| Current portion of notes receivable | **239,030** | 206,786 |
| Current portion of lease receivable | **45,568** | 33,750 |
| Other current assets | **856,150** | 900,795 |
| Total current assets | **22,097,114** | 23,313,463 |
| Noncurrent investments: | | |
| Internally designated by Board for capital improvements | **7,643,127** | 7,364,678 |
| Restricted for self-insurance claims | **3,290,697** | 3,173,858 |
| Total noncurrent investments | **10,933,824** | 10,538,536 |
| Capital assets, net | **18,568,752** | 10,431,001 |
| Lease receivable, less current portion | **178,210** | - |
| Long-term notes receivable | **345,417** | 473,465 |
| Total assets | **52,123,317** | 44,756,465 |
| Deferred outflows of resources - pension | **3,280,858** | 3,451,078 |
| Total assets and deferred outflows of resources | **$ 55,404,175** | $ 48,207,543 |

Continued

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

## South Sunflower County Hospital
## Indianola, Mississippi
## Statements of Net Position

| *September 30,* | **2025** | 2024 |
|---|---|---|
| **Liabilities, Deferred Inflows of Resources, and Net Position** | | |
| Current liabilities: | | |
| Accounts payable and other accrued liabilities | **$ 1,757,996** | $ 1,506,567 |
| Accrued salaries and compensated absences | **2,381,788** | 2,475,647 |
| Other accrued liabilities | **370,346** | 179,967 |
| Current portion of leases payable | **314,090** | 331,489 |
| Current portion of subscription payable | **516,509** | 1,345 |
| Accrued self-insurance claims | **362,116** | 364,616 |
| Total current liabilities | **5,702,845** | 4,859,631 |
| Leases payable, less current portion | **494,392** | 808,482 |
| Subscription payable, less current portion | **1,676,423** | - |
| Accrued self-insurance claims, less current portion | **962,210** | 1,782,804 |
| Net pension liability | **27,028,132** | 26,077,703 |
| Total liabilities | **35,864,002** | 33,528,620 |
| Deferred inflows of resources | | |
| Pension | **1,987,819** | 2,457,222 |
| Leases | **223,778** | 33,750 |
| Total deferred inflows of resources | **2,211,597** | 2,490,972 |
| Net position (deficit): | | |
| Net investment in capital assets | **15,567,338** | 9,289,685 |
| Restricted - expendable for self-insurance | **3,290,697** | 3,173,858 |
| Unrestricted | **(1,529,459)** | (275,592) |
| Total net position | **17,328,576** | 12,187,951 |
| Total liabilities, deferred inflows of resources, and net position | **$ 55,404,175** | $ 48,207,543 |

Concluded

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

## South Sunflower County Hospital
## Indianola, Mississippi
## Statements of Revenues, Expenses and Changes in Net Position

| *For the years ended September 30,* | | **2025** | | 2024 |
|---|---|---|---|---|
| **Operating Revenue** | | | | |
| Net patient service revenue, net of provision for bad debts of $3,202,127 in 2025 and $4,506,069 in 2024 | **$** | **24,333,192** | $ | 27,868,250 |
| Other operating revenue | | **2,202,269** | | 2,127,739 |
| Total operating revenue | | **26,535,461** | | 29,995,989 |
| **Operating Expenses** | | | | |
| Salaries and wages | | **12,047,310** | | 11,707,862 |
| Employee benefits | | **3,231,144** | | 3,602,664 |
| Professional fees | | **7,010,683** | | 7,819,076 |
| Supplies and other | | **3,278,894** | | 3,479,638 |
| Maintenance and utilities | | **1,332,348** | | 1,290,957 |
| Depreciation and amortization | | **1,623,369** | | 1,078,851 |
| Total operating expenses | | **28,523,748** | | 28,979,048 |
| Operating income (loss) | | **(1,988,287)** | | 1,016,941 |
| **Nonoperating Revenue (Expenses)** | | | | |
| Investment income (loss) | | **1,139,889** | | 1,227,773 |
| Donation of capital assets | | **6,105,772** | | - |
| State contribution to pension | | **-** | | 110,467 |
| Loss on disposal | | **(3,214)** | | (10,274) |
| Interest expense | | **(113,535)** | | (51,323) |
| Total nonoperating revenue | | **7,128,912** | | 1,276,643 |
| Change in net position | | **5,140,625** | | 2,293,584 |
| **Net Position** - beginning of year | | **12,187,951** | | 9,894,367 |
| **Net Position** - end of year | **$** | **17,328,576** | $ | 12,187,951 |

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

## South Sunflower County Hospital
## Indianola, Mississippi
## Statements of Cash Flows

| *For the years ended September 30,* | **2025** | 2024 |
|---|---|---|
| **Operating Activities** | | |
| Receipts from and on behalf of patients | **$ 27,202,535** | $ 27,633,398 |
| Payments to suppliers and contractors | **(12,170,705)** | (11,683,934) |
| Payments to employees | **(14,531,039)** | (13,290,707) |
| Other receipts and payments, net | **2,202,269** | 2,127,739 |
| Net cash provided by (used in) operating activities | **2,703,060** | 4,786,496 |
| **Capital and Related Financing Activities** | | |
| Principal payments on leases and subscriptions payable | **(718,449)** | (352,911) |
| Interest paid on leases and subscriptions payable | **(113,535)** | (51,323) |
| Purchases of capital assets | **(1,080,015)** | (607,777) |
| Proceeds from sale of capital assets | **-** | 7,500 |
| Net cash provided by (used in) capital and related financing activities | **(1,911,999)** | (1,004,511) |
| **Investing Activities** | | |
| Interest on investments | **744,601** | 379,872 |
| Net cash provided by (used in) investing activities | **744,601** | 379,872 |
| Net increase (decrease) in cash and cash equivalents | **1,535,662** | 4,161,857 |
| Cash and Cash Equivalents - beginning of year | **16,109,215** | 11,947,358 |
| Cash and Cash Equivalents - end of year | **$ 17,644,877** | $ 16,109,215 |

Continued

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

## South Sunflower County Hospital
## Indianola, Mississippi
## Statements of Cash Flows

| *For the years ended September 30,* | | **2025** | | 2024 |
|---|---|---|---|---|
| **Reconciliation of operating income (loss) to Net Cash Provided by (Used in) Operating Activities:** | | | | |
| Operating income (loss) from operations | **$** | **(1,988,287)** | $ | 1,016,941 |
| Adjustments to reconcile income (loss)from operations to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | | **1,623,369** | | 1,078,851 |
| Provision for bad debts | | **3,202,127** | | 4,506,069 |
| Changes in assets and liabilities: | | | | |
| Patient accounts receivables | | **(315,784)** | | (4,705,921) |
| Inventories | | **59,088** | | (41,149) |
| Estimated third-party payor settlements | | **(17,000)** | | (35,000) |
| Prepaids and other current assets | | **(226,582)** | | 729,259 |
| Accounts payable | | **251,429** | | 41,175 |
| Accrued salaries and compensated absences | | **(93,859)** | | 1,105,045 |
| Other accrued expenses | | **(632,715)** | | 176,452 |
| Net pension liability and related deferred inflows/outflows | | **841,274** | | 914,774 |
| Net cash provided by (used in) operating activities | **$** | **2,703,060** | $ | 4,786,496 |
| **Supplemental disclosures of noncash capital and related financing activities** | | | | |
| Addition of ROU assets via lease and SBITA | **$** | **2,578,547** | $ | - |
| Donation of capital assets | **$** | **6,105,772** | $ | - |
| Addition of state contribution to pension | **$** | **-** | $ | 110,467 |

Concluded

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

## Note 1: DESCRIPTION OF HOSPITAL

### *Nature of Operations and Reporting Entity*

South Sunflower County Hospital (the "Hospital") is a public hospital created to serve the medical needs of Indianola, Mississippi, and the surrounding area, established by Sunflower County ("the County") as a special purpose government entity under the laws of the State of Mississippi. The Hospital is owned by Sunflower County and is governed by a Board of Trustees pursuant to Sections 41-13-15 et. Seq. of Mississippi Code of 1972, as amended. Because of the relationship between the Hospital and Sunflower County, the Hospital has been defined as a component unit of the County.

The Hospital provides inpatient, outpatient and emergency care services primarily for residents of the County and the surrounding area. Admitting physicians are primarily practitioners in the same area. The Hospital is currently licensed to operate 49 inpatient beds and 30 swing beds.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

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

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

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

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

*Cash and Cash Equivalents*

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

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

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)***

*Noncurrent Investments*

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

Noncurrent investments include assets set aside by the Board of Trustees for future capital improvements as well as assets externally restricted for use in its self-insurance program. The Board retains control of the funds set aside for future capital improvements and may, at its discretion, subsequently use them for other purposes.

*Fair Value Measurements*

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

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

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

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

*Patient Accounts Receivable, Net*

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

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

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

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)***

*Patient Accounts Receivable, Net (continued)*

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

The Hospital has not materially altered its accounts receivable and revenue recognition policies during the fiscal years 2025 and 2024, and did not have significant write-offs from third-party payors related to collectability in fiscal years 2025 or 2024.

*Notes receivable*

The Hospital has entered into various agreements with physicians and employees, specifically to benefit the Hospital's community service area. These agreements include income guarantees, tuition assistance, student loan assistance, and other advances, all of which are generally conditioned upon a service commitment to the Hospital. Advances under these agreements are forgiven upon fulfillment of a contractual service commitment, and are amortized to expense using the straight-line method over the related commitment period. Amounts expected to be amortized in the ensuing fiscal year are classified as an other current asset in the accompanying statements of net position.

*Lease Receivable*

The Hospital is a lessor for a noncancellable lease of Hospital property. The Hospital recognizes a 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. Under the lease agreement, the Hospital may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is initially measured at 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 uses the stated rate in the lease or its estimated incremental borrowing rate as the discount rate for the lease. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the leases receivable are composed of fixed payments from the lessee.

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

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

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)***

*Inventories*

Inventories, which consist primarily of medical supplies and drugs, are stated at the lower of cost (based on the first-in, first-out method), or market. The cost of such inventories are recorded as expenses when consumed rather than when purchased.

*Prepaid Expenses*

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

*Capital Assets*

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

The Hospital recognized donated capital assets at fair market value at the time of donation. During the year ended September 30, 2025, the Hospital received a donation valued at $6,105,772 from South Sunflower Hospital Foundation related to the renovation of the labor and delivery wing of the Hospital, including equipment. The donated assets have been included in building and improvements and major movable equipment.

The following estimated useful lives are being used by the Hospital:

| Asset Class | Year |
|---|---|
| Land improvements | 5 - 20 |
| Building and improvements | 5 - 40 |
| Medical equipment | 3 - 20 |
| Furniture and fixtures | 3 - 20 |
| Right-of-use assets | 5 - 7 |

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

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

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

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)***

*Impairment of Long-Lived Assets*

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived asset impairments were recognized during the years ended September 30, 2025 and 2024.

*Compensated Absences*

The Hospital employees can accumulate earned time off, which is vested with the employee and upon termination is payable under certain circumstances. All vested compensated absences are recorded as of the statement of net position date.

*Pensions*

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position have been determined on the same basis as reported by the respective defined benefit pension plans. The Hospital recognizes benefit payments when due and payable in accordance with benefit terms. Invested assets are reported at fair value.

*Leases Payable*

The Hospital is the lessee for two noncancellable leases of equipment. The Hospital recognizes leases payable and intangible right-of-use lease assets (lease assets) 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.

Key estimates and judgments related to leases include how the Hospital determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) the lease payments.

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

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

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)***

*Leases Payable (continued)*

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Hospital is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported as current and long-term liabilities on the statement of net position.

The Hospital's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

*Subscription-Based Information Technology Arrangements*

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

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

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

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

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

The Hospital's SBITA agreements do not contain any material residual value guarantees or material restrictive covenants.

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

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)***

*Deferred Outflows/Inflows of Resources*

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows and inflows have been recognized for the net difference between the projected and actual investment earnings. This amount is deferred and amortized over a period of five years. In addition, deferred outflows and inflows have been recognized for the differences between the actuarial expectation and actual economic experience, change in assumptions, and changes in the proportional share of the net pension liability. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. See Note 7 for additional information on deferred outflows and inflows related to the pension plans.

In addition, the Hospital is reporting deferred inflows of resources related to leases associated with amounts owed to the Hospital, as lessor, by entities leasing the Hospital's capital assets. The deferred inflows of resources related to leases will be recognized in lease revenue in future reporting periods.

*Categories and Classification of Net Position*

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

> *Net investment in capital assets* – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
>
> *Restricted net position* – made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
>
> *Unrestricted net position* – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

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.

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

***Revenues and Expenses***

*Operating Revenue and Expenses*

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

*Net Patient Service Revenue*

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

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

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

*Charity Care*

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue the collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital’s charity care policy was, approximately $4,847 and $15,852 for the years ended September 2025 and 2024, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately $863 and $2,822, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital’s cost-to-charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

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

***Revenues and Expenses (continued)***

*Grants and Contributions*

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

*Income Taxes*

The Hospital is a governmental entity and, as such, is exempt from federal and state income taxes.

*Budgetary Information*

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

***Use of Estimates***

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

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

***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; medical malpractice; and employee health, dental and accident benefits. The Hospital is self-funded for health and general and professional liabilities.

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

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

***Current Healthcare Environment***

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

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

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payor industry.
- Workforce shortages primarily in nursing and other clinically skilled positions; as well as increased payroll costs to retain staff.

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

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 23, 2026 and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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

In June 2022, GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. An earlier application is encouraged. The Hospital adopted GASB 100 for the year ended September 30, 2025, and GASB 100 did not have an impact on the financial statements.

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

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

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

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to establish requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

**Note 3: CASH DEPOSITS AND INVESTMENTS**

As of September 30, 2025 and 2024, the deposits and investments of the Hospital consisted of the following:

| *September 30,* | **2025** | 2024 |
|---|---|---|
| Petty cash and deposited cash | **$ 1,429** | $ 1,755 |
| Cash deposits with financial institutions | **17,643,448** | 16,107,460 |
| MHA external investment pools | **10,933,824** | 10,538,536 |
| Total deposits and investments | **$ 28,578,701** | $ 26,647,751 |

**Note 3: CASH DEPOSITS AND INVESTMENTS (Continued)**

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

| *September 30,* | **2025** | 2024 |
|---|---|---|
| Cash and cash equivalents | **$ 17,644,877** | $ 16,109,215 |
| Investments | **10,933,824** | 10,538,536 |
| Total deposits and investments | **$ 28,578,701** | $ 26,647,751 |

***Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits might not be recovered. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the 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 those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation ("FDIC"). All deposits with financial institutions must be collateralized in an amount equal to 105 percent of uninsured deposits and are therefore fully insured. The bank balance of the collateralized and insured balances was $17,545,333 and $15,946,962 at September 30, 2025 and 2024, respectively.

***Investments***

The statutes of the State of Mississippi restrict the authorized investments of the Hospital to obligations of the U. S. Treasury, agencies and instrumentalities of the United States and certain other types of investments. The Mississippi Hospital Association ("MHA") investment pool is the result of an amendment to the Mississippi Code of 1972 passed in the 1999 and 2000 sessions of the Mississippi Legislature. This law expanded the investment options and permits the pooling of hospital funds. All Mississippi hospitals are allowed to participate in these funds. Pooled funds are invested in authorized investments and are managed by approved investment advisors. The external investment pools do not have a credit rating on the overall pool and they are not insured.

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

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

**Note 3: CASH DEPOSITS AND INVESTMENTS (Continued)**

***Investments (continued)***

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

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

Since the MHA Investment Pool is measured at fair value using the net asset value per share practical expedient, these amounts are not classified in the fair value hierarchy. The Medical Center invests in these types of investments to obtain competitive market returns while ensuring the safety and liquidity of the portfolio. These types of investments may be redeemed without advance notice and there are no unfunded commitments for further investment. There are currently no limitations as to the frequency of redemptions. The total investment in the pool as of September 30, 2025 and 2024 was $10,933,824 and $10,538,536, respectively.

**Note 4: CAPITAL ASSETS**

Depreciation and amortization expense for the years ended September 30, 2025 and 2024 totaled $1,623,369 and $1,078,851, respectively. Capital asset additions, retirements and balances for the year ended September 30, 2025, were as follows:

| *September 30,* | Balance September 30, 2024 | Additions | Reductions | Reclass/ Transfer | Balance September 30, 2025 |
|---|---|---|---|---|---|
| Capital assets not being depreciated | | | | | |
| Land | $ 191,036 | $ - | $ - | $ - | **$ 191,036** |
| Total capital assets not being depreciated | 191,036 | - | - | - | **191,036** |
| Capital assets being depreciated | | | | | |
| Land improvements | 582,977 | - | - | - | **582,977** |
| Buildings and improvements | 16,843,131 | 5,327,381 | - | - | **22,170,512** |
| Fixed equipment | 280,384 | - | - | - | **280,384** |
| Right of use assets - equipment | 1,834,552 | - | - | - | **1,834,552** |
| Right of use assets - SBITA | 114,003 | 2,578,548 | - | - | **2,692,551** |
| Vehicles | 33,611 | - | - | - | **33,611** |
| Major movable equipment | 17,131,221 | 2,108,405 | (8,715) | (250,000) | **18,980,911** |
| Total capital assets being depreciated | 36,819,879 | 10,014,334 | (8,715) | (250,000) | **46,575,498** |
| Less accumulated depreciation for | | | | | |
| Land improvements | (415,740) | (29,601) | - | - | **(445,341)** |
| Buildings and improvements | (10,149,670) | (424,134) | - | - | **(10,573,804)** |
| Fixed equipment | (197,399) | - | - | - | **(197,399)** |
| Right of use assets - equipment | (563,376) | (331,489) | - | - | **(894,865)** |
| Right of use assets - SBITA | (112,658) | (386,960) | - | - | **(499,618)** |
| Vehicles | (33,611) | - | - | - | **(33,611)** |
| Major movable equipment | (15,107,460) | (451,185) | 5,501 | - | **(15,553,144)** |
| Total accumulated depreciation | (26,579,914) | (1,623,369) | 5,501 | - | **(28,197,782)** |
| Capital assets being depreciated, net | 10,239,965 | 8,390,965 | (3,214) | (250,000) | **18,377,716** |
| Capital assets, net | $ 10,431,001 | 8,390,965 | $ (3,214) | $ (250,000) | **$ 18,568,752** |

**Note 4: CAPITAL ASSETS (Continued)**

Capital asset additions, retirements and balances for the year ended September 30, 2024, were as follows:

| *September 30,* | Balance September 30, 2023 | Additions | Reductions | Reclass/ Transfer | Balance September 30, 2024 |
|---|---|---|---|---|---|
| Capital assets not being depreciated | | | | | |
| Land | $ 191,036 | $ - | $ - | $ - | $ 191,036 |
| Total capital assets not being depreciated | 191,036 | - | - | - | 191,036 |
| Capital assets being depreciated | | | | | |
| Land improvements | 582,977 | - | - | - | 582,977 |
| Buildings and improvements | 16,706,619 | 136,512 | - | - | 16,843,131 |
| Fixed equipment | 280,384 | - | - | - | 280,384 |
| Right of use assets - equipment | 1,834,552 | - | - | - | 1,834,552 |
| Right of use assets - SBITA | 114,003 | - | - | - | 114,003 |
| Vehicles | 33,611 | - | - | - | 33,611 |
| Major movable equipment | 16,742,900 | 457,337 | (82,943) | 13,927 | 17,131,221 |
| Total capital assets being depreciated | 36,295,046 | 593,849 | (82,943) | - | 36,819,879 |
| Less accumulated depreciation for | | | | | |
| Land improvements | (386,139) | (29,601) | - | - | (415,740) |
| Buildings and improvements | (9,800,601) | (349,069) | - | - | (10,149,670) |
| Fixed equipment | (197,399) | - | - | - | (197,399) |
| Right of use assets - equipment | (243,380) | (319,996) | - | - | (563,376) |
| Right of use assets - SBITA | (107,498) | (5,160) | - | - | (112,658) |
| Vehicles | (33,611) | - | - | - | (33,611) |
| Major movable equipment | (14,797,605) | (375,025) | 65,170 | - | (15,107,460) |
| Total accumulated depreciation | (25,566,233) | (1,078,851) | 65,170 | - | (26,579,914) |
| Capital assets being depreciated, net | 10,728,813 | (485,002) | (17,773) | - | 10,239,965 |
| Capital assets, net | $ 10,919,849 | $ (485,002) | $ (17,773) | $ - | $ 10,431,001 |

**Note 5: OTHER CURRENT ASSETS**

The composition of other current assets at September 30, 2025 and 2024 was as follows:

| *September 30,* | **2025** | 2024 |
|---|---|---|
| Escrow deposit | **$ 18,750** | $ 18,750 |
| Other receivables | **837,400** | 882,045 |
| Total other current assets | **$ 856,150** | $ 900,795 |

**Note 6: LONG-TERM LIABILITIES**

A summary of long-term lease and subscription obligations, at September 30, 2025 and 2024 follows:

| *September 30,* | **2025** | 2024 |
|---|---|---|
| Lease obligation, interest rate of 3.85%, monthly payments of $4,936, maturing April 2025, collateralized by leased equipment | **$ -** | $ 29,257 |
| Lease obligation, interest rate of 3.85%, monthly payments of $28,312, maturing March 2028, collateralized by leased equipment | **808,482** | 1,110,714 |
| Subscription obligation, interest rate of 3.85%, monthly payments ranging from of $2,577 to $42,783, maturing November 2029, collateralized by leased equipment | **2,192,932** | 1,345 |
| Total | **3,001,414** | 1,141,316 |
| Less: current portion | **830,599** | 332,834 |
| Lease and subscription obligations, less current maturities | **$ 2,170,815** | $ 808,482 |

Scheduled principal and interest payments on future minimum lease and subscription payments are as follows:

| *Year ending September 30,* | **Principal** | **Interest** |
|---|---|---|
| 2026 | $ 830,599 | $ 101,141 |
| 2027 | 866,708 | 68,454 |
| 2028 | 695,941 | 35,837 |
| 2029 | 519,605 | 14,327 |
| 2030 | 88,561 | 426 |
| Total | $ 3,001,414 | $ 220,185 |

**Note 6: LONG-TERM LIABILITIES (Continued)**

A schedule of changes in the Hospital's long-term liabilities for the year ended September 30, 2025 and 2024 are as follows:

| | Balance September 30, 2024 | Additions | Retirements | Balance September 30, 2025 | Due Within One Year |
|---|---|---|---|---|---|
| Leases payable | $ 1,139,971 | $ - | $ (331,489) | **$ 808,482** | $ 314,090 |
| Subscription payable | 1,345 | 2,578,547 | (386,960) | **2,192,932** | 516,509 |
| Compensated absences | 366,637 | 394,067 | (366,637) | **394,067** | 394,067 |
| Self-insurance claims | 2,147,420 | 392,594 | (1,215,688) | **1,324,326** | 362,116 |
| Total long-term debt | $ 3,655,373 | $ 3,365,208 | $ (2,300,774) | **$ 4,719,807** | $ 1,586,782 |

| | Balance September 30, 2023 | Additions | Retirements | Balance September 30, 2024 | Due Within One Year |
|---|---|---|---|---|---|
| Leases payable | $ 1,487,722 | $ - | $ (347,751) | $ 1,139,971 | $ 331,489 |
| Subscription payable | 6,505 | - | (5,160) | 1,345 | 1,345 |
| Compensated absences | 293,773 | 366,637 | (293,773) | 366,637 | 366,637 |
| Self-insurance claims | 1,989,325 | 1,566,298 | (1,408,203) | 2,147,420 | 364,616 |
| Total long-term debt | $ 3,777,325 | $ 1,932,935 | $ (2,054,887) | $ 3,655,373 | $ 1,064,087 |

**Note 7: PENSION PLAN**

***Plan Description***

The Hospital contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS administers a cost-sharing, multiple-employer defined benefit pension plan as defined in GASB 67, *Financial Reporting for Pensions*.

**Note 7: PENSION PLAN (Continued)**

***Benefits Provided***

For the cost-sharing plan, participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50 percent for each additional year of creditable service, with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years.

Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

***Contributions***

Hospital employees, as members of PERS, are required to contribute 9 percent of their annual covered salary, and the Hospital is required to contribute at an actuarially determined rate. The rate contributed by the Hospital was 17.90 percent of annual covered payroll as of September 30, 2025 and 2024. Combined contributions are expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Hospital's contributions to PERS for each of the years ended September 30, 2025 and 2024, were approximately $1,501,649 and $1,339,063, respectively, and were equal to the required contributions for each year.

***Vesting Period***

In 2007, the Mississippi Legislature amended PERS to change the vesting period from four to eight years for members who entered the system after July 1, 2007. Members who entered PERS prior to July 1, 2007 are still subject to the four year vesting period provided that those members do not subsequently withdraw their account balance.

***Pension Liabilities and Pension Expense***

In its financial statements for the year ended September 30, 2025 and 2024, the Hospital reported a liability for its proportionate shares of the net pension liabilities of PERS. The net pension liability was measured as of June 30, 2025 and 2024, for fiscal years ended 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 June 30, 2024 and 2023. The Hospital's proportion of the net pension liability was based on a projection of the Hospital's long-term share of contributions to the pension plan relative to the projected contributions of all participating PERS members, actuarially determined.

**Note 7: PENSION PLAN (Continued)**

***Pension Liabilities and Pension Expense (Continued)***

| *September 30,* | **2025** | 2024 |
|---|---|---|
| Net pension liability | **$ 27,028,132** | $ 26,077,703 |
| Proportion at: | | |
| Current measurement date | **0.106482%** | 0.100425% |
| Change on prior measurement date | **0.006057%** | 0.009233% |
| Pension expense | **$ 2,152,900** | $ 2,253,831 |

***Deferred Outflows/Inflows of Resources Related to Pensions***

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:

| *September 30,* | **2025** | 2024 |
|---|---|---|
| Deferred outflows of resources | | |
| Net difference between projected and actual earnings on pension plan investments | **$ -** | $ 86,417 |
| Difference between expected and actual experience | **1,299,750** | 1,403,083 |
| Changes of assumptions | **635,521** | 1,615,249 |
| Changes in proportionate share of net pension liability | **987,431** | - |
| Pension contributions subsequent to measurement date | **358,161** | 346,333 |
| Total deferred outflows of resources | **$ 3,280,863** | $ 3,451,082 |

| *September 30,* | **2025** | 2024 |
|---|---|---|
| Deferred inflows of resources | | |
| Net difference between projected and actual earnings on pension plan investments | **$ 648,753** | $ - |
| Difference between expected and actual experience | **-** | - |
| Changes of assumptions | **258,202** | - |
| Changes in proportionate share of net pension liability | **1,080,864** | 2,457,222 |
| Total deferred inflows of resources | **$ 1,987,819** | $ 2,457,222 |

**Note 7: PENSION PLAN (Continued)**

***Deferred Outflows/Inflows of Resources Related to Pensions (continued)***

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2024. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| *Year ending September 30,* | |
|---|---|
| 2026 | $ 1,578,332 |
| 2027 | (66,774) |
| 2028 | (281,639) |
| 2029 | (295,036) |
| Total | $ 934,883 |

***Actuarial Assumptions***

The net pension liability was measured as of June 30, 2025 and 2024 for fiscal years ended 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 June 30, 2024 and 2023. The individual entry age normal actuarial cost method was used for the plan along with the following significant actuarial assumptions:

| *Year ending September 30,* | **2025** | 2024 |
|---|---|---|
| Inflation | **2.40%** | 2.40% |
| Salary increase | **2.65-17.90%** | 2.65-17.90% |
| Investment rate of return | **7.00%** | 7.00% |
| Discount rate | **7.00%** | 7.00% |

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the four year period July 1, 2020 to June 30, 2024.

**Note 7: PENSION PLAN (Continued)**

***Actuarial Assumptions (Continued)***

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 27% | 4.75% |
| International equity | 20% | 4.75% |
| Global equity | 12% | 4.95% |
| Fixed income | 20% | 2.25% |
| Real estate | 10% | 3.75% |
| Private equity | 10% | 6.00% |
| Cash | 1% | 0.50% |
| Total | 100% | |

***Discount Rate***

The discount rate used to measure the total pension liability at September 30, 2025 and 2024 was 7.00%, net of pension plan investment expense. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that contributions from the Hospital will be made at the current employer contribution rate (17.90 percent). 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 plan members. 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.

**Note 7: PENSION PLAN (Continued)**

***Sensitivity Analysis***

The following tables demonstrate the sensitivity of the net pension liability as of September 30, 2025 and 2024, respectively, to changes in the discount rate. The sensitivity analysis shows the impact to the Hospital's proportionate share of the net pension liability if the discount rate that was 1.00% higher or 1.00% lower than the current discount rate:

| *September 30, 2025* | **1% Decrease (6.00%)** | **Current Discount Rate (7.00%)** | **1% Increase (8.00%)** |
|---|---|---|---|
| Hospital's proportionate share of the net pension liability | **$ 35,146,344** | **$ 27,028,132** | **$ 20,359,638** |

| *September 30, 2024* | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Hospital's proportionate share of the net pension liability | $ 33,800,498 | $ 26,077,703 | $ 19,757,180 |

***Pension Plan Fiduciary Net Position***

PERS issues a publicly available financial report that includes financial statements and required supplementary information. This information may be obtained by contacting PERS by mail at 429 Mississippi Street, Jackson, MS 39201, by phone at 1-800-444-7377 or by website at www.pers.ms.gov. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**Note 8: NET INVESTMENT IN CAPITAL ASSETS**

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

| *September 30,* | **2025** | 2024 |
|---|---|---|
| Capital assets | **$ 46,766,534** | $ 37,010,915 |
| Less accumulated depreciation | **(28,197,782)** | (26,579,914) |
| Less debt outstanding related to capital assets | **(3,001,414)** | (1,141,316) |
| Net investment in capital assets | **$ 15,567,338** | $ 9,289,685 |

**Note 9: 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. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification system that is based on clinical, diagnostic and other factors. Outpatient services related to Medicare beneficiaries are reimbursed through a prospective payment system commonly known as Ambulatory Payment Classification (APC). Under the APC system, certain medical devices and drugs are reimbursed at cost or average wholesale price. Long-term care services are reimbursed under a prospective payment system that considers the Medicare beneficiaries severity of illness among other clinical factors. Inpatient non-acute services are paid based on a prospective payment system.

The Hospital is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission and review by the fiscal intermediary of annual cost reports.

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

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

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

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

| *Years ended September 30,* | **2025** | 2024 |
|---|---|---|
| MHAP revenue, gross | **$ 7,120,817** | $ 8,077,486 |
| MHAP assessment | **(649,169)** | (814,418) |
| MHAP revenue, net of assessment | **$ 6,471,648** | $ 7,263,068 |

**Note 9: NET PATIENT SERVICE REVENUE (Continued)**

Medicare and Medicaid Laws and Regulations - Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result of those interpretations, the 2025 and 2024 net patient service revenue increased approximately $-0- and $48,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated.

The composition of net patient service revenue was as follows:

| *Years ended September 30,* | **2025** | 2024 |
|---|---|---|
| Gross patient service revenue | **$ 41,376,754** | $ 45,382,612 |
| Less provisions for | | |
| Contractual adjustments under the third-party reimbursement programs and other deductions | **13,841,435** | 13,008,293 |
| Provision for bad debts | **3,202,127** | 4,506,069 |
| Net patient service revenue | **$ 24,333,192** | $ 27,868,250 |

***Other Operating Revenue***

During 2024, the Mississippi Legislature established the Mississippi Hospital Sustainability Grant Program for the purpose of strengthening, improving and preserving access to hospital care services for all Mississippians and in recognition of the challenges incurred upon hospitals by the COVID-19 pandemic. During the year ended September 30, 2024, the Hospital recognized $881,250 in grant funds related to the sustainability grant.

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

The CARES Act and the Paycheck Protection Program and Health Care Enhancement Act ("Paycheck Protection Program"), which was signed into law on April 24, 2020, authorized up to $2 trillion in government spending to mitigate the economic effects of the COVID-19 pandemic. Below is a brief overview of certain provisions of the CARES Act and related legislation that have impacted and are expected to continue to impact the Hospital's business. Please note that this summary is not exhaustive, and additional legislative action and regulatory developments may evolve rapidly. There is no assurance that the Hospital will continue to receive or remain eligible for funding or assistance under the CARES Act or similar measures.

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

**Note 9: NET PATIENT SERVICE REVENUE (Continued)**

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

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

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act suspended the sequestration payment adjustment percentage of 2% applied to all Medicare Fee-for-Service (FFS) claims from May 1 through December 31, 2020. The Consolidated Appropriations Act, 2021, extended the suspension period to March 31, 2021. An Act to prevent across-the-board direct spending cuts, and for other purposes, signed into law on April 14, 2021, extended the suspension period to December 31, 2021. The Protecting Medicare and American Farmers from Sequester Cuts Act extended the suspension period through March 31, 2022, and adjusted the sequester to 1% between April 1, 2022 and June 30, 2022. Subsequent to July 1, 2022 the 2% cut was effective.

- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency (which expired on May 11, 2023) as declared by the Secretary of HHS.

- The scheduled reduction of $4 billion in federal Medicaid DSH allotments in FFY 2020, as mandated by the Affordable Care Act, is suspended until October 1, 2024. Also, the federal DSH allotment reduction for FFY 2024 is set at $8 billion for each year through termination in FFY 2027.

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

Because of the uncertainty associated with various factors that may influence the Hospital's future Medicare and Medicaid payments, including future legislative, legal or regulatory actions, or changes in volumes and case mix, there is a risk that the Hospital's estimates of the impact of the aforementioned payment and policy changes will be incorrect and that actual payments received under, or the ultimate impact of, these programs may differ materially from the Hospital's expectations.

**Note 10: 340B DRUG PRICING PROGRAM**

The Hospital participates in the 340B Drug Pricing Program (340B Program), enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Hospital operates an internal pharmacy and has partnered with a network of participating local pharmacies that dispense the pharmaceuticals to its patients under a contractual arrangement with the Hospital. The Hospital recorded 340B Program revenues of $9,006,490 and $6,421,564 for the years ended September 30, 2025 and 2024, respectively, which is included in net patient service revenue in the accompanying statements of revenues, expenses and changes in net position. 340B program expenses of $5,099,374 and $3,926,062 for the years ended September 30, 2025 and 2024, respectively, are included in net patient service revenue in the accompanying statements of revenues, expenses and changes in net position.

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

**Note 11: INSURANCE PROGRAMS**

***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; medical malpractice and employee health, dental and accident benefits. Commercial liability insurance is purchased for most of these risks. However, employee health insurance and certain general and professional liability risks are self-funded as further explained below. The Hospital has accrued for the estimate of self-funded claims.

***Self-Funded Health Insurance***

The Hospital provides health insurance coverage to its employees under a self-funded plan. Health claims are paid by the Hospital as they are incurred and filed by the employee. An estimated liability for claims incurred but not reported or paid is included in the liability for self-insurance claims in the financial statements.

The claims liability at September 30, 2025 and 2024, is based on the requirements of GASB, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

***Self-Funded Health Insurance (Continued)***

Changes in the Hospital's claims liability amount for fiscal years 2025 and 2024 were:

| Fiscal year | October 1, Claims Liability | Current Year Claims and Changes in Estimates | Current Year Payments | September 30, Claims Liability |
|---|---|---|---|---|
| 2025 | $ 364,616 | $ 1,159,037 | $ (1,161,537) | $ 362,116 |
| 2024 | $ 216,841 | $ 1,216,278 | $ (1,068,503) | $ 364,616 |

***Medical Malpractice Program***

The Hospital maintains a professional and general liability insurance program under a self-funded plan. At year-end, the Hospital accrues for the estimated losses on outstanding malpractice claims.

As of September 30, 2025 and 2024, this accrual totaled $962,210 and $1,782,804 , respectively. The future assertion of claims for occurrences prior to year-end is reasonably possible and may occur, although it is not anticipated.

Changes in the Hospital's claims liability amount, including related legal fees, for the years 2025 and 2024 were as follows:

| Fiscal Year | October 1, Claims Liability | Current Year Claims and Changes in Estimates | Current Year Payments | September 30, Claims Liability |
|---|---|---|---|---|
| 2024 | $ 1,782,804 | $ (766,443) | $ (54,151) | $ 962,210 |
| 2023 | $ 1,772,484 | $ 350,020 | $ (339,700) | $ 1,782,804 |

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

**Note 12: SIGNIFICANT ESTIMATES AND CONCENTRATIONS**

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

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

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

***Accounts Receivable***

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

| *September 30,* | **2025** | 2024 |
|---|---|---|
| Medicare | **22%** | 23% |
| Medicaid | **25%** | 24% |
| Commercial | **31%** | 24% |
| Other | **22%** | 29% |
| Total | **100%** | 100% |

***Patient Service Revenue Under Contract***

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

| | **September 30, 2025** | | September 30, 2024 | |
|---|---|---|---|---|
| | **Amount** | **Percent of Total Gross Patient Revenue** | Amount | Percent of Total Gross Patient Revenue |
| Medicare | **$ 17,909,190** | **43.3%** | $ 19,728,383 | 43.5% |
| Medicaid | **8,657,400** | **20.9%** | 10,075,188 | 22.2% |
| Other | **14,810,164** | **35.8%** | 15,579,041 | 34.3% |
| Total | **$ 41,376,754** | **100.0%** | $ 45,382,612 | 100.0% |

**Note 12: SIGNIFICANT ESTIMATES AND CONCENTRATIONS (Continued)**

***Litigation***

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

# REQUIRED SUPPLEMENTARY INFORMATION

## South Sunflower County Hospital
## Indianola, Mississippi
## Schedules of Proportionate Share of Net Pension Liability
## Last 10 Fiscal Years

| Public Employees' Retirement System of Mississippi | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Employer's proportion of the net pension liability (asset) | **0.1065%** | 0.1004% | 0.1097% | 0.1180% | 0.1297% | 0.1279% | 0.1267% | 0.1252% | 0.1187% | 0.1184% |
| Employer's proportionate share of the net pension liability (asset) | **27,028,132** | 26,077,703 | 24,291,575 | 19,172,147 | 24,761,889 | 22,294,659 | 20,824,806 | 19,734,628 | 21,146,696 | 18,932,870 |
| Employer's covered payroll | **8,389,099** | 8,068,929 | 8,135,248 | 8,124,455 | 8,633,789 | 8,620,613 | 7,812,684 | 8,188,787 | 7,728,578 | 7,732,235 |
| Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | **322.18%** | 323.19% | 298.60% | 235.98% | 286.80% | 258.62% | 266.55% | 241.00% | 273.62% | 244.86% |
| Plan fiduciary net position as a percentage of the total pension liability | **56.3%** | 55.7% | 60.00% | 70.00% | 59.00% | 62.00% | 63.00% | 61.00% | 57.00% | 62.00% |

**Notes to schedules:**

(1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

## South Sunflower County Hospital
## Indianola, Mississippi
## Schedules of Employer Contributions
## Last 10 Fiscal Years

| Public Employees' Retirement System of Mississippi | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ **1,383,164** | $ 1,383,164 | $ 1,349,465 | $ 1,393,086 | $ 1,478,054 | $ 1,496,507 | $ 1,359,407 | $ 1,289,734 | $ 1,217,251 | $ 1,217,827 |
| Contributions in relation to the contractually required contribution | **1,383,164** | 1,383,164 | 1,349,465 | 1,393,086 | 1,478,054 | 1,496,507 | 1,359,407 | 1,289,734 | 1,217,251 | 1,217,827 |
| Contribution deficiency (excess) | $ **-** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Employer's covered payroll | $ **8,400,818** | $ 7,893,619 | $ 7,762,085 | $ 8,006,244 | $ 8,494,562 | $ 8,620,613 | $ 7,812,684 | $ 8,188,787 | $ 7,728,578 | $ 7,732,235 |
| Contributions as a percentage of covered payroll | **16.46%** | 17.52% | 17.39% | 17.40% | 17.40% | 17.36% | 17.40% | 15.75% | 15.75% | 15.75% |

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

**Note 1: PLAN CHANGES IN BENEFIT TERMS**

In fiscal year 2016, the interest rate on employee contributions was changed to the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of 1.0 percent and a maximum rate of 5.0 percent.

**Note 2: CHANGES OF ASSUMPTIONS**

- The investment rate of return was reduced from 7.75 percent to 7.55 percent in fiscal year 2021. The investment rate of return was reduced from 7.55 percent to 7.00 percent in fiscal year 2023.
- Price inflation was reduced from 3.00 percent to 2.75 percent in fiscal year 2019, and to 2.40 percent in 2021.
- The wage inflation assumption was reduced from 3.75 percent to 3.25 percent in fiscal year 2017, 3.00 percent in 2019, and to 2.65 percent in fiscal year 2021.
- The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65% in 2023.
- The percentage of active member disabilities assumed to be in the line of duty was increased in 2017 from 6.00 percent to 7.00 percent. The assumed rate was increased again in 2019 to 9.00 percent and to 12.00 percent in 2021.
- The percentage of active member deaths assumed to be in the line of duty was decreased in 2021 from 6.00 percent to 4.00 percent.
- The assumed load of administrative expenses was increased from 0.25 to 0.28 percent of payroll in fiscal year 2021. Administrative expenses were decreased from 0.28 percent to 0.26 percent in fiscal year 2023, and to 0.25 percent in fiscal year 2025.
- Assumed rates of salary increase were adjusted in 2017 and 2019 to more closely reflect actual and anticipated experience.
- The assumed rate of interest credited to employee contributions was changed from 3.50 percent to 2.00 percent in 2016.
- Withdrawal rates, pre-retirement mortality rates, disability rates, and service retirement rates were adjusted to more closely reflect actual experience in 2017, 2019, 2021, 2023, and 2025.
- For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years in 2023.
- The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years in 2023.
- The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years in 2023.

**Note 2: CHANGES OF ASSUMPTIONS (Continued)**

- In 2017, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

# SUPPLEMENTARY INFORMATION

## South Sunflower County Hospital
## Indianola, Mississippi
## Schedule of Surety Bonds for Officers and Employees
## September 30, 2025

| Name | Position | Company | Amount of Bond |
|---|---|---|---|
| Adelaide W. Fletcher | Trustee | Fidelity and Deposit Company of Maryland | $ 100,000 |
| Wheeler T. Timbs | Trustee | Fidelity and Deposit Company of Maryland | $ 100,000 |
| Hulbert Lipe | Trustee | EMC Insurance | $ 100,000 |
| Debbie Woodruff | Trustee | Fidelity and Deposit Company of Maryland | $ 100,000 |
| Glenda Shedd | Trustee | Fidelity and Deposit Company of Maryland | $ 100,000 |
| James T. Sample, Jr. | Trustee | EMC Insurance | $ 100,000 |
| Johnny Phillips | Trustee | EMC Insurance | $ 100,000 |
| Courtney Phillips | Administrator | EMC Insurance | $ 100,000 |

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

Board of Trustees
South Sunflower County Hospital
Indianola, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Sunflower County Hospital (the 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 June 23, 2026.

**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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

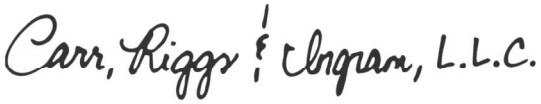
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

Metairie, Louisiana
June 23, 2026

**SECTION II: FINANCIAL STATEMENT FINDINGS**

None noted.

**SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**SECTION IV: PRIOR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD FINDINGS**

None noted.