West Tennessee Healthcare and Related Affiliates

Independent Auditor's Report, Financial Statements, and Supplementary Information

June 30, 2023 and 2022

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Independent Auditor’s Report

Board of Trustees
West Tennessee Healthcare and Related Affiliates
Jackson, Tennessee

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of West Tennessee Healthcare and Related Affiliates (the "Company"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the Company as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2023, the Company adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the Schedule of Changes in Net Pension and OPEB Liability (asset) and Related Ratios, and the Schedule of 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 ("GASB"), which 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Supplementary Information
Our audits were conducted for the purpose of forming opinions on financial statements that collectively comprise the Company's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information
Management is responsible for the other information included in the basic financial statements. The other information comprises the Roster of Governance and Management Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 26, 2023, on our consideration of the Company'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 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 Company's internal control over financial reporting and compliance.

FORVIS, LLP

Memphis, Tennessee
October 26, 2023

Governance Officials —– Board of Trustees

Name	Title	Principal Occupation
Phil Bryant	Chairman	Financial Services
Vicki Burch	Secretary	President, West Tennessee Business College
Danny Wheeler		Retired, Jackson Energy Authority
Curtis Mansfield		President, First Bank
Ray Washington		Chief Operating Officer, Fayette County Schools

Management Officials

James Ross	President & Chief Executive Officer
Tina Prescott	Executive Vice-President/Chief Operating Officer
Jeff Blankenship	Executive Vice-President/Chief Financial Officer
Dr. Jackie Taylor	Executive Vice-President/Chief Physician Executive
Charleyn Reviere	Vice-President/Chief Legal Officer/General Counsel
Deann Thelen	Vice-President/Chief Executive Officer, JMCGH
Amy Garner	Vice-President/Chief Compliance Officer/Communications Officer
Teresa Freeman	Vice-President/Chief Nursing Information Officer
Clayton Phillips	Vice-President/Chief Information Officer
Tim Adams	Vice-President of Support Services
Darrell King	Vice-President, Physician & Ambulatory Services
Vanessa Patrick	Vice-President of Business Development
Shannon Cinicola	Vice-President/Chief Human Resources Officer
Dr. Bethany Lawrence	Chief Medical Officer, JMCGH
Amy Cain	Vice-President/Chief Quality Officer

This section of the financial statements of West Tennessee Healthcare and Related Affiliates (the "Company") presents management's analysis of the Company's financial performance during the fiscal years ended June 30, 2023 and 2022.

Financial highlights

2023

Fiscal 2023 was a challenging year for the Company as inflation, high labor expenses and staffing shortages continued to impact operations. The Company also incurred significant expense as it commenced the transition to a new electronic medical record and revenue cycle platform during the fiscal year. Although total operating revenues increased from fiscal 2022, the increase was insufficient to cover the cost of operations and the system posted an operating loss for the year of $19.4 million, net of interest expense—an operating margin of -1.8%.

In fiscal year 2023, the Company received $0.1 million in CARES Act relief funding, compared to $37.5 million in the prior year.

In August 2022, the Company completed a sale and leaseback transaction with a Tennessee general partnership company, for the sale of 10 properties for an agreed upon sales price of approximately $35.0 million.

The Company retained Hirtle Callaghan as its outsourced Chief Investment Officer as of January 1, 2023. The Company's investment policy remained unchanged at June 30, 2023.

In fiscal year 2020, the Company received $109.6 million in advance payments from CMS which was included with "Cash and cash equivalents" in the assets section of the Statements of Net Position and in the "CMS advance payments due within one year" category of the liabilities section of the Statements of Net Position. CMS began to recoup the advance payments during fiscal year 2021 and continued the recoupment through fiscal year 2023, when the advance payments were repaid in full.

During fiscal year 2023, the Company implemented Governmental Accounting Standards Board ("GASB") Statement No. 96, Subscription Based Technology Arrangements, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users. Adoption of the standard resulted in no changes to net position as of July 1, 2022. Restatement of prior periods was determined to be impracticable: therefore 2022 information presented herein was not restated. As of June 30, 2023, the Company has SBITA assets of approximately $26.9 million, and SBITA obligations of approximately $22.5 million.

Total operating revenues were up 5% as compared to the prior year, an increase of $48.3 million, with an increase in volume compared with the prior year.

Operating expenses remained flat when compared to the prior year with an increase of $4.6 million or 0%, as inflationary pressure on costs were offset by various cost reduction measures taken by the Company.

The Company's net non-operating revenue was $5.2 million in 2023 as compared to ($19.4) million in 2022, the increase driven by $25.1 million in gains on investment values, as compared to a ($37.7) million loss in investment values in 2022. The current year investment gains were offset by $19.3 million in interest expense.

2022

Fiscal year 2022, with the spread of the Omicron variant in late 2021 and early 2022, was a continuation of fiscal year 2021 in regard to the pandemic effecting nearly every aspect of operations. In addition to the impact of caring for patients with the disease, the pandemic contributed to staffing shortages and inflation of labor, supply, and services costs. Although total operating revenues increased from fiscal 2021, the increase was insufficient to cover the cost of operations and the system posted an operating loss for the year of $61.4 million, net of interest expense—an operating margin of -6.1%. This operating loss excludes revenue associated with CARES Act relief funding, which provided necessary stability during a period of great uncertainty.

In fiscal year 2022, the Company received $37.5 million in CARES Act relief funding. It is uncertain how future guidance will impact the final determination of relief funds earned by the Company and could result in significant changes to those estimates.

In fiscal year 2020, the Company received $109.6 million in advance payments from CMS which was included with "Cash and cash equivalents" in the assets section of the Statements of Net Position and in the "CMS advance payments due within one year" category of the liabilities section of the Statements of Net Position. CMS began to recoup the advance payments during fiscal year 2021 and continued the recoupment during fiscal year 2022. The balance of the advance payments due within one year as of June 30, 2022, was $26 million.

In November 2021, the Company entered into the Series 2021 Bond Anticipation Note ("Notes") in the amount of $10 million. The proceeds of the Series 2021 Bonds were used by the Company to defease $5.2 million and $2.8 million, respectively, of the Series 2015 and Series 2018A bonds. Interest is paid monthly on the Notes until maturity on November 1, 2023.

During fiscal year 2022, the Company implemented Governmental Accounting Standards Board ("GASB") Statement No. 87, Leases, which, among other things, requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The accounting standard was adopted using the modified retrospective approach, which resulted in no changes to net position as of July 1, 2021. As of June 30, 2022, for lease agreements in which the Company is the lessee, the Company has lease assets of approximately $49.3 million, which represents the right to use assets under lease agreements, and lease obligations of approximately $50.4 million. For agreements in which the Company acts as a lessor, the Company as a lease receivable of approximately $10.1 million and deferred inflows of resources of $9.9 million.

Total operating revenues were up 4% as compared to the prior year, an increase of $39.9 million, with a rise in patient volume during the fiscal year.

Operating expenses increased by $76.5 million or 8%, with the increase in volume as well as escalated staffing costs and inflationary pressure on all supplies and expenses.

The Company's net non-operating revenue was ($19.4) million in 2022 as compared to $85.7 million in 2021, with the decrease being driven by $37.7 million in losses on investment values as compared to a $78.7 million gain in values in 2021, offset by an increase of $12.3 million in CARES Act relief funding.

Overview of the financial statements

The financial statements consist of two parts: management's discussion and analysis and the basic financial statements. The basic financial statements also include notes and required supplementary information that explain in more detail some of the information in the financial statements.

Required basic financial statements

The Company reports financial information about the Company using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statements of net position include all the Company's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Company creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. These statements also provide the basis for computing rate of return, evaluating the capital structure of the Company and assessing the liquidity and financial flexibility of the Company.

All of the Company's revenues and expenses are accounted for in the statements of revenues and expenses and changes in net position. These statements measure the performance of the Company's operations over the past year and can be used to determine whether the Company has successfully recovered all its costs through the services provided, as well as its profitability and creditworthiness.

The third required statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Company's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, non-capital financing and financing activities, and provides information as to where cash came from, what cash was used for, and what the change in the cash balance was during the reporting period.

The Company includes Fiduciary Funds to account for other postemployment benefit and pension trust funds. The pension plan issues a publicly available financial report that can be obtained from the Company's Internal Audit Department, 620 Skyline Drive, Jackson, Tennessee 38301.

Financial analysis

Our analysis of the financial statements of the Company begins below. One of the most important questions asked about the Company's finances is, "Is the Company as a whole better off or worse off as a result of the year's activities?" The statements of net position and the statements of revenues and expenses and changes in net position report information about the Company's activities in a way that will help answer this question. These statements report the net position of the Company and changes in them. You can think of the Company's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure financial health or financial position. Over time, increases or decreases in the Company's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in interest rates, economic conditions, regulations and new or changed government legislation.

Table A-1

Condensed Statements of Net Position (in millions of dollars)

	June 30 2023	June 30 2022	June 30 2021	Dollar Increase (Decrease) 2022-2023	Percentage Increase (Decrease) 2022-2023	Dollar Increase (Decrease) 2021-2022	Percentage Increase (Decrease) 2021-2022
Current assets	**$ 190.1**	$ 209.1	$ 328.1	**$ (19.0)**	**-9%**	$ (119.0)	-36%
Capital assets, net	**515.6**	468.3	412.4	**47.3**	**10%**	55.9	14%
Other non-current assets	**461.3**	442.9	472.8	**18.4**	**4%**	(29.9)	-6%
Total assets	**1,167.0**	1,120.3	1,213.3	**46.7**	**4%**	(93.0)	-8%
Deferred outflows of resources	**54.6**	40.9	57.2	**13.7**	**33%**	(16.3)	-28%
Total assets and deferred outflows	**1,221.6**	1,161.2	1,270.5	**60.4**	**5%**	(109.3)	-9%
Current liabilities	**147.8**	148.1	214.2	**(0.3)**	**0%**	(66.1)	-31%
Non-current liabilities	**485.1**	434.2	457.7	**50.9**	**12%**	(23.5)	-5%
Total liabilities	**632.9**	582.3	671.9	**50.6**	**9%**	(89.6)	-13%
Deferred inflows of resources	**53.8**	49.1	5.6	**4.7**	**10%**	43.5	777%
Net position:							
Unrestricted	**375.5**	372.5	451.1	**3.0**	**1%**	(78.6)	-17%
Invested in capital assets	**153.3**	151.3	135.6	**2.0**	**1%**	15.7	12%
Restricted	**6.1**	6.0	6.3	**0.1**	**2%**	(0.3)	-5%
Total net position	**534.9**	529.8	593.0	**5.1**	**1%**	(63.2)	-11%
Total liabilities, deferred inflows of resources, and net position	**$ 1,221.6**	$ 1,161.2	$ 1,270.5	**$ 60.4**	**5%**	$ (109.3)	-9%

As indicated in Table A-1, net position increased from fiscal 2022 by $5.1 million or 1% with the Company's financial performance in fiscal year 2023.

1. Total assets increased by $46.7 million or 4% when compared to 2022. This increase was driven primarily by the adoption of GASB 96 during the year, which accounted for $26.9 million of the change, as well as a $29.1 million increase in right to use lease assets, and an $11.0 million increase in lease receivables. The increase was offset by a decrease of $24.8 million in cash incurred from funding operations.
2. Deferred outflows of resources increased by $13.7 million or 33% as compared to the prior year due to an increase in the difference between actual and projected earnings on pension plan investments.
3. Total liabilities increased by $50.6 million or 9% as compared to the prior year due primarily to a $32.9 increase in net pension liability due to the impact of unfavorable market conditions that occurred during the pension plan measurement period. Liabilities were also impacted by GASB 87 again in fiscal year 2023 as $28.3 million in lease liabilities were added. Both of these increases were offset by $8.8 million in routine long term debt payments made during the year.

As indicated in Table A-1, net position decreased from fiscal 2021 by $63.2 million or 11% with the Company's financial performance in fiscal year 2022.

1. Total assets decreased by $93 million or 8% when compared to 2021. This decrease was driven primarily by the decrease in cash as CMS recouped a significant portion of advance payments made in 2020, as well as a decrease in the value of the Company's investments as market conditions were unfavorable as compared to 2021. The decrease was offset by an increase of approximately $59 million related to new GASB 87 lease assets and lease receivables.
2. Deferred outflows of resources decreased by $16.3 million or 28% as compared to the prior year due to a decrease in the difference between actual and projected earnings on pension plan investments.
3. Total liabilities decreased by $89.6 million or 13% as compared to the prior year due primarily to the $71.3 million reduction in the liability for CMS advance payments associated with amounts recouped during the fiscal year. Liabilities were also impacted by the adoption of GASB 87 as $50.4 million in lease liabilities were added, which was offset by the $55.3 million reduction in net pension liability due to the impact of favorable market conditions on pension investments as of their measurement date, June 30, 2021.

Table A-2

Condensed Statements of Revenues and Expenses and Changes in Net Position (in millions of dollars):

	Year Ended June 30			Dollar Increase (Decrease)	Percentage Increase (Decrease)	Dollar Increase (Decrease)	Percentage Increase (Decrease)
	2023	**2022**	**2021**	**2023-2022**	**2023-2022**	**2022-2021**	**2022-2021**
Net patient service revenues	**$ 990.0**	$ 958.5	$ 911.5	**$ 31.5**	**3%**	$ 47.0	5%
Other operating revenues	**71.4**	54.6	61.7	**16.8**	**31%**	(7.1)	-12%
Total operating revenues	**1,061.4**	1,013.1	973.2	**48.3**	**5%**	39.9	4%
Salaries and benefits	**591.4**	597.5	544.1	**(6.1)**	**-1%**	53.4	10%
Supplies and other expenses	**393.5**	406.0	384.8	**(12.5)**	**-3%**	21.2	6%
Depreciation and amortization	**76.6**	53.4	51.5	**23.2**	**43%**	1.9	4%
Total operating expenses	**1,061.5**	1,056.9	980.4	**4.6**	**0%**	76.5	8%
Income from operations	**(0.1)**	(43.8)	(7.2)	**43.7**	**-100%**	(36.6)	508%
Net non-operating revenues (expenses)	**5.2**	(19.4)	85.6	**24.6**	**-127%**	(105.0)	-123%
Change in net position	**5.1**	(63.2)	78.4	**68.3**	**-108%**	(141.6)	-181%
Beginning net position	**529.8**	593.0	514.6	**(63.2)**	**-11%**	78.4	15%
Ending net position	**$ 534.9**	$ 529.8	$ 593.0	**$ 5.1**	**1%**	(63.2)	-11%

While the statements of net position show the change in financial position or net position, the statements of revenues and expenses and changes in net position, as indicated above, provide answers as to the nature and source of these changes (i.e., the financial result of current year operations).

Operating revenues increased by $48.3 million or 5% from 2022 to 2023.

1. The 5% increase in net patient service revenue was related primarily to volume improvements over the prior year. Inpatient discharges, Emergency Visits, and Surgery Cases were up by 2%, 4%, and 6%, respectively. Additionally, clinic volumes and outpatient volumes were generally higher than prior year.
2. Other operating revenue increased by $16.8 million or 31% in 2023 as compared to 2022. Among the more significant variances when compared to the prior year were a $4 million one time gain on the sale of a business, $2 million in shared savings distributions for the Company's ACO, and changes in reimbursement for certain cancer drugs, shifting $6 million in revenue from Net Patient service revenue to Other operating revenue.

Operating revenues increased by $39.9 million or 4% from 2021 to 2022.

1. The 5% increase in net patient service revenue was related primarily to an increase in outpatient volume during the fiscal year. Volumes and revenue were up most significantly for outpatient surgery cases, emergency room visits, and cancer center visits.
2. Other operating revenue decreased by $7.1 million or 12% in 2022 as compared to 2021. $3.8 million of the decrease was associated directly with COVID-19 related grants and non-CARES relief funds that tapered off during 2022. $2 million of the decrease was attributable to a gain on the sale of fixed assets in 2021 that did not recur in 2022, while $1.3 million was due to joint venture revenue that underperformed as compared to the prior year.

Operating expense remained flat when comparing 2023 to 2022, with an increase of $4.6 million or 0%. While the Company continued to experience inflationary pressure on wages and other costs, cost reduction measures and service changes offset most of the impact.

1. Total salaries and benefits expense decreased by $6.1 million or 1% as compared to the prior year due to concentrated efforts to control staffing agency costs, however, salary and benefit costs remain significantly higher than pre-pandemic levels.
2. Supplies and other costs decreased by $12.5 million or 3% during the fiscal year, driven by a decrease in drug costs during the year with the reinstatement of the Company's status as a DSH ("disproportionate share hospital") provider in the 340B drug discount program. Additionally, the adoption of GASB96 resulted in a re-classification of certain costs, shifting from Supplies and other costs to Depreciation and amortization expense.

Net non-operating revenue increased by $24.6 million in 2023 as compared to 2022, with the increase being driven by a $25.1 million gain in investment income as compared to a $37.7 million loss in investments in 2022. The Company received $0.1 million in relief funding in 2023 as compared to $37.5 million received in 2022.

Operating expense increased by $76.5 million or 8% when comparing 2022 to 2021.

1. Total salaries and benefits expense increased by $53.4 million or 10% during the fiscal year due to significant staffing agency costs as well as employee rate adjustments caused by increased difficulty in recruiting and retention of employees. During the fiscal year, the Company increased its minimum wage from $13 to $15 an hour, increased wages for nursing, respiratory and other selected positions and awarded stipends to individuals working on COVID-19 dedicated units and other units with staffing vacancies.
2. Supplies and other costs increased by $21.2 million or 6% during the fiscal year, driven by cost increases directly attributable to COVID-19 (personal protective equipment, pharmaceuticals, air handling equipment, etc.), as well as inflationary pressure on all expenses felt by all consumers in 2022. Specifically, the Company experienced a significant increase in drug costs during the year as the Company's DSH ("disproportionate share hospital") status in the program was impacted with the filing of the prior year's cost report directly attributable to the volume of COVID-19.

Net non-operating revenue decreased by $105 million in 2022 as compared to 2021, with the decrease being driven by a $37.7 million loss in investment income as compared to $78.7 million gain in investment income in 2021, offset by $37.5 million in relief funding in 2022 as compared to $25.2 million in 2021.

Capital and lease assets

As of June 30, 2023, the Company had $410.3 million invested in a variety of capital assets, as reflected in Table A-3, which represents a net decrease (additions, disposals and depreciation) of $8.7 million or 2% from the end of fiscal 2022. The Company has right of use lease assets of $78.4 million, net of accumulated amortization of $17,846 million as well as subscription based information technology arrangement assets of $26,899 million net of accumulated depreciation of $16,024 million.

Table A-3

Capital Assets (in millions of dollars)

	June 30	
	2023	**2022**
Land and land improvements	**$ 51.1**	$ 54.8
Buildings	**385.0**	390.7
Equipment	**709.1**	651.9
Construction in progress	**27.0**	50.8
Total capital assets	**1,172.2**	1,148.2
Accumulated depreciation	**(761.9)**	(729.2)
Capital assets, net	**$ 410.3**	$ 419.0

Long-term debt

In November 2021, the Company entered into the Series 2021 Bond Anticipation Notes ("Notes") in the amount of $10 million. The proceeds of the Series 2021 Bonds were used by the Company to defease $5.2 million and $2.8 million, respectively, of the Series 2015 and Series 2018A bonds. Interest based on the SOFR index rate is paid monthly on the Notes until maturity on November 1, 2023.

In November 2018, the Company issued the Series 2018A Hospital Revenue Refunding Bonds in the amount of $62.87 million and Series 2018B Taxable Hospital Revenue Bonds in the amount of $91.025 million. The proceeds of the Series 2018A Bonds, together with other funds, were used by the Company to refund all outstanding Bonds from the Series 2008 Bond issue. The proceeds of the Series 2018B Bonds were used to reimburse the Company for the $90 million financed as part of the Tennova West acquisition.

In April 2015, the Company issued the Series 2015 Hospital Revenue Refunding Bonds in the amount of $205,965 million. The proceeds of the Series 2015 Bonds, together with other funds, were used by the Company to advance refund $210,895 million of the outstanding Series 2008 Bond issue.

As of June 30, 2023, the Company had $307.8 million in outstanding long-term debt and as of June 30, 2022, the Company had $316.6 million in outstanding long-term debt. This represents a net decrease of $8.8 million as compared to the prior fiscal year due to routine bond payments.

For more detailed information regarding the Company's capital assets and long-term debt, please refer to the notes to the financial statements.

Future outlook

The Company continues to work through shifts in its cost structure since the COVID-19 pandemic. Volumes have gradually recovered and costs have stabilized toward the end of the 2023 fiscal year. With service adjustments and cost reductions, the Company has experienced some improvement in operating performance. In the short-term, the Company expects to continue to experience modest operational results primarily due to the project to transition the electronic medical record, the go-live for which is currently expected in late 2024. Concurrent with this significant project, the Company is working to streamline processes and reduce its cost structure such that improvement in its underlying operating performance continues, nonrecurring costs associated with the project aside. With this project and other improvements, the Company is strengthening its financial position with a commitment to continue to support its mission and vision with a strong financial platform.

Requests for information

This financial report is designed to provide a general overview of the Company's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Company.

West Tennessee Healthcare and Related Affiliates
Statements of Net Position
June 30, 2023 and 2022
(in thousands)

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ **19,139**	$ 43,973
Accounts receivable:		
Patient accounts receivable, less allowances for doubtful accounts of approximately $68,386 in 2023 and $58,606 in 2022	**125,281**	118,227
Other	**7,766**	10,718
Inventories	**10,753**	11,950
Prepaid expenses	**19,122**	17,248
Lease receivable	**1,897**	1,021
Assets limited as to use - debt service reserve fund	**6,134**	5,953
Total current assets	**190,092**	209,090
Assets limited as to use:		
Board designated contingency fund	**9,270**	9,270
Other internally designated	**399,033**	394,583
Total assets limited as to use	**408,303**	403,853
Other assets:		
Intangibles	**1,196**	1,324
Investment in joint venture	**28,983**	25,054
Lease receivable, less current portion	**20,071**	9,064
Other	**2,723**	3,501
Total other assets	**52,973**	38,943
Capital assets:		
Land and land improvements	**51,079**	54,778
Buildings	**385,052**	390,673
Fixed equipment	**257,570**	232,791
Moveable equipment	**451,556**	419,127
Construction in progress	**26,991**	50,811
	1,172,248	1,148,180
Accumulated depreciation	**(761,967)**	(729,150)
Total capital assets	**410,281**	419,030
Right to use lease assets, net	**78,445**	49,309
Subscription based information technology arrangements, net	**26,899**	-
Total assets	**1,166,993**	1,120,225
Deferred outflows of resources:		
Deferred charges on refundings	**17,801**	20,198
Pension contributions subsequent to measurement date	**11,538**	13,625
Difference between actual and projected earnings on pension investments	**15,652**	-
Difference between expected and actual pension experience	**2,744**	-
Deferred outflows sale leaseback	**2,286**	-
Excess consideration provided for acquisitions	**4,561**	7,122
Total deferred outflows of resources	**54,582**	40,945
Total assets and deferred outflows of resources	$ **1,221,575**	$ 1,161,170

See accompanying notes.

West Tennessee Healthcare and Related Affiliates
Statements of Net Position
June 30, 2023 and 2022
(in thousands)

	2023	2022
LIABILITIES		
Current liabilities:		
Accounts payable	$ **40,468**	$ 37,989
Accrued compensation and related expenses	**40,639**	42,414
Accrued interest expense	**3,514**	3,620
Other accrued expenses	**9,442**	11,187
Estimated third-party settlements	**12,377**	10,381
CMS advance payments due within one year	**-**	26,075
Long-term debt due within one year	**19,529**	9,029
Lease liability due within one year	**9,543**	7,405
Subscription based IT arrangements due within one year	**12,204**	-
Total current liabilities	**147,716**	148,100
Long-term liabilities:		
Lease liability, less amounts due within one year	**71,335**	43,017
Subscription based IT arrangements, less amounts due within one year	**10,319**	-
Long-term debt, less amounts due within one year	**300,821**	321,411
Net pension liability	**102,680**	69,727
Total long-term liabilities	**485,155**	434,155
Total liabilities	**632,871**	582,255
Deferred inflows of resources:		
Difference between expected and actual pension experience	**-**	6,558
Difference between actual and projected earnings on pension investments	**22**	32,607
Deferred inflows - change in pension assumptions	**18,674**	-
Deferred inflows - lease receivable	**21,335**	9,939
Deferred inflows - sale leaseback	**13,755**	-
Total deferred inflows of resources	**53,786**	49,104
Net position:		
Unrestricted	**375,500**	372,574
Net investment in capital assets	**153,284**	151,284
Restricted for debt service	**6,134**	5,953
Total net position	**534,918**	529,811
Total liabilities, deferred inflows of resources and net position	$ **1,221,575**	$ 1,161,170

See accompanying notes.

West Tennessee Healthcare and Related Affiliates
Statements of Revenues and Expenses and Changes in Net Position
June 30, 2023 and 2022
(in thousands)

	2023	2022
Operating revenues:		
Net patient service revenues, net of provision for bad debts of $96,920 in 2023, and $81,447 in 2022	$ 990,027	$ 958,546
Other revenues	71,409	54,602
Total operating revenues	1,061,436	1,013,148
Operating expenses:		
Salaries and benefits	591,371	597,523
Supplies and other	393,614	405,995
Depreciation and amortization	76,593	53,386
Total operating expenses	1,061,578	1,056,904
Operating loss	(142)	(43,756)
Nonoperating (expenses) revenues:		
Investment (loss) income	25,097	(37,714)
Interest expense	(19,266)	(17,577)
Non-recurring relief funding	96	37,490
Contributions to affiliated entities	(678)	(1,009)
Other nonoperating expense (bond issuance costs)	-	(621)
Nonoperating (expenses) revenues, net	5,249	(19,431)
Change in net position	5,107	(63,187)
Net position, beginning of year	529,811	592,998
Net position, end of year	$ 534,918	$ 529,811

West Tennessee Healthcare and Related Affiliates
Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(in thousands)

	2023	2022
Operating activities:		
Receipts from third-party payors and patients	**$ 959,850**	$ 891,119
Receipts from other operations	**72,811**	54,456
Payments to suppliers	**(597,619)**	(406,489)
Payments to employees	**(395,532)**	(608,549)
Net cash provided by (used in) operating activities	**39,510**	(69,463)
Noncapital financing activities:		
Non-recurring relief funding	**96**	37,490
Capital contributions to City of Jackson and Madison County	**(677)**	(1,009)
Net cash provided by (used in) noncapital financing activities	**(581)**	36,481
Investing activities:		
Interest and dividends income	**(1,957)**	2,078
Purchases of investments	**(658,248)**	(88,599)
Proceeds from sales of investments	**680,670**	87,233
Net cash provided by investing activities	**20,465**	712
Capital and related financing activities:		
Purchases of capital assets	**(60,451)**	(55,804)
Proceeds from sale of capital assets	**33,478**	232
Proceeds from bond anticipitation notes, net of issuance costs	**-**	8,070
Escrow funding for defeasance of long-term debt	**-**	(8,070)
Repayment of long-term debt	**(9,052)**	(8,704)
Repayment of lease and SBITA liabilities	**(29,866)**	(7,544)
Other	**-**	46
Interest paid on long-term debt	**(18,337)**	(16,899)
Net cash used in capital and related financing activities	**(84,228)**	(88,673)
Decrease in cash and cash equivalents	**(24,834)**	(120,943)
Cash and cash equivalents, beginning of year	**43,973**	164,916
Cash and cash equivalents, end of year	**$ 19,139**	$ 43,973

See accompanying notes.

West Tennessee Healthcare and Related Affiliates
Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(in thousands)

(Continued)

	2023	2022
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Loss from operations	**$ (142)**	$ (43,756)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Pension expense	**7,729**	6,200
Depreciation	**49,269**	44,628
Provision for bad debts	**96,920**	81,447
(Gain)loss on disposals of capital assets	**(671)**	1,580
Amortization	**27,174**	8,758
Changes in operating assets and liabilities:		
Accounts receivable	**(101,022)**	(77,536)
Inventory and prepaid expenses	**(677)**	(5,127)
Other assets	**(3,150)**	835
Lease receivable	**1,402**	857
Accounts payable and accrued expenses	**(1,041)**	(518)
CMS advance payments due within one year	**(26,075)**	(71,338)
Estimated third-party settlements	**1,996**	(865)
Deferred inflows - lease receivable	**-**	(1,003)
Deferred outflows - contributions to pension plan	**(12,126)**	(13,549)
Deferred outflows - contributions to 415(m) plan	**(76)**	(76)
Net cash provided by (used in) operating activities	**$ 39,510**	$ (69,463)
Supplementary schedule of noncash investing activities:		
Change in fair value of investments	**$ (27,053)**	$ (39,792)
Supplementary schedule of noncash capital and related financing activities		
Capital asset acquired with financed purchase	**$ 324**	$ 20

West Tennessee Healthcare and Related Affiliates
Statements of Fiduciary Net Position
June 30, 2023 and 2022

	2023 Other Post-Employment and Pension Trust Funds	2022 Other Post-Employment and Pension Trust Funds
ASSETS		
Cash	**$ -**	$ 57
Investments:		
Money market mutual funds	**1,632**	448
Private equity hedge funds	**42,596**	45,303
Equity mutual funds	**24,059**	52,872
Fixed income mutual funds	**9,889**	4,999
Common collective trust funds	**168,586**	197,456
Real estate mortgage fund	**18,157**	16,527
Total investments	**264,919**	317,605
Investment income receivable	**47**	120
Total assets	**264,966**	317,782
LIABILITIES		
Administrative expenses payable	**24**	23
NET POSITION	**$ 264,942**	$ 317,759

See accompanying notes.

West Tennessee Healthcare and Related Affiliates
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2023 and 2022

	2023 Other Post-Employment and Pension Trust Funds	2022 Other Post-Employment and Pension Trust Funds
Additions (reductions):		
Employer contributions	**$ 12,547**	$ 13,162
Investment income:		
Net appreciation in fair value of investments	**(41,759)**	40,153
Interest and dividends	**1,052**	2,060
Less investment expense	**(1,793)**	(648)
Net investment income	**(42,500)**	41,565
Total additions	**(29,953)**	54,727
Deductions:		
Benefits paid to participants	**22,864**	23,051
Total deductions	**22,864**	23,051
Change in net position	**(52,817)**	31,676
Net position:		
Beginning of year	**317,759**	286,083
End of year	**$ 264,942**	$ 317,759

See accompanying notes.

1. Significant Accounting Policies

Organization and basis of presentation

The accompanying financial statements include West Tennessee Healthcare and its related affiliates (hereinafter collectively referred to as the "Company"), all of which are under common control of the Jackson-Madison County General Hospital District (the "District") and have been presented as blended component units ("BCUs") of the Company. We consider Jackson-Madison County General Hospital, Bolivar General Hospital, Camden General Hospital, Milan General Hospital, Volunteer Martin Hospital, Dyersburg Hospital, Pathways Behavioral Health, Outpatient Therapy, Health Partners, Therapy & Learning Center and the West Tennessee Medical Group BCUs of West Tennessee Healthcare, as the governing body is substantively the same as the governing body of West Tennessee Healthcare and has operational responsibility of those component units. The Company presents its financial statements in accordance with accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated.

Proprietary fund accounting

The Company utilizes the economic resources measurement focus and the proprietary fund method of accounting whereby revenues and expenses are recognized on an accrual basis.

Fiduciary activities

As defined by the GASB, the Company reports the operations of the pension and other post-employment benefits (“OPEB”), as fiduciary component units in the Fiduciary Fund Financial Statements. The defined benefit pension and OPEB trust funds provide retirement and health benefits for qualified employees and retired employees. The pension and OPEB trust funds are legally separate entities and the resources of the trust funds cannot be used to finance the Company’s operations. The assets of the trust funds are held and administered in trust arrangements which are governed by a Board of Trustees (see Note 11). The Company is committed to making contributions to the trusts, and therefore assumes a financial burden for the trust funds and thus has financial accountability. As a result, the activity of the fiduciary funds is presented as a fiduciary component unit. The assets in each trust are held only for the Company employees’ and retirees’ benefit. The pension and OPEB trust funds have fiscal year-ends of December 31. Thus, the amounts included in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position are as of and for the years ended December 31, 2022 and 2021.

Cash and cash equivalents

The Company considers temporary cash investments with a maturity of three months or less when purchased to be cash and cash equivalents. In accordance with Tennessee Code Annotated Section 9-1-118, the full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation (“FDIC”). For deposits above and beyond the amount covered by the FDIC, the Company follows the requirements as set forth in Tennessee Code Annotated Title 9 Chapter 4, Part 5, “Collateral Pool for Public Deposits Act of 1990,” whereby “Local governments with bank deposits that are in excess of the amount covered by FDIC insurance must either maintain the deposit with a bank that is a member of the bank collateral pool or collateralize the deposit in accordance with State statues.”

Investments

The Company's investments are reported at fair value in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, which establishes a fair value hierarchy. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair values of investments in certain private equity, hedge and real estate funds are based on the investments' net asset value ("NAV") per share (or its equivalent) provided by the fund manager. The Company invests in government bonds, short-term money market investments, equity securities and alternative investments that are in accordance with the Company's investment policy. Alternative investments include the Company's ownership interest in limited partnerships and hedge, private equity and real estate investment funds.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Assets limited as to use

Assets limited as to use represent investments and temporary cash deposits set aside for multiple purposes:

- Funds by trustee under trust indentures
- To self-insure against malpractice and other general liability claims
- For future renovation, replacement, and expansion of the facilities
- To replenish operating funds as needed

The types of securities that are permitted investments for Company funds are established by the Company's Investment Policy in accordance with Tennessee Statutes. All funds of the Company may be invested in obligations of or guaranteed by the United States Government. In addition, certain funds of the Company may be invested in obligations of agencies of the U.S. government; obligations of or guaranteed by the State of Tennessee; collateralized certificates of deposit and repurchase agreements; commercial paper; and other asset classes including fixed income, domestic equities, international equities, and alternative investments.

Intangible assets

Intangible assets are amortized over their estimated useful lives of 5 to 40 years.

Capital assets

Property, plant, and equipment are recorded on the basis of cost. Depreciation is computed by applying the straight-line method over the estimated remaining useful lives of buildings and improvements (10 to 40 years) and equipment (4 to 20 years). Assets under capital leases are amortized using the straight-line method over the shorter of the estimated useful life of the assets or life of the lease term, excluding any lease renewal, unless the lease renewals are reasonably assured. Amortization expense related to assets under capital leases is included in depreciation expense. The Company's capitalization threshold is $3 and a minimum useful life of 2 years.

Right to use lease assets

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

Subscription-based information technology arrangements ("SBITAs")

SBITAs are contracts that convey the control of the right to use software, alone or in combination with tangible assets, as specified in a contract for the subscription term in an exchange or exchange-like transaction. The subscription term is the period of time that the Company has a noncancellable right to use the underlying asset (Note 10). SBITA assets and liabilities are reported at present value using The Company's incremental borrowing rate unless otherwise noted in the contract terms. The amortization of the discount is recorded as accrued interest payable on the Statements of Net Position with the offset to interest expense on the Statements of Revenue, Expenses and Changes in Net Position.

Deferred outflows/inflows of resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflow of resources (expense) until then. In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Company's deferred inflows and outflows are related to pensions, excess consideration provided for acquisitions, lease arrangements in which the Company acts as lessor, and deferred charges on bond refundings.

Compensated absences

The Company allows employees to accumulate paid time off to be used for vacation, holiday and sick time. The Company allows employees to be paid for their vacation and holiday time not taken and accrues its liability for such time. Such liability is classified as accrued compensation and related expenses in the accompanying statements of net position.

Defined benefit pension plans

For purposes of measuring the 2023 and 2022 net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Company's defined benefit pension plans and additions to/deductions from the Company's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Bond original issue discounts or premiums

Bond original issue discounts or premiums are included with the long-term debt accounts and are amortized over the life of the related bonds by the interest method. Such amortization is included in interest expense in the accompanying statements of revenues and expenses and changes in net position.

Patient accounts receivable

Patient accounts receivable are reported net of both an estimated allowance for contractual adjustments and an estimated allowance for uncollectible accounts. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, TennCare and other third-party payor programs. The bad debt allowance is estimated based upon the age of the account, prior experience and any unusual circumstances which affect the collectability. The Company does not require collateral or other security for patient accounts receivable and routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Charity care and community benefit

As a community provider, the Company's policy is to accept all patients regardless of their ability to pay. Management believes that substantially all the uncollected amounts are due to patients' inability to pay. Therefore, all amounts which are not collected, other than third-party payor contractual adjustments, are recorded as charity care and excluded from net patient service revenues. The Company utilizes a presumptive charity program, which is designed to provide financial assistance for non-elective services to individuals who meet approved eligibility criteria that have not applied through the traditional Patient Financial Assistance Program. Evaluation for presumptive charity begins at 90 days from initial patient billing, and determinations are made based upon obtainable credit history and estimated household income. As a result of this program, deductions to revenue that were considered bad debts in prior years are now considered to be charity care. The community benefit provided through charity care, including provisions for bad debts, was $138,285 and $148,497, based on gross charges, for the years ended June 30, 2023 and 2022, respectively. The estimated costs of providing charity services are based on a calculation, which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Company’s total expenses divided by gross patient service revenue. The estimated cost of providing such services amounted to approximately $41,505 and $49,220 for 2023 and 2022, respectively.

EHR incentive payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act ("HITECH"). The provisions were designed to increase the use of electronic health record ("EHR") technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

Net patient service revenues

Net patient service revenues are reported at the net amounts billed to patients, third-party payors and others for services rendered, including an estimated provision for bad debts and 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 changes in estimated provisions and final settlements are determined. Changes in estimated provisions and final settlements are included in net patient service revenues. Changes in estimated settlements resulted in an increase (decrease) in net patient service revenues of $4,102 and $1,925 for the years ended June 30, 2023 and 2022, respectively.

The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

<u>Medicare</u>

Inpatient acute care services and skilled nursing services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Company receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid-eligible and other low income patients. The

Notes to Financial Statements (dollars in thousands)

Center for Medicare and Medicaid Services ("CMS") established an outpatient prospective payment system. CMS established groups called ambulatory payment classifications for outpatient procedures. Payments are made based on the group assignment for the service rendered. Additionally, CMS established a prospective payment system for home health services.

TennCare

The Company contracts with managed care organizations to receive reimbursement for providing hospital services to patients covered under the TennCare program. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges or prospectively determined daily rates.

Other

The Company has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The bases for payment to the Company under these agreements include prospectively determined rates per discharge, discounts from established charges or prospectively determined daily rates.

Charges at the Company's established billing rates (gross patient service charges) related to patients covered by Medicare, Medicaid, and TennCare programs were 68% and 67% of gross patient service revenues for the fiscal years ended June 30, 2023 and 2022, respectively.

Charges exceeding amounts reimbursed and not included in net patient service revenues were as follows:

	2023	2022
Medicare	**$ 1,427,936**	$ 1,058,230
TennCare	**441,543**	396,563
Other	**642,647**	744,450
Bad debts	**96,920**	81,447
	$ 2,609,046	$ 2,280,690

Laws and regulations governing the Medicare and TennCare/Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined (in relation to certain government programs, primarily Medicare, this is generally referred to as the "cost report" filing and settlement process). Final determination of amounts earned under prospective payment and cost reimbursement activities is subject to review by appropriate governmental authorities or their agents. Management believes that adequate provisions have been made for adjustments that may result from final determination of amounts earned under Medicare and Medicaid programs.

Virtual disproportionate share, statutory disproportionate share, critical access, certified public expenditures, graduate medical education and charity care pool, payments of approximately $39,973 and $24,806 received from TennCare/Medicaid were included in net patient service revenues during the years ended June 30, 2023 and 2022, respectively.

The Company believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and TennCare/Medicaid programs.

Operating revenues and expenses

The Company's primary mission is to provide health care services to the citizens of West Tennessee through its acute care and specialty care facilities. Therefore, operating revenues and expenses include those generated from direct patient care and sundry revenues and expenses related to the operation of the Company's facilities.

Federal income taxes

The Internal Revenue Service has determined that all material affiliates comprising the Company are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The District is also exempt from federal income taxes under Section 115 of the IRC. As qualified tax-exempt organizations, each of the tax-exempt affiliates comprising the Company must operate in conformity with the IRC to maintain its tax-exempt status.

Subsequent Events

The Company has evaluated subsequent events through October 26, 2023, the date the financial statements were available to be issues.

2. Adoption of New Accounting Standard

During the year ended June 30, 2023, the Company implemented GASB Statement No. 96, *Subscription Based Technology Arrangements*, which, among other things, requires the recognition of certain subscription based information technology arrangements assets and liabilities for information technology arrangements that previously were recognized as operating subscription based information technology arrangements. Certain information and resources were not available to allow the Company to restate prior periods presented; therefore, the accounting standard was adopted effective July 1, 2022, and resulted in no changes to net position as of July 1, 2022. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

3. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of coronavirus, a pandemic, and on March 13, 2020, a national emergency was declared in the United States. In response, state and local governments in the Company's service areas have imposed various measures to curtail certain aspects of public life in an effort to control further spreading of COVID-19. These measures include the closures of schools and businesses deemed "nonessential" and the temporary deferral of many of the Company's elective procedures and other non-urgent patient services. These measures have created significant volatility in the Company's operations since March 2020. The ongoing disruption of the pandemic has resulted in deep and broad economic contraction, sharp increases in unemployment, supply chain shortages, and volatility in the financial markets. The pandemic could also result in an abnormally high demand for health care services, inundating the Company with patients in need of intensive care services. The treatment of a highly contagious disease could also result in a temporary shutdown of areas of the facility or diversion of patients or staffing shortages. These conditions may reduce the availability and increase the cost of certain medical supplies and equipment, negatively impact the creditworthiness of the Company's patients and payors and their ability to pay, result in shortages of clinical staff, and hurt the performance of the Company's investment portfolios.

The Company has activated plans to address the risks associated with the pandemic and is operating pursuant to infectious disease protocols and its emergency preparedness plan. The Company has also implemented various cost saving measures to attempt to mitigate any adverse financial impact and has received federal funding intended to provide emergency assistance to healthcare providers impacted by the pandemic.

The Provider Relief Fund was established under the Coronavirus Aid, Relief and Economic Security ("CARES") Act, administered by the U.S. Department of Health and Human Services ("HHS"), which was signed into law on March 27, 2020. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions, and regulatory requirements set forth by HHS. The Provider Relief Funds are accounted for as voluntary nonexchange transactions and related revenues are recognized as eligibility criteria are met. The Company received and recognized additional Provider Relief Funds of approximately $96 and $37,490 in fiscal years 2023 and 2022, respectively. The 2023 and 2022 relief funding is presented within nonoperating revenues (expenses) in the accompanying statements of revenues and expenses and changes in net position.

In addition to the terms, conditions, and published regulatory guidance available as of June 30, 2023 and 2022, HHS has published additional guidance related to the nature and allowability of certain qualifying expenses and methods for determining lost revenues attributable to COVID-19 through the publication of Frequently Asked Questions (FAQs) and the Post-Payment Notice of Reporting Requirements. The Company relied on the guidance available in determining the amounts of qualifying expenses and lost revenues attributable to COVID-19 and the related recognition of revenue during each of fiscal 2023 and 2022. Such determinations required management to make subjective interpretations of the available guidance, and to make assumptions and exercise considerable judgment.

The CARES Act allows employers to defer the payment of the employer's share of Federal Insurance Contributions Act ("FICA") taxes from the period of March 27, 2020 through December 31, 2020. 50% of the deferred employer FICA taxes was to be paid by December 31, 2021, with the remaining 50% to be paid by December 31, 2022. The Company began deferring employer FICA taxes in August 2020. The Company had $0 and $4,973 in deferred payroll taxes as of June 30, 2023 and 2022, respectively, which is included in the "Accrued compensation and related expense" section of liabilities in the Statements of Net Position.

In addition, in April 2020 the Company received $109,651 in advance Medicare payments under the Centers for Medicare and Medicaid Services ("CMS") accelerated / advance payment program. These payments represent an advance on future services to be provided to Medicare patients. The advance Medicare payments are reported as a current liability in the accompanying Statements of Net Position and have a balance of $0 and $26,075 as of June 30, 2023, and 2022, respectively.

The extent of the impact of the pandemic on the Company's operational and financial performance will depend on certain developments, including the severity and duration of the pandemic, the responses of federal, state, and local governments and private industry, and the broader impact on the national and local economies. A sustained economic downturn could ultimately reduce the demand for the healthcare services and thus negatively impact future patient volumes, revenues, and cash flows. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

Notes to Financial Statements (dollars in thousands)

4. Assets Limited as to Use

The Company, as authorized by the Board of Trustees, maintains checking accounts necessary for daily operations and deposits and investments for debt service reserve funds, the contingency fund, and other internally designated funds.

Debt service reserve funds

The bond funds are maintained in accordance with the bond indentures related to the Series 2008 $318,980 Hospital Revenue Refunding and Improvement Bonds and the Series 2015 $205,965 Hospital Revenue Refunding Bonds (see Note 8). The interest fund and bond sinking fund are maintained for the payment of bond principal and interest. A debt service reserve fund was created under the existing indenture in connection with the issuance of the Series 2008 Bonds and this fund was eliminated in 2018 subsequent to the Series 2018A bond issue that refunded all outstanding Series 2008 bonds. The debt service reserve fund was maintained to make up any deficiencies in the interest fund and bond sinking fund. No debt service reserve fund was required in connection with the Series 2015, Series 2018A, Series 2018B bonds, or Series 2021 notes. Certain amounts comprising the interest fund, bond sinking fund and debt service reserve fund are included in the current portion of assets limited as to use in the accompanying statements of net position based on debt service requirements during the following fiscal year. The Company first applies restricted resources when expenses are incurred for purposes for which both restricted and unrestricted assets are available.

Board designated contingency fund and other internally designated

The Company established a board designated contingency fund for losses on self-insured professional liability claims. The Company also reserves funds for future purchases of capital assets and other internal purposes, and these funds are included in other internally designated assets limited as to use.

5. Cash and Investments

At June 30, 2023 and 2022, the Company had cash and deposits as follows:

	2023	2022
Cash on hand	**$ 18**	$ 19
Cash insured (FDIC) or collateralized with securities held by the Company	**1,766**	1,485
Cash collateralized by securities held by the pledging financial financial institution's trust department in the Company's name or in the State of Tennessee Collateral Pool	**17,355**	42,469
Total	**$ 19,139**	$ 43,973

Assets limited as to use consist of the following investments which are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit on the statements of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Prices for investment securities such as common stocks and mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

Notes to Financial Statements (dollars in thousands)

Prices for preferred stock, corporate bonds, U.S. government and agency fixed income securities, collateralized debt obligations and mortgage-backed securities are determined on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2.

There is limited or no observable data for the price of the private limited partnership fund, and the resulting fair value is categorized as Level 3. The fair value of this investment was estimated based primarily on the value of the underlying investments held by the fund and other information provided by the fund manager.

Investments' fair value measurements are as follows at June 30, 2023 and 2022:

	2023 Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds:				
Money market	**$ 10,655**	**$ 10,655**	**$ -**	**$ -**
Equity exchange traded funds	**167,264**	**167,264**	**-**	**-**
Bond exchange traded funds	**129,951**	**129,951**	**-**	**-**
	307,870	**307,870**	**-**	**-**
Common stock	**508**	**508**	**-**	**-**
Limited partnership fund of funds	**1,058**	**-**	**-**	**1,058**
Total investments in the fair value hierarchy	**309,436**	**$ 308,378**	**$ -**	**$ 1,058**
Investments measured at NAV	**105,001**			
Total investments	**$ 414,437**			

	2022 Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds:				
Money market	$ 6,243	$ 6,243	$ -	$ -
Balanced	43,537	43,537	-	-
Fixed income	39,780	39,780	-	-
	89,560	89,560	-	-
Common stock	551	551	-	-
Limited partnership fund of funds	1,117	-	-	1,117
Total investments in the fair value hierarchy	91,228	$ 90,111	$ -	$ 1,117
Investments measured at NAV	318,578			
Total investments	$ 409,806			

Notes to Financial Statements (dollars in thousands)

The fair values of investments in certain private equity and hedge funds are based on the investments' NAV per share (or its equivalent) provided by the fund manager. Investments valued at NAV are as follows at June 30, 2023 and 2022:

	2023 Fair Value	2022 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships and hedge funds					
Equity fund [a]	**$ -**	$ 93,150 *	None	Daily	None
Core fixed income [b]	**-**	70,347 *	None	Daily	None
Public inflation hedge [c]	**-**	37,245 *	None	Daily	None
Real estate limited partnership [d]	**31,101 ***	34,014 *	None	Quarterly	60 days
Direct hedged equity fund [e]	**20,576 ***	27,857 *	None	Monthly	100 days
Private equity fund – global [f]	**-**	28	None	Quarterly	30 days
Private equity fund – global II [g]	**18,847 ***	16,834 *	None	(g)	1 year
Private equity funds [h]	**20,154 ***	16,684 *	None	(h)	N/A
Public foreign equity [i]	**-**	9,075	None	Monthly	30 days
Hedge fund [j]	**14,323**	13,344	None	Semi-annual	100 days
	$ 105,001	$ 318,578			

* Denotes an investment that is more than 5% of total investments.

[a] This fund is primarily invested in common stocks and exchange traded mutual funds in the United States and globally. The fair value of this investment has been estimated using the net asset value as provided by the fund manager.

[b] This fund is primarily invested in a broad range of fixed income securities, including commercial mortgage - backed securities, U.S. and global corporate bonds, and U.S. government securities.

[c] This fund's objective is to provide a partial hedge against inflation through a basket of inflation-sensitive assets. The fund holds investments in common stocks, exchange traded mutual funds and a broad range of fixed income securities in the U.S. and globally. Additionally, the fund is invested in derivatives and interest rate swaps.

[d] This fund actively manages a core portfolio consisting primarily of participating mortgage loans and equity real estate investments located in the United States.

[e] This fund invests in a number of alternative strategies through the use of separate accounts and limited partnerships. The objective is to provide a long-term total return with reduced volatility and reduced correlation to conventional stock and bond markets by utilizing a broad array of trading and investment strategies.

[f] This semi-liquid investment fund provides diversified private markets exposure in a registered investment company vehicle. 70% of the portfolio will be allocated to private equity, 20% to private debt, and the remaining 10% in liquid investments for cash management purposes.

[g] This is a semi-liquid investment fund following an initial lock of 3 years. The fund provides diversified private markets with exposure to private equity, real estate, secondary markets, infrastructure, and private credit.

[h] This investment is an illiquid investment that provides dedicated exposure to private equity investments. Investments in this fund cannot be redeemed. Rather, investments will be made for the first 5 years of the fund, and redemptions will be made as the underlying assets of the fund are liquidated. Final redemption could exceed 10 years. Because it is not probable that any of the investment will be sold prior to redemption, the fair value of the investment has been determined using the NAV per share of the Company's ownership interest.

[i] This fund is primarily invested in closed-end funds with a focus on developed international and emerging market equities.

[j] This fund invests in a number of long/short hedge fund strategies. The objective is to provide equity-like returns over the long term with less volatility than traditional equity markets.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the Company has assessed the custodial credit risk, the concentration of credit risk, credit risk, and interest rate risk of its cash and investments.

Custodial credit risk

The Company's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or are collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Company will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Company's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Company, and are held by either the counterparty or the counterparty's trust department or agent but not in the Company's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Company will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

At June 30, 2023 and 2022, the Company's bank balances were not exposed to custodial credit risk since the full amount was covered by FDIC insurance or collateralized by securities held by the pledging financial institution's trust department in the Company's name or by the State of Tennessee Collateral Pool.

As of June 30, 2023 and 2022, the Company's investments in assets limited as to use were registered in the Company's name; therefore, they are not exposed to custodial credit risk. In addition, the Company's investment policy requires that specific qualifications be met in order to represent the Company as a custodian.

Concentration of credit risk

This is the risk associated with the amount of investments the Company has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Company's investment policy states that no equity may represent more than 8% of any individual portfolio manager and that no single purchase shall represent more than 5% of the Company's total equity position.

Credit risk

GASB Statement No. 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Company's investment policy provides guidelines for its fund managers and lists specific allowable investments. The policy provides for the utilization of varying styles of managers so that portfolio diversification is maximized, and total portfolio efficiency is enhanced.

Notes to Financial Statements (dollars in thousands)

The credit risk profile of the Company's investments as of June 30, 2023, is as follows:

	Balance June 30, 2023	Rating AAA	AA+/AA/AA-	A+ / A / A-	NA
Money market mutual funds	$ 10,655	$ 10,655	$ -	$ -	$ -
Real estate limited partnership at NAV	31,102	-	-	-	31,102
Equity exchange traded fund	167,264	-	-	-	167,264
Bond exchange traded fund	129,950	106,008	1,272	10,292	12,378
Common stock	508	-	-	508	-
Limited partnerships	1,058	-	-	-	1,058
Common and collective trust funds	20,576	-	-	-	20,576
Private equity funds	53,324	-	-	-	53,324
Total investments	414,437	116,663	1,272	10,800	285,702
Amounts required to meet current obligations	(6,134)	(6,134)	-	-	-
	$ 408,303	$ 110,529	$ 1,272	$ 10,800	$ 285,702

Interest rate risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Company's investment policy authorizes a strategic asset allocation that is designed to provide an optimal return over the Company's investment horizon and within the Company's risk tolerance and cash requirements.

The distribution of the Company's investments by maturity as of June 30, 2023, is as follows:

	Balance	Maturity				
	June 30, 2023	12 Months or Less	12 to 24 Months	24 to 60 Months	More than 60 Months	NA
Money market mutual funds	$ 10,655	$ 10,655	$ -	$ -	$ -	$ -
Real estate limited partnership at NAV	31,102	-	-	-	-	31,102
Equity exchange traded fund	167,264	-	-	-	-	167,264
Bond exchange traded fund	129,950	7,880	16,306	43,404	62,360	-
Common stock	508	508	-	-	-	
Limited partnerships	1,058	-	-	-	-	1,058
Common and collective trust funds	20,576	-	-	-	-	20,576
Private equity hedge fund	53,324	-	-	-	-	53,324
Total investments	414,437	19,043	16,306	43,404	62,360	273,324
Amounts required to meet current obligations	(6,134)	(6,134)	-	-	-	-
	$ 408,303	$ 12,909	$ 16,306	$ 43,404	$ 62,360	$ 273,324

For the years ended June 30, 2023 and 2022, investment income (loss) is comprised of the following:

	2023	2022
Interest and dividends	$ (1,957)	$ 2,078
Net increase (decrease) in fair value of investments	27,054	(39,792)
	$ 25,097	$ (37,714)

Notes to Financial Statements (dollars in thousands)

6. Disaggregation of Payable Balances

Accounts payable at June 30, 2023 and 2022, consisted of the following:

	2023	2022
Due to vendors	$ 31,107	$ 32,786
Due to patients and third-party payors	9,187	5,026
Other	174	177
Total accounts payable	$ 40,468	$ 37,989

Other accrued expenses at June 30, 2023 and 2022, consisted of the following:

	2023	2022
Self-insured professional liability	$ 4,300	$ 4,300
Self-insured employee health claims liability	4,968	4,968
Other	174	1,919
Total other accrued expenses	$ 9,442	$ 11,187

7. Capital Assets

The adoption of GASB 87 resulted in the reclassification of certain equipment with gross value of $3,068 and accumulated depreciation of $325 at June 30, 2021 previously accounted for as capital lease assets under prior accounting guidance to lease assets. Capital assets activity for the years ended June 30, 2023 and 2022, consisted of the following:

	Balance June 30, 2022	Additions	Transfers	Reductions	Balance June 30, 2023
Land	$ 40,294	$ 517	$ -	$ (3,846)	$ 36,965
Land improvements	14,484	165	262	(797)	14,114
Building	390,673	1,654	14,864	(22,139)	385,052
Equipment	651,918	27,158	39,977	(9,927)	709,126
	1,097,369	29,494	55,103	(36,709)	1,145,257
CIP	50,811	31,283	(55,103)	-	26,991
Total capital assets	1,148,180	60,777	-	(36,709)	1,172,248
Accumulated Depreciation	(729,150)	(49,269)	-	16,452	(761,967)
Net capital assets	$ 419,030	$ 11,508	$ -	$ (20,257)	$ 410,281

Notes to Financial Statements (dollars in thousands)

	Balance June 30, 2021	Adoption of GASB 87	Additions	Transfers	Reductions	Balance June30, 2022
Land	$ 40,218	$ -	$ 295	$ -	$ (219)	$ 40,294
Land improvements	14,096	-	245	187	(44)	14,484
Building	373,655	-	5,578	11,596	(156)	390,673
Equipment	620,743	(3,068)	22,247	14,307	(2,311)	651,918
	1,048,712	(3,068)	28,365	26,090	(2,730)	1,097,369
CIP	49,515	-	27,459	(26,090)	(73)	50,811
Total capital assets	1,098,227	(3,068)	55,824	-	(2,803)	1,148,180
Accumulated depreciation	(685,838)	325	(44,628)	-	991	(729,150)
Net capital assets	$ 412,389	$ (2,743)	$ 11,196	$ -	$ (1,812)	$ 419,030

Depreciation expense totaled $49,269 and $44,628, during the years ended June 30, 2023 and 2022, respectively. In addition, the Company recognized an impairment loss on certain equipment of $0 and $1,400 in fiscal years 2023 and 2022, respectively.

Construction in progress at June 30, 2023, consists of various projects for additions and renovations to the Company's facilities. The Company has outstanding contracts and other commitments related to the completion of these projects. The Company estimated approximately $22,580 and $25,377 in costs to complete these projects as of June 30, 2023, and 2022, respectively.

8. Long-Term Debt and Financed (Capital Lease) Obligations

The adoption of GASB 87 at June 30, 2022, resulted in the reclassification of a lease with obligations outstanding of $3,048 at June 30, 2021, previously accounted for as a capital lease under prior accounting guidance, to lease liabilities.

Notes to Financial Statements (dollars in thousands)

Long-term debt consists of the following at June 30, 2023 and 2022:

	2023	2022
Hospital Revenue Bonds, Series 2015	**$ 161,595**	$ 167,110
Plus unamortized bond premium	**9,209**	10,233
Hospital Revenue Bonds, Series 2018A	**51,495**	53,240
Plus unamortized bond premium	**3,305**	3,642
Hospital Revenue Bonds, Series 2018B	**84,040**	85,745
Bond Anticipation Note, Series 2021	**10,000**	10,000
Financed purchases (capital leases) payable	**706**	470
	320,350	330,440
Amount due within one year, Series 2015	**(5,785)**	(5,515)
Amount due within one year, Series 2018A	**(1,835)**	(1,745)
Amount due within one year, Series 2018B	**(1,775)**	(1,705)
Amount due within one year, Bond Anticipation Note	**(10,000)**	-
Amount due within one year, financed purchases (capital leases)	**(134)**	(64)
Total amounts due within one year	**(19,529)**	(9,029)
Total long-term debt less amounts due within one year	**$ 300,821**	$ 321,411

In November 2021, the Company issued $10,000 of Series 2021 Bond Anticipation Notes ("Notes") to advance refund and legally defease $5,235 and $2,835 of the Series 2015 and Series 2018A bonds, respectively. The Notes bear interest at the SOFR index rate plus an applicable spread as defined in the agreement (1.82% at June 30, 2022) and is paid monthly until the maturity date of November 1, 2023, at which time all principal and interest are due. The Series 2015 and Series 2018A bonds being advanced refunded had an average interest rate of 4.79%.

The net proceeds of $8,070 (after issuance costs of $667, 2015 and 2018A unamortized bond premiums of $548, and loss on defeasance of $715) were deposited in an irrevocable trust with an escrow agent and used to purchase U.S. government securities, and will be used to provide for all future debt service payments on the Series 2015 and Series 2018A bonds. As a result, the Series 2015 and Series 2018A bonds are considered to be defeased and the liability for those bonds has been removed from the Company's financial statements. Total amount of Series 2015 and Series 2018A bonds outstanding that have been defeased at June 30, 2022 was $7,550. The advance refunding resulted in a loss of $718, which was recorded as deferred outflows of resources in the accompanying statements of net position and is being amortized over the remaining life of the Notes (through 2023).

In November 2018, the Company issued $62,870 of Series 2018A Hospital Revenue Refunding Bonds and $91,025 of Series 2018B Taxable Hospital Revenue Bonds. The proceeds of the Series 2018A Bonds, together with other funds, were used by the Company to refund all outstanding Bonds from the Series 2008 Bond issue. The proceeds of the Series 2018B Bonds were used to reimburse the Company for the $90,000 bridge loan financing that was obtained for the Tennova West acquisition. The difference between the reacquisition price ($159,060) and the net carrying value of the old debt ($159,907) resulted in a loss of $847, which was recorded as deferred outflows of resources in the accompanying statements of net position and is being amortized over the remaining life of the Series 2008 Bonds (through 2041).

In April 2015, the District issued $205,965 of Series 2015 Hospital Revenue Refunding Bonds. The proceeds of the Series 2015 Bonds, together with other funds, were used by the District to advance refund $210,895 of the outstanding Series 2008 Hospital Revenue Refunding and Improvement Bonds. The difference between the reacquisition price ($241,465) and the net carrying value of the old debt ($207,897) resulted in a loss of $33,568, which was recorded as deferred outflows of resources in the accompanying statements of net position and is being amortized over the remaining life of the Series 2008 Bonds (through 2041).

Notes to Financial Statements (dollars in thousands)

The District's revenues are pledged as collateral to the Series 2018 and Series 2015 Bonds. Interest rates range from 3.25% to 5.31% on the Series 2018 Bonds and 2.0% to 5.25% on the Series 2015 Bonds. The District's Series 2018 and Series 2015 Bonds contain covenant and default provisions as defined in the agreements, including the requirement to maintain rates such that net revenue available for debt service in a given fiscal year be greater than 110% of the principal and interest payment requirements for all debt for such fiscal year. In the event that the District violates this covenant by not maintaining such ratio, the District has the ability to cure the violation as defined in the agreement. The inability to cure the violation would result in a default. In each and every case of default, unless cured by the District within 30 days after written notice, the outstanding amounts can become due immediately upon approval of the bondholders.

Finance (capital lease) obligations

The Company entered into lease agreements that are accounted for as financed, as title passes to the lessee at lease termination, and capital leases under relevant accounting guidance in fiscal 2021, whereby it is leasing certain equipment through 2029. The carrying value of equipment held under these leases totaled $748 and $505, at June 30, 2023 and 2022, respectively.

Minimum future lease payments under the financed purchase obligations at June 30, 2023, are as follows:

2024	$ 168
2025	168
2026	168
2027	139
2028	129
Thereafter	63
	835
Less: Amount representing interest	(129)
Present value of net minimum payments	706
Less: Current maturities	(134)
Long-term maturities of financed purchase obligations	$ 572

Long-term debt (excluding unamortized bond premium or discount) for the years ended June 30, 2023 and 2022, consisted of the following:

	June 30, 2021	Additions	Reductions	June 30, 2022	Additions	Reductions	June 30, 2023
Bonds payable	$ 322,705	10,000	16,610	$ 316,095	$ -	$ 8,965	**$ 307,130**
Finance leases	3,661	20	3,211	470	324	88	**706**
Total	$ 326,366	$ 10,020	$ 19,821	$ 316,565	$ 324	$ 9,053	**$ 307,836**

Notes to Financial Statements (dollars in thousands)

Scheduled principal and interest payments, including bonds payable and financed leases, are as follows:

	Principal	Interest	Total Debt Service
Fiscal years ending June 30:			
2024	$ 19,529	$ 14,931	$ 34,460
2025	9,976	13,987	23,963
2026	10,465	13,503	23,969
2027	10,943	12,989	23,932
2028	11,483	12,450	23,933
2029-2033	67,862	53,116	120,978
2034-2038	82,264	34,737	117,001
2039-2043	69,105	14,497	83,602
2044-2048	26,210	4,318	30,528
	307,836	174,529	482,365
Unamortized bond premium, net	12,514	-	12,514
Total	$ 320,350	$ 174,529	$ 494,879

9. Leases

Lessee

The Company has recorded right-to-use lease assets and lease liabilities as a result of the GASB 87 implementation effective July 1, 2021. The Company has entered into agreements to lease certain equipment and real property. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, the asset and related liability have been recorded effective upon the GASB 87 implementation date of July 1, 2021. The lease liabilities have been measured at the present value of minimum lease payments such that each asset's initial balance equals the related liability plus any additional payments for initial direct costs made to the lessor on or before the start of the lease term. The right-to-use lease assets are being amortized on a straight-line basis over their respective lease terms, which range from 1 to 20 years.

Right-to-use lease asset additions, adjustments, and balances for the years ended June 30, 2023, and 2022, are as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Right to use lease assets:				
Equipment	$ 22,599	$ 348	$ 1,902	**$ 21,045**
Real estate	35,062	40,421	-	**75,483**
	57,661	40,769	1,902	**96,528**
Less accumulated amortization	(8,352)	(10,563)	832	**(18,083)**
Right to use lease asset, net	$ 49,309	$ 30,206	$ 1,070	**$ 78,445**

Notes to Financial Statements (dollars in thousands)

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Right to use lease assets:				
Equipment	$ 21,079	$ 1,520	$ -	**$ 22,599**
Real estate	27,548	7,514	-	**35,062**
	48,627	9,034	-	**57,661**
Less accumulated amortization	-	(8,352)	-	**(8,352)**
Right to use lease asset, net	$ 48,627	$ 682	$ -	**$ 49,309**

A schedule of changes in the Company's lease liability for the years ended June 30, 2023, and 2022 are as follows:

	Balance July 1, 2022	Additions	Payments	Balance June 30, 2023
Lease liability	$ 50,422	$ 40,769	$ (10,313)	**$ 80,878**

	Balance July 1, 2021	Additions	Payments	Balance June 30, 2022
Lease liability	$ 48,932	$ 9,034	$ (7,544)	**$ 50,422**

The future minimum lease obligations as of June 30, 2023 are as follows:

Year ending June 30:	Principal Payments	Interest Payments	Total Payments
2024	$ 9,543	$ 2,224	$ 11,767
2025	9,393	1,986	11,379
2026	9,407	1,748	11,155
2027	6,963	1,530	8,493
2028	5,853	1,360	7,213
2029 - 2033	22,835	4,431	27,266
2034 - 2038	9,114	2,237	11,351
Thereafter	7,700	523	8,293
	$ 80,878	$ 16,039	$ 96,917

The Company entered a sale leaseback transaction in August 2022 with Tennessee General Partnership company for the sale of ten properties for a sales price of approximately $35,000, which are being amortized on a straight-line basis over their respective terms, which range from 10 to 20 years.

Lessor

The Company has entered into agreements as a lessor to lease certain real property. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, lease receivables and deferred inflows of resources have been recorded on the effective date of July 1, 2021. The lease receivables and deferred inflows of resources have been measured at the present value of minimum lease payments such that each lease receivable's initial balance equals the deferred inflows of resources. The deferred inflows of resources are being amortized into other income on a straight-line basis over their respective lease terms, which range from 1 to 50 years. The lease receivables are being accounted for using the effective interest method, with each payment including a portion of principal and interest income.

Notes to Financial Statements (dollars in thousands)

A schedule of changes in the Company's lease receivables for the years ended June 30, 2023, and 2022, are as follows:

	Balance July 1, 2022	Additions	Principal Payments	Balance June 30, 2023
Lease receivable	$ 10,085	$ 13,285	$ (1,402)	**$ 21,968**

	Balance July 1, 2021	Additions	Principal Payments	Balance June 30, 2022
Lease receivable	$ 4,022	$ 6,920	$ (857)	**$ 10,085**

10. Subscription Based Information Technology Arrangements

The Company has recorded subscription based information technology arrangement assets and liabilities as a result of the GASB 96 implementation effective July 1, 2022 (see Note 2). The Company has various SBITA, the terms of which expire in various years through 2027. Variable payments on certain subscriptions are based upon an index. The subscriptions were measured based upon the index at the commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription lability because they are not fixed in substance.

Subscription based information technology arrangements for the year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Assets:				
Software	$ 41,535	$ 1,388	$ -	**$ 42,923**
Less accumulated amortization:	-	(16,024)	-	**(16,024)**
SBITA assets, net	$ 41,535	$ (14,636)	$ -	**$ 26,899**

A schedule of changes in the Company's SBITA liability for the year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Payments	Balance June 30, 2023
SBITA liability	$ 41,535	$ 1,388	$ (20,400)	**$ 22,523**

Notes to Financial Statements (dollars in thousands)

The future minimum SBITA obligations as of June 30, 2023 are as follows:

Year ending June 30:	Principal Payments	Interest Payments	Total Payments
2024	$ 12,204	$ 312	$ 12,516
2025	9,250	88	9,338
2026	1,065	5	1,070
2027	4	-	4
2028	-	-	-
	$ 22,523	$ 405	$ 22,929

11. Retirement Plans

The Company maintains and administers a noncontributory defined benefit pension plan, a defined contribution plan, a supplemental 415(m) plan, and other post-employment benefits plan. The operation of the plans is consistent with the laws of Tennessee and the United States federal government.

The Company's net pension liability as of June 30, 2023 and 2022, consists of the following:

	2023	2022
Defined benefit pension plan	**$ 102,646**	$ 69,587
Postretirement medical plan (OPEB)	**(948)**	(1,039)
Supplemental 415(m) plan	**981**	1,179
	$ 102,680	$ 69,727

Defined benefit pension plan

The West Tennessee Healthcare Pension Plan (the "Plan") is a single-employer defined benefit pension plan administered by the District. All employees hired after October 1, 2005, and prior to June 30, 2010, are covered on the fifth anniversary of their date of hire after they have completed at least 1,800 hours of employment per year. The Plan was discontinued for employees hired after June 30, 2010. The Plan provides retirement, termination, disability, and death benefits to plan members and beneficiaries. The Plan issues a publicly available financial report that can be obtained from the Company’s Internal Audit Department, 620 Skyline Drive, Jackson, Tennessee 38301.

Normal retirement benefits for employees hired prior to October 1, 2005, are calculated as one-twelfth of 1.2% of the employee's highest consecutive 5-year average salary, plus .65% of average compensation in excess of covered compensation, as defined, for each year of credited service up to a maximum of 30 years. Normal retirement benefits for employees hired after October 1, 2005, are calculated as one-twelfth of the sum of (1), (2), and (3) as defined below:

(1) 0.5% of the employee's average compensation multiplied by years of credited service, as defined, up to ten years.

(2) 1% of the employee's average compensation, multiplied by years of credited service, as defined, in excess of ten years, but not over twenty years.

(3) 1.5% of the employee's average compensation multiplied by years of credited service, as defined, in excess of twenty years, but not exceeding thirty years.

Notes to Financial Statements (dollars in thousands)

Employees initially hired or acquired prior to October 1, 2005, are eligible to retire at the first of the month coincident with or next following the date on which the person attains age 65. Employees initially hired or acquired on or after October 1, 2005, are eligible to retire at the first of the month coincident with or next following the date the person attains age 65 and has been credited with at least five years of service. Employees initially hired or acquired prior to October 1, 2005, are eligible to retire before normal retirement on or after attaining age 55. Employees initially hired or acquired on or after October 1, 2005, are eligible to retire before normal retirement on or after attaining age 55 with five years of service.

All employees are eligible for disability benefits after 10 years of service. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefit is determined as if the employee had retired immediately before death and had elected to receive a joint and 100% survivor annuity naming the beneficiary as the joint annuitant.

At January 1, 2022 and January 1, 2021, the census dates used to measure the 2023 and 2022 total pension liability, respectively, the following employees (stated in actual numbers, not thousands) were covered by the benefit terms of the Plan:

	2023	**2022**
Inactive employees or beneficiaries currently receiving benefits	**1,236**	1,193
Inactive employees or beneficiaries entitled to but not yet receiving benefits	**713**	698
Active employees	**1,729**	1,906
Total	**3,678**	3,797

Contributions

The Company has no legal or Plan requirements to fund the Plan. The Company's funding policy is to make contributions based on an amount recommended by an independent actuary calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. The actuarially determined contribution is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The additional amount to finance the unfunded liability has been estimated with the goal of fully funding the plan over a closed 30-year period beginning in 2017. In addition, annual gains and losses have been spread over a 10-year period in order to reduce the effects of market volatility and provide stability to the suggested contributions. For the years ended June 30, 2023 and 2022, the Company's average contribution rate was 10% and 11%, respectively, of annual payroll.

Net pension liability - 2023

The Company's net pension liability at June 30, 2023, was measured as of June 30, 2022, and the total pension liability used to calculate the 2022 net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5%
Investment rate of return	6.5%

As of June 30, 2023, the mortality rates were based on the RP-2012 Mortality Tables for males and females, separate tables for employees and healthy retirees, with generational projections using Scale MP-2021, using the Entry Age Normal Cost method. The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2021, to June 30, 2022.

Notes to Financial Statements (dollars in thousands)

The long-term expected rate of return on Plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) 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 & international equity securities	55%	7.3 -- 7.9%
Private equity	10%	8.3 -- 8.7%
Hedged equity	10%	6.2 – 6.4%
Real estate and other	15%	6.2 – 6.3%
Fixed income	10%	4.4 – 4.6%
	100%	

Net pension liability - 2022

The Company's net pension liability at June 30, 2022, was measured as of June 30, 2021, and the total pension liability used to calculate the 2021 net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5%
Investment rate of return	6.5%

Mortality rates were based on the RP-2014 Mortality Table for males and females with adjustments for generational projections based on Scale BB, using the Entry Age Normal Cost method. The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2020, to June 30, 2021.

The long-term expected rate of return on Plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) 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.

Notes to Financial Statements (dollars in thousands)

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 & international equity securities	55%	7.3 - 7.9%
Private equity	10%	8.3 - 8.7%
Hedged equity	10%	4.6 - 5.0%
Real estate and other	15%	5.4 - 5.5%
Fixed income	10%	1.8 – 2.8%
	100%	

The discount rate used to measure the 2023 and 2022 total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that the Company contributions will be made at actuarially determined amounts. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

The net pension liability and annual pension expense for fiscal year 2023 are based on a measurement date of June 30, 2022, and a measurement period of July 1, 2021 to June 30, 2022.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance, June 30, 2022	$ 375,892	$ 306,305	$ 69,587
Service cost	5,113	-	5,113
Interest	24,085	-	24,085
Difference between expected and actual experience	10,186	-	10,186
Contributions – employer	-	13,549	(13,549)
Net investment income	-	(31,734)	31,734
Benefit payments	(21,276)	(21,276)	-
Assumption changes	(24,510)	-	(24,510)
Net changes	(6,402)	(39,461)	33,059
Balance, June 30, 2023	$ 369,490	$ 266,844	$ 102,646

Notes to Financial Statements (dollars in thousands)

The net pension liability and annual pension expense for fiscal year 2022 are based on a measurement date of June 30, 2021, and a measurement period of July 1, 2020 to June 30, 2021.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance, June 30, 2021	$ 371,125	$ 244,568	$ 126,557
Service cost	5,559	-	5,559
Interest	23,774	-	23,774
Difference between expected and actual experience	(2,347)	-	(2,347)
Contributions – employer	-	12,775	(12,775)
Net investment income	-	71,181	(71,181)
Benefit payments	(22,219)	(22,219)	-
Net changes	4,767	61,737	(56,970)
Balance, June 30, 2022	$ 375,892	$ 306,305	$ 69,587

The following presents the net pension liability of the Company, calculated using the discount rate of 6.5%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net pension liability	$ 141,065	$ 102,646	$ 69,762

For the years ended June 30, 2023 and 2022, the Company recognized pension expense of $7,942 and $4,069, respectively.

At June 30, 2023, and 2022, the Company reported pension deferred outflows (inflows) of resources as noted below:

	2023	2022
Difference between expected and actual experience	**$ 2,744**	$ (6,558)
Net difference between projected and actual earnings on Plan investments	**15,652**	(32,386)
Changes in actuarial assumptions	**(18,674)**	-
Pension contributions subsequent to the measurement date	**11,538**	13,625
	$ 11,260	$ (25,319)

Notes to Financial Statements (dollars in thousands)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30		
2024	$	(2,193)
2025		(3,170)
2026		(4,511)
2027		9,596
2028		-
Thereafter		-

Supplemental 415(m) retirement plan

In 2005, the Company established a supplemental 415(m) retirement plan (the "415 Plan"). The 415 Plan provides monthly benefits, to a single retiree, equal to the benefit that cannot be paid from the Plan due to the application of the IRC Section 415 limits. The 415 Plan is unfunded. Benefit payments are deemed contributions when paid.

The 415 Plan net pension liability of $981 and annual pension expense of ($121) for fiscal year 2023 are based on a measurement date of June 30, 2022, and a measurement period of July 1, 2021 to June 30, 2022, as determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2023, actuarial valuation was determined using a discount rate of 3.50%. The projection of cash flows used to determine the discount rate assumed that the Company contributions will be made at actuarially determined amounts.

The 415 Plan net pension liability of $1,179 and annual pension expense of $36 for fiscal year 2022 are based on a measurement date of June 30, 2021, and a measurement period of July 1, 2020 to June 30, 2021, as determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2022, actuarial valuation was determined using a discount rate of 2.25%. The projection of cash flows used to determine the discount rate assumed that the Company contributions will be made at actuarially determined amounts.

Other post-employment benefits ("OPEB")

The West Tennessee Healthcare Postretirement Medical Plan (the "OPEB") is a single-employer plan administered by the Company and provides postretirement health insurance benefits to certain retired employees and their beneficiaries. Effective July 1, 2017, the Company accounts for its OPEB plan in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. During 2016, the OPEB plan was amended to not allow participation for employees retiring after December 31, 2017. With the change, the Company's OPEB plan was overfunded by approximately $3,600. In February 2018, the Company distributed approximately $2,500 of the excess to Plan participants. In February 2021, the company distributed an additional $2,300 of the excess to Plan participants. The remainder of the balance will continue to be drawn down as expenses are incurred by the Plan's existing beneficiaries.

Based on the June 30, 2023 and 2022 actuarial valuations, the Company's OPEB plan was overfunded by $948 and $1,039 (the "net OPEB asset"), respectively. The Company recorded an OPEB (expense) income of $108 and ($2,095) in fiscal years 2023 and 2022, respectively, with the February 2021 payout being included in the measurement period for fiscal year 2022. The plan does not issue a publicly available financial report.

<u>Description of OPEB plan</u>

90% of future eligible retirees are assumed to elect medical coverage in the OPEB plan. 100% of current retirees are assumed to continue medical coverage until Medicare eligibility, or until death if grandfathered. Employees that are eligible to participate in the OPEB plan are employees that were either full-time or part-time, enrolled in healthcare benefits, and retired prior to January 1, 2018, after meeting the following criteria:

Notes to Financial Statements (dollars in thousands)

- Age 60 and 30 years of service
- Age 62 and 15 years of service

Retiree coverage ends at age 65 (Medicare eligibility). Spouse coverage ends at the earlier of the spouse's age 65 or 18 months after the retiree reaches age 65. There is a closed group of grandfathered retirees that are eligible to continue coverage through their lifetime beyond age 65.

Retirees have the choice between two plan options for medical coverage: a medical deductible plan or a medical copayment plan. The retiree monthly contributions (in dollars) as of January 1, 2022, the actuarial valuation date and date of collection of census data, are summarized in the following table:

	Medical Deductible Plan	Medical Copayment Plan
Individual	$ 740	$ 780
Individual + 1	$ 1,464	$ 1,542

Certain grandfathered retirees have no contribution requirement, and certain grandfathered retirees will not be subject to contribution increases.

At January 1, 2023 and 2022, the following employees were covered by the benefit terms of the OPEB plan:

	2023	2022
Active employees	-	-
Retired employees receiving benefits	4	7
Spouses of retired employees receiving benefits	-	-
Total	4	7

Contributions

The Company has no legal or plan requirements to fund the OPEB plan. The Company's funding policy is to make contributions based on an amount recommended by an independent actuary calculated as of June 30 one year prior to the end of the fiscal year in which contributions are reported. The actuarially determined contribution is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended June 30, 2023 and 2022, the Company was not required to make a contribution to the OPEB plan.

Net OPEB asset

The Company's net OPEB asset at June 30, 2023, was measured as of June 30, 2022, and the total liability used to calculate the 2023 net OPEB asset was determined by an actuarial valuation as of that date. The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions:

Investment rate of return	6.5%

Notes to Financial Statements (dollars in thousands)

As of June 30, 2023, the mortality rates were based on the RP-2012 Mortality Tables for males and females, separate tables for employees and healthy retirees, with generational projections using Scale MP-2021, using the Entry Age Normal Cost method, while the June 30, 2022 mortality rates were based on the RP-2014 Mortality Table for males and females with adjustments for generational projections based on Scale BB, using the Entry Age Normal Cost method.

The long-term expected rate of return on Plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) 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 Expected Real Allocation	Long-Term-Expected Real Rate of Return
Domestic & international equity securities	100%	7.2 - 7.5%

The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that the Company contributions will be made at actuarially determined amounts. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net OPEB asset

The net OPEB asset and annual OPEB income for fiscal year 2023 are based on a measurement date of June 30, 2022, and a measurement period of July 1, 2021 to June 30, 2022.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) – (b)
Balance, June 30, 2022	$ 176	$ 1,215	$ (1,039)
Service cost	-	-	-
Interest	11	-	11
Difference between expected and actual experience	(5)	-	(5)
Net investment income	-	(120)	120
Benefit payments	(16)	-	(16)
Assumption change (from 2.25% discount rate to 3.5%)	(19)	-	(19)
Net changes	(29)	(120)	91
Balance, June 30, 2023	$ 147	$ 1,095	$ (948)

Notes to Financial Statements (dollars in thousands)

The net OPEB asset and annual OPEB income for fiscal year 2022 are based on a measurement date of June 30, 2021, and a measurement period of July 1, 2020 to June 30, 2021.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) – (b)
Balance, June 30, 2021	$ 183	$ 2,909	$ (2,726)
Service cost	-	-	-
Interest	11	-	11
Difference between expected and actual experience	23	-	23
Net investment income	-	603	(603)
Benefit payments	(43)	(2,297)	2,254
Assumption change (from 4% discount rate to 2.25%)	2	-	2
Net changes	(7)	(1,694)	(1,687)
Balance, June 30, 2022	**$ 176**	**$ 1,215**	**$ (1,039)**

The following presents the total OPEB liability of the Company, calculated using the discount rate of 6.5% and healthcare cost trend rates of 7.5% decreasing to 5.5%, as well as what the Company's total OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is 1% lower or 1% higher than the current rate.

	1% Decrease	Current Rates	1% Increase
Net OPEB asset with changes in discount rate	$ (943)	$ (948)	$ (952)
Net OPEB asset with changes in healthcare cost trend rates	$ (957)	$ (948)	$ (938)

At June 30, 2023, the actuarially determined OPEB deferred (inflows) outflows of resources are as follows:

Difference between expected and actual experience	$ -
Net difference between projected and actual earnings on OPEB plan investments	**(22)**
	$ (22)

Amounts reported as deferred inflows of resources related to the OPEB plan are scheduled to be recognized in OPEB income as follows:

Fiscal Year Ending June 30	
2024	$ 2
2025	(6)
2026	(58)
2027	40

Defined contribution plan

The Company also maintains a defined contribution plan under Section 403(b) of the IRC which provides for voluntary contributions by employees upon employment and matching contributions by the Company after 90 days of service. Substantially all employees of the Company are eligible and may contribute up to 100% of their compensation, subject to certain IRC limitations. During the fiscal year ended June 30, 2012, upon January 1 or July 1 after the completion of 90 days of credited service, for every 1% the employee invested up to 6%, the Company matched 25% of the employee's contribution. Beginning on January 1, 2013, upon January 1 or July 1 after the completion of 90 days of credited service, for every 1% the employee invested up to 6%, the Company matched 50% of the employee's contribution. The Company recognized expense related to the 403(b) Plan of $5,925 and $5,270 in 2023 and 2022, respectively. There is no separate audited financial report available for the defined contribution plan, the 415 Plan or the OPEB plan.

12. Commitments and Contingencies

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

Professional liability

The Company established the contingency fund as a professional liability self-insurance fund in accordance with the Tennessee Governmental Tort Liability Act ("the Tort Act"), which restricts the District’s exposure to professional liability risks to a pre-determined amount per occurrence.

The District is a "governmental entity" within the meaning of the Tort Act. As such, its maximum liability for state law tort causes of action is $300 for bodily injury or death of any one person in accident, occurrence, or act, and $700 for bodily injury or death of all persons in any one accident, occurrence, or act. These limits are subject to change by the Tennessee Legislature.

The Company's accrual for self-insured professional liability risks was $4,300 at June 30, 2023 and 2022, and was based on asserted claims for occurrences prior to that date.

Workers' compensation

Under the Tennessee Workers' Compensation Law, governmental entities such as the District need not accept the workers' compensation system, thereby remaining subject to common law liability for work-related injuries and retaining all common law defenses to such claims. The limits of liability under the Tort Act are applicable to such claims. The District has not accepted the workers' compensation system. The Tennessee Supreme Court has ruled this exemption applicable to the District's affiliate nonprofit corporations as well.

Self-insured health insurance

The Company is self-insured with respect to employee health insurance. Estimates of health insurance claims incurred but unpaid as of June 30, 2023 and 2022, are accrued based on estimates that incorporate the Company's past experience, as well as other considerations including the nature of claims and relevant trends. The Company accrued a liability for incurred but unpaid claims of approximately $4,968 as of June 30, 2023 and 2022, which is included in other accrued expenses in the accompanying statements of net position. The expenses related to claims paid during the years ended June 30, 2023 and 2022, are $58,929 and $62,406, respectively, and are included in salaries and benefits expense.

Notes to Financial Statements (dollars in thousands)

The following represents changes in those aggregate liabilities for estimates of health insurance for the years ended June 30:

	2023	2022
Claims payable, beginning of year	**$ 4,968**	$ 4,968
Incurred claims expense	**58,929**	62,406
Claims payments	**(58,929)**	(62,406)
Claims payable, end of year	**$ 4,968**	$ 4,968

Litigation

The Company is subject to claims and suits which arise in the ordinary course of business. In the opinion of management, reserves for estimated losses on pending legal proceedings are adequate, and the ultimate resolution of any pending legal proceedings will not have a material effect on the Company's financial position. However, the ultimate outcome of such matters is unknown.

CARES Act funding

Payments from the CARES Act are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost operating revenues and COVID-related costs, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider.

Furthermore, HHS has indicated that it will be closely monitoring and, along with the Office of Inspector General, auditing providers to ensure that recipients comply with the terms and conditions of relief programs and to prevent fraud and abuse. All providers will be subject to civil and criminal penalties for any deliberate omissions, misrepresentations or falsifications of any information given to HHS. The Company has formally accepted the terms and conditions associated with the receipt of relief payments received.

With respect to the CARES Act funding described in Note 3, there can be no assurance as to the total amount of financial and other types of assistance the Company will receive under the CARES Act or other funding sources, and it is difficult to predict the impact of such measures on operating results. Further, there can be no assurance that the terms of provider relief funding or other programs will not change or be interpreted in ways that affect the Company’s funding or eligibility to participate or the Company’s ability to comply with applicable requirements and retain amounts received. The Company continues to assess the potential impact of the CARES Act and the potential impact of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on the Company’s business, results from operations, financial condition and cash flows. The use of CARES Act funding is subject to validation and audit and, therefore, the possibility exists that monies recognized as nonoperating activity could be subject to recoupment in the future.

13. Concentrations

The Company purchased approximately 51% and 52% of medical supplies and drugs from two vendors for the years ended June 30, 2023 and 2022, respectively.

14. Investment in Joint Venture

Through June 30, 2017, the Company owned and operated a 48-bed inpatient rehabilitation unit located at Jackson-Madison County General Hospital, and HealthSouth Corporation owned and operated a 40-bed inpatient rehabilitation hospital known as HealthSouth Cane Creek Rehab Hospital, located in Martin, Tennessee. The Company and HealthSouth entered into a joint venture agreement for the (a) construction, development and operation of a new 48-bed inpatient rehabilitation hospital in Jackson, Tennessee, and (b) the continued operation of the Cane Creek Rehab Hospital in its current location. The parties formed a limited liability company with both parties receiving a 50% ownership. During the year ended June 30, 2017, the Company contributed cash to the joint venture for construction and other costs totaling $13,781. Effective June 30, 2017, the Company discontinued its existing inpatient rehabilitation operations and made a contribution to the joint venture for the estimated value of those operations, resulting in a gain of $12,988.

The Company's investment in the joint venture is accounted for using the equity method and was carried at $25,831 and $25,054 as of June 30, 2023, and 2022, respectively. The Company recognized earnings from the joint venture of $3,954 and $2,832 during the years ended June 30, 2023 and 2022, respectively. The Company received $3,178 and $4,024 of distributions from the joint venture during the years ended June 30, 2023 and 2022. Separately issued financial statements for the joint venture are not available. The carrying value of the Company's investment at June 30, 2023, approximates its share of underlying equity in the net assets of the joint venture, adjusted for the effects of contributed capital and other items in accordance with the terms of the joint venture agreement.

The joint venture's assets and liabilities totaled $54,520 and $30,393, respectively, as of June 30, 2023. The joint venture's revenues and net income for the year ended June 30, 2023, were $59,289 and $7,914, respectively. The joint venture's assets and liabilities totaled $53,627 and $29,675, respectively, as of June 30, 2022. The joint venture's revenues and net income for the year ended June 30, 2022, were $53,622 and $5,658, respectively.

Notes to Financial Statements (dollars in thousands)

15. Obligated Group

As disclosed in Note 8, the Company has revenue bonds outstanding that are payable from the operating revenues of certain affiliates of the District (the "Obligated Group"). Summary financial information for the Obligated Group is as follows:

	June 30	
	2023	**2022**
Assets:		
Current assets	**$ 481,369**	$ 479,242
Capital and lease assets	**360,000**	298,879
Other assets	**460,079**	441,472
	1,301,448	1,219,593
Deferred outflows of resources	**50,021**	33,823
Total assets and deferred outflows of resources	**$ 1,351,469**	$ 1,253,416
Liabilities:		
Current liabilities	**$ 135,454**	$ 132,635
Long-term debt	**379,429**	362,005
Net pension liability	**102,680**	69,727
	617,563	564,367
Deferred inflows of resources	**53,786**	49,104
Unrestricted net position	**676,328**	645,025
Invested in capital assets, net of related financing	**(2,342)**	(11,033)
Restricted net position	**6,134**	5,953
	680,120	639,945
Total liabilities, deferred inflows of resources and net position	**$ 1,351,469**	$ 1,253,416
Net patient service revenues	**$ 865,692**	$ 834,129
Other revenues	**43,035**	31,744
Total operating revenues	**908,727**	865,873
Operating expenses	**842,682**	842,197
Depreciation	**33,580**	33,330
Total operating expenses	**876,262**	875,527
Operating (loss) income	**32,465**	(9,654)
Net nonoperating (loss) income	**24,140**	(12,193)
Interest expense	**(16,430)**	(16,448)
(Decrease) increase in net position	**40,175**	(38,295)
Net position, beginning of year	**639,945**	678,240
Net position, end of year	**$ 680,120**	$ 639,945
Net cash provided by (used in):		
Operating activities	**$ 5,100**	$ (88,523)
Noncapital financing activities	**(581)**	26,254
Capital and related financing activities	**20,089**	(59,532)
Investing activities	**(49,320)**	600
	(24,712)	(121,201)
Cash and cash equivalents, beginning of year	**42,990**	164,191
Cash and cash equivalents, end of year	**$ 18,278**	$ 42,990

16. Blended Component Units

Jackson-Madison County General Hospital, Bolivar General Hospital, Camden General Hospital, Milan General Hospital, Volunteer Martin Hospital, Dyersburg Hospital, Pathways Behavioral Health, Outpatient Therapy, Health Partners, Therapy & Learning Center and the West Tennessee Medical Group are considered blended component units ("BCUs") of West Tennessee Healthcare, as the governing body is substantively the same as the governing body of West Tennessee Healthcare and has operational responsibility of these component units. Separately issued financial statements are not available for any blended component unit. In the statements that follow, we present condensed combining information for the BCUs. In 2019, the Company transferred certain assets and liabilities, other operating revenues, operating expenses, and interest expense used to support all component unit operations to “System Support”, as reflected in the following statements. The revenues and expenses are allocated to component units based on a cost allocation methodology. Prior to 2019, these assets, liabilities, revenues, and expenses were reflected under Jackson-Madison County General Hospital. In 2022, the Company transferred all interest expense back to Jackson-Madison County General Hospital.

As of June 30, 2023 and 2022, there were five blended component units that had an ending deficit net position, including West Tennessee Medical Group, Therapy & Learning Center, Health Partners, Volunteer Hospital, and Dyersburg Hospital. The contributing factors to each unit’s deficit net position vary by service. The units are integral to the overall mission of the health care system and the organization works to balance deficits in operational performance for these business units with surplus performance in other component units. In all cases, the organization strives to improve performance and the overall position of the component units as well as the organization as a whole.

(in thousands)

Statement of Net Position
June 30, 2023

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Eliminations	Total BCUs
ASSETS														
Current assets:														
Cash and cash equivalents	$ 16,774	$ 453	$ 193	$ 385	$ 283	$ 1,119	$ 166	$ 117	$ (392)	$ -	$ 41	$ -	$ -	$ 19,139
Accounts receivable, net	107,209	1,837	730	1,862	967	4,692	1,198	2,304	3,989	-	493	-	-	125,281
Other receivables	434,316	89	219	380	132	268	1,690	-	65	-	523	-	(429,916)	7,766
Inventories	9,150	117	105	278	78	613	252	-	160	-	-	-	-	10,753
Prepaid expenses	15,017	189	147	44	275	745	-	-	116	-	-	2,589	-	19,122
Lease receivable	1,897	-	-	-	-	-	-	-	-	-	-	-	-	1,897
Assets limited to use - current portion	6,134	-	-	-	-	-	-	-	-	-	-	-	-	6,134
Total current assets	590,497	2,685	1,394	2,949	1,735	7,437	3,306	2,421	3,938	-	1,057	2,589	(429,916)	190,092
Assets limited as to use	408,303	-	-	-	-	-	-	-	-	-	-	-	-	408,303
Other assets	31,159	-	-	169	-	378	-	-	-	-	-	1,196	-	32,902
Lease receivable, less current portion	20,071	-	-	-	-	-	-	-	-	-	-	-	-	20,071
Capital assets, net	227,987	7,619	1,606	7,370	1,130	23,638	784	237	3,627	-	330	135,953	-	410,281
Right to use lease assets, net	74,105	-	-	-	-	-	-	-	26	-	-	4,314	-	78,445
Subscription based IT arrangements, net	26,899	-	-	-	-	-	-	-	-	-	-	-	-	26,899
Total assets	1,379,021	10,304	3,000	10,488	2,865	31,453	4,090	2,658	7,591	-	1,387	144,052	(429,916)	1,166,993
DEFERRED OUTFLOWS OF RESOURCES	50,021	-	-	-	-	-	-	-	-	-	-	4,561	-	54,582
Total assets and deferred outflows of resources	$ 1,429,042	$ 10,304	$ 3,000	$ 10,488	$ 2,865	$ 31,453	$ 4,090	$ 2,658	$ 7,591	$ -	$ 1,387	$ 148,613	$ (429,916)	$ 1,221,575
LIABILITIES														
Current liabilities:														
Accounts payable	36,490	310	105	$ 751	$ 76	$ 1,594	$ 92	$ 4	$ 772	$ -	$ 19	$ 255	$ -	$ 40,468
Accrued compensation and related expenses	40,937	-	1	-	-	-	-	-	(299)	-	-	-	-	40,639
Accrued interest expense	3,514	-	-	-	-	-	-	-	-	-	-	-	-	3,514
Other accrued expenses	40,359	(16,359)	(24,102)	33,652	(9,959)	55,821	(6,098)	412	199,562	2,126	19,991	143,953	(429,916)	9,442
Estimated third-party settlements	1,960		2,595	-	3,545	-	4,277	-	-	-	-	-	-	12,377
Long-term debt due within one year	19,529	-	-	-	-	-	-	-	-	-	-	-	-	19,529
Lease liability due within one year	8,157	-	-	-	-	-	-	-	27	-	-	1,359	-	9,543
Subscription based IT arrangement	12,204	-	-	-	-	-	-	-	-	-	-	-	-	12,204
Total current liabilities	163,150	(16,049)	(21,401)	34,403	(6,338)	57,415	(1,729)	416	200,062	2,126	20,010	145,567	(429,916)	147,716
Long-term liabilities:														
Lease liability less amounts due within one year	68,289	-	-	-	-	-	-	-	-	-	-	3,046	-	71,335
Subscription based IT liability less amounts due within one year	10,319	-	-	-	-	-	-	-	-	-	-	-	-	10,319
Long-term debt, less amounts due within one year	300,821	-	-	-	-	-	-	-	-	-	-	-	-	300,821
Net pension liability	102,680	-	-	-	-	-	-	-	-	-	-	-	-	102,680
Total long-term liabilities	482,109	-	-	-	-	-	-	-	-	-	-	3,046	-	485,155
Total liabilities	645,259	(16,049)	(21,401)	34,403	(6,338)	57,415	(1,729)	416	200,062	2,126	20,010	148,613	(429,916)	632,871
DEFERRED INFLOWS OF RESOURCES	53,786	-	-	-	-	-	-	-	-	-	-	-	-	53,786
Total liabilities and deferred inflows of resources	699,045	(16,049)	(21,401)	34,403	(6,338)	57,415	(1,729)	416	200,062	2,126	20,010	148,613	(429,916)	686,657
NET POSITION														
Unrestricted	757,215	18,734	22,795	(31,285)	8,073	(49,601)	5,035	2,004	(196,124)	(2,126)	(18,953)	(140,267)	-	375,500
Net investment in capital assets	(33,352)	7,619	1,606	7,370	1,130	23,639	784	238	3,653	-	330	140,267	-	153,284
Restricted for debt service	6,134	-	-	-	-	-	-	-	-	-	-	-	-	6,134
Total net position	729,997	26,353	24,401	(23,915)	9,203	(25,962)	5,819	2,242	(192,471)	(2,126)	(18,623)	-	-	534,918
Total liabilities and net position	$ 1,429,042	$ 10,304	$ 3,000	$ 10,488	$ 2,865	$ 31,453	$ 4,090	$ 2,658	$ 7,591	$ -	$ 1,387	$ 148,613	$ (429,916)	$ 1,221,575

(in thousands)

Statement of Net Position
June 30, 2022

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Eliminations	Total BCUs
ASSETS														
Current assets:														
Cash and cash equivalents	$ 42,160	$ 99	$ 70	$ 472	$ 161	$ 358	$ 76	$ 56	$ 486	$ 3	$ 32	$ -	$ -	$ 43,973
Accounts receivable, net	96,212	1,198	1,009	2,606	903	5,123	1,022	1,580	8,222	-	352	-	-	118,227
Other receivables	395,478	95	320	669	299	578	1,454	-	86	15	638	-	(388,914)	10,718
Inventories	10,265	226	99	243	85	606	279	-	147	-	-	-	-	11,950
Prepaid expenses	15,919	194	144	219	253	291	-	-	228	-	-	-	-	17,248
Lease receivable	1,021	-	-	-	-	-	-	-	-	-	-	-	-	1,021
Assets limited to use - current portion	5,953	-	-	-	-	-	-	-	-	-	-	-	-	5,953
Total current assets	567,008	1,812	1,642	4,209	1,701	6,956	2,831	1,636	9,169	18	1,022	-	(388,914)	209,090
Assets limited as to use	403,853	-	-	-	-	-	-	-	-	-	-	-	-	403,853
Other assets	28,009	-	-	168	-	378	-	-	-	-	-	1,324	-	29,879
Lease receivable, less current portion	9,064	-	-	-	-	-	-	-	-	-	-	-	-	9,064
Capital assets, net	225,695	7,288	1,850	6,884	1,187	24,042	727	244	3,842	-	442	146,829	-	419,030
Right to use lease assets, net	42,253	-	-	5	-	-	-	-	1,374	-	-	5,677	-	49,309
Total assets	1,275,882	9,100	3,492	11,266	2,888	31,376	3,558	1,880	14,385	18	1,464	153,830	(388,914)	1,120,225
DEFERRED OUTFLOWS OF RESOURCES	33,823	-	-	-	-	-	-	-	-	-	-	7,122	-	40,945
Total assets and deferred outflows of resources	$ 1,309,705	$ 9,100	$ 3,492	$ 11,266	$ 2,888	$ 31,376	$ 3,558	$ 1,880	$ 14,385	$ 18	$ 1,464	$ 160,952	$ (388,914)	$ 1,161,170
LIABILITIES														
Current liabilities:														
Accounts payable	$ 34,302	$ 180	$ 118	$ 525	$ 60	$ 1,654	$ 172	$ -	$ 880	$ -	$ 14	$ 84	$ -	$ 37,989
Accrued compensation and related expenses	42,667	-	-	-	-	-	-	-	(253)	-	-	-	-	42,414
Accrued interest expense	3,620	-	-	-	-	-	-	-	-	-	-	-	-	3,620
Other accrued expenses	40,815	(18,671)	(22,352)	29,072	(8,939)	41,095	(10,140)	(689)	173,311	2,018	19,473	155,108	(388,914)	11,187
Estimated third-party settlements	(311)	25	1,568	672	3,279	245	4,922	-	(19)	-	-	-	-	10,381
CMS Advance payments due within one year	21,103	326	246	142	9	4,251	-	(2)	-	-	-	-	-	26,075
Long-term debt due within one year	9,029	-	-	-	-	-	-	-	-	-	-	-	-	9,029
Lease liability due within one year	5,584	-	-	6	-	-	-	-	460	-	-	1,355	-	7,405
Total current liabilities	156,809	(18,140)	(20,420)	30,417	(5,591)	47,245	(5,046)	(691)	174,379	2,018	19,487	156,547	(388,914)	148,100
Long-term liabilities:														
Lease liability less amounts due within one year	37,689	-	-	-	-	-	-	-	923	-	-	4,405	-	43,017
Long-term debt, less amounts due within one year	321,411	-	-	-	-	-	-	-	-	-	-	-	-	321,411
Net pension liability	69,727	-	-	-	-	-	-	-	-	-	-	-	-	69,727
Total long-term liabilities	428,827	-	-	-	-	-	-	-	923	-	-	4,405	-	434,155
Total liabilities	585,636	(18,140)	(20,420)	30,417	(5,591)	47,245	(5,046)	(691)	175,302	2,018	19,487	160,952	(388,914)	582,255
DEFERRED INFLOWS OF RESOURCES	49,104	-	-	-	-	-	-	-	-	-	-	-	-	49,104
Total liabilities and deferred inflows of resources	$ 634,740	$ (18,140)	$ (20,420)	$ 30,417	$ (5,591)	$ 47,245	$ (5,046)	$ (691)	$ 175,302	$ 2,018	$ 19,487	$ 160,952	$ (388,914)	$ 631,359
NET POSITION														
Unrestricted	710,970	19,952	22,062	(26,034)	7,292	(39,911)	7,877	2,327	(164,750)	(2,000)	(18,465)	(146,746)	-	372,574
Net investment in capital assets	(41,958)	7,288	1,850	6,883	1,187	24,042	727	244	3,833	-	442	146,746	-	151,284
Restricted for debt service	5,953	-	-	-	-	-	-	-	-	-	-	-	-	5,953
Total net position	674,965	27,240	23,912	(19,151)	8,479	(15,869)	8,604	2,571	(160,917)	(2,000)	(18,023)	-	-	529,811
Total liabilities and net position	$ 1,309,705	$ 9,100	$ 3,492	$ 11,266	$ 2,888	$ 31,376	$ 3,558	$ 1,880	$ 14,385	$ 18	$ 1,464	$ 160,952	$ (388,914)	$ 1,161,170

West Tennessee Healthcare and Related Affiliates
Notes to Financial Statements
(in thousands)

Statement of Revenues and Expenses and Changes in Net Position
Year Ended June 30, 2023

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Total BCUs
Revenue:													
Patient service revenues	$ 2,881,953	$ 66,430	$ 33,132	$ 91,703	$ 30,758	$ 222,333	$ 20,560	$ 43,480	$ 190,142	$ -	$ 18,583	$ -	$ 3,599,074
Deductions from revenue	2,091,511	51,732	24,305	68,068	20,550	170,718	11,217	31,543	125,091	-	14,312	-	2,609,047
Net patient service revenues	790,442	14,698	8,827	23,635	10,208	51,615	9,343	11,937	65,051	-	4,271	-	990,027
Other operating revenues	42,468	237	40	239	61	328	13,884	251	8,060	6	3,782	2,053	71,409
Total revenues	832,910	14,935	8,867	23,874	10,269	51,943	23,227	12,188	73,111	6	8,053	2,053	1,061,436
Operating expenses:													
Salaries, benefits, supplies and other	681,943	13,245	7,229	25,366	8,367	54,274	23,187	11,231	95,689	119	7,739	56,596	984,985
Depreciation and amortization	30,736	1,112	375	743	302	2,102	442	97	943	-	103	39,638	76,593
Indirect expense	72,810	1,467	776	2,625	876	5,662	2,383	1,182	8,015	13	810	(96,619)	-
Total operating expenses	785,489	15,824	8,380	28,734	9,545	62,038	26,012	12,510	104,647	132	8,652	(385)	1,061,578
Operating income (loss)	47,421	(889)	487	(4,860)	724	(10,095)	(2,785)	(322)	(31,536)	(126)	(599)	2,438	(142)
Nonoperating revenues (expenses):													
Investment income	24,719	1	2	-	-	3	-	(8)	(13)	-	1	392	25,097
Interest expense	(16,430)	-	-	-	-	-	-	-	(5)	-	(1)	(2,830)	(19,266)
Non-recurring relief funding	-	-	-	96	-	-	-	-	-	-	-		96
Contributions to affiliated entities	(678)	-	-	-	-	-	-	-	-	-	-	-	(678)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonoperating revenues (expenses), net	7,611	1	2	96	-	3	-	(8)	(18)	-	-	(2,438)	5,249
Change in net position	55,032	(888)	489	(4,764)	724	(10,092)	(2,785)	(330)	(31,554)	(126)	(599)	-	5,107
Net position at beginning of year	674,965	27,241	23,912	(19,151)	8,479	(15,870)	8,604	2,572	(160,917)	(2,000)	(18,024)	-	529,811
Ending net position	$ 729,997	$ 26,353	$ 24,401	$ (23,915)	$ 9,203	$ (25,962)	$ 5,819	$ 2,242	$ (192,471)	$ (2,126)	$ (18,623)	$ -	$ 534,918

West Tennessee Healthcare and Related Affiliates
Notes to Financial Statements
(in thousands)

Statement of Revenues and Expenses and Changes in Net Position
Year Ended June 30, 2022

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Total BCUs
Revenue:													
Patient service revenues	$ 2,592,217	$ 52,878	$ 26,662	$ 84,604	$ 24,645	$ 198,686	$ 19,491	$ 36,955	$ 187,589	$ -	$ 15,509	$ -	$ 3,239,236
Deductions from revenue	1,836,916	39,029	16,779	59,052	15,569	145,408	8,972	25,447	121,867	-	11,651	-	2,280,690
Net patient service revenues	755,301	13,849	9,883	25,552	9,076	53,278	10,519	11,508	65,722	-	3,858	-	958,546
Other operating revenues	30,479	222	198	423	149	841	11,700	101	4,831	100	3,717	1,841	54,602
Total revenues	785,780	14,071	10,081	25,975	9,225	54,119	22,219	11,609	70,553	100	7,575	1,841	1,013,148
Operating expenses:													
Salaries, benefits, supplies and other	683,607	12,607	7,980	27,373	8,180	54,792	20,748	10,989	94,891	322	7,915	74,114	1,003,518
Depreciation and amortization	30,642	888	366	700	319	1,988	125	93	994	-	108	17,163	53,386
Indirect expense	68,517	1,280	775	2,608	791	5,301	1,938	1,070	7,323	30	761	(90,394)	-
Total operating expenses	782,766	14,775	9,121	30,681	9,290	62,081	22,811	12,152	103,208	352	8,784	883	1,056,904
Operating income (loss)	3,014	(704)	960	(4,706)	(65)	(7,962)	(592)	(543)	(32,655)	(252)	(1,209)	958	(43,756)
Nonoperating revenues (expenses):													
Investment income	(37,832)	1	(5)	3	1	3	-	1	(15)	-	-	129	(37,714)
Interest expense	(16,439)	(1)	(1)	(3)	(1)	(6)	(2)	(1)	(35)	-	(1)	(1,087)	(17,577)
Non-recurring relief funding	21,009	928	575	1,728	625	4,526	874	303	6,861	-	61		37,490
Contributions to affiliated entities	(1,009)	-	-	-	-	-	-	-	-	-	-	-	(1,009)
Other	(621)	-	-	-	-	-	-	-	-	-	-	-	(621)
Nonoperating revenues (expenses), net	(34,892)	928	569	1,728	625	4,523	872	303	6,811	-	60	(958)	(19,431)
Change in net position	(31,878)	224	1,529	(2,978)	560	(3,439)	280	(240)	(25,844)	(252)	(1,149)	-	(63,187)
Net position at beginning of year	706,843	27,016	22,383	(16,173)	7,919	(12,430)	8,324	2,811	(135,073)	(1,748)	(16,874)	-	592,998
Ending net position	$ 674,965	$ 27,240	$ 23,912	$ (19,151)	$ 8,479	$ (15,869)	$ 8,604	$ 2,571	$ (160,917)	$ (2,000)	$ (18,023)	$ -	$ 529,811

(in thousands)

Condensed Statement of Cash Flows
Year Ended June 30, 2023

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Total BCUs
Net cash provided by (used in) operating activities	$ 1,601	$ 1,794	$ 252	$ 1,041	$ 366	$ 2,458	$ 589	$ 155	$ (97)	$ (3)	$ -	$ 31,354	$ 39,510
Net cash provided by noncapital financing activities	(677)	-	-	96	-	-	-	-	-	-	-	-	(581)
Net cash provided by investing activities	20,087	2	2	-	1	2	-	(8)	(13)	-	-	392	20,465
Net cash provided by (used in) capital and related financing activities	(46,397)	(1,442)	(131)	(1,224)	(245)	(1,699)	(499)	(86)	(768)	-	9	(31,746)	(84,228)
Net change in cash and cash equivalents	(25,386)	354	123	(87)	122	761	90	61	(878)	(3)	9	-	(24,834)
Cash and cash equivalents, beginning of period	42,160	99	70	472	161	358	76	56	486	3	32	-	43,973
Cash and cash equivalents, end of period	$ 16,774	$ 453	$ 193	$ 385	$ 283	$ 1,119	$ 166	$ 117	$ (392)	$ -	$ 41	$ -	$ 19,139

Condensed Statement of Cash Flows
Year Ended June 30, 2022

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Total BCUs
Net cash provided by (used in) operating activities	$ (85,041)	$ (128)	$ (365)	$ (1,193)	$ (330)	$ (2,289)	$ (737)	$ (301)	$ (4,701)	$ (4)	$ 205	$ 25,421	$ (69,463)
Net cash provided by noncapital financing activities	20,000	928	575	1,728	625	4,526	874	303	6,861	-	61	-	36,481
Net cash provided by investing activities	594	1	(5)	3	1	3	-	1	(15)	-	-	129	712
Net cash provided by (used in) capital and related financing activities	(56,811)	(812)	(193)	(278)	(204)	(2,443)	(110)	21	(2,020)	-	(273)	(25,550)	(88,673)
Net change in cash and cash equivalents	(121,258)	(11)	12	260	92	(203)	27	24	125	(4)	(7)	-	(120,943)
Cash and cash equivalents, beginning of period	163,418	110	58	212	69	561	49	32	361	7	39	-	164,916
Cash and cash equivalents, end of period	$ 42,160	$ 99	$ 70	$ 472	$ 161	$ 358	$ 76	$ 56	$ 486	$ 3	$ 32	$ -	$ 43,973

Required Supplementary Information

West Tennessee Healthcare and Related Affiliates
Schedule of Changes in Net Pension and OPEB Liability (Asset) and Related Ratios
(in thousands)

	Pension Plan, Year Ended June 30,								
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Total pension liability:									
Service cost	**$ 5,113**	$ 5,559	$ 6,254	$ 6,577	$ 6,749	$ 6,815	$ 6,276	$ 7,070	$ 7,026
Interest	**24,085**	23,774	23,832	23,224	22,220	21,309	19,884	19,615	18,956
Differences between expected and actual experience	**10,186**	(2,347)	(9,154)	(1,702)	2,376	535	8,735	(5,213)	1,467
Benefit payments	**(21,276)**	(22,219)	(20,077)	(16,831)	(14,657)	(14,501)	(12,540)	(20,419)	(14,387)
Net change in total pension liability	**18,108**	4,767	855	11,268	16,688	14,158	22,355	1,053	13,062
Assumption changes	**(24,510)**	-	-	-	-	-	-	-	-
Total pension liability - beginning	**375,892**	371,125	370,270	359,002	342,314	328,156	305,801	304,748	291,686
Total pension liability-ending (a)	**369,490**	375,892	371,125	370,270	359,002	342,314	328,156	305,801	304,748
Plan fiduciary net position:									
Contributions - employer	**13,549**	12,775	16,278	13,400	12,300	18,000	18,000	17,040	12,992
Net investment income	**(31,734)**	71,181	(822)	9,989	16,378	20,210	(4,453)	1,341	24,480
Benefit payments	**(21,276)**	(22,219)	(20,077)	(16,831)	(14,657)	(14,501)	(12,540)	(20,419)	(14,387)
Administrative expense	**-**	-	-	-	-	-	(249)	(440)	(465)
Net change in plan fiduciary net position	**(39,461)**	61,737	(4,621)	6,558	14,021	23,709	758	(2,478)	22,620
Plan fiduciary net position - beginning	**306,305**	244,568	249,189	242,631	228,610	204,901	204,143	206,621	184,000
Plan fiduciary net position-ending (b)	**266,844**	306,305	244,568	249,189	242,631	228,610	204,901	204,143	206,620
Net pension									
Net pension liability (asset) (a)-(b)	**$ 102,646**	$ 69,587	$ 126,557	$ 121,081	$ 116,371	$ 113,704	$ 123,255	$ 101,658	$ 98,128
Plan fiduciary net position as a percentage of the total pension liability	**72%**	81%	66%	67%	68%	67%	62%	67%	68%
Covered-employee payroll	**$ 119,402**	$ 118,607	$ 127,378	$ 139,557	$ 144,257	$ 148,645	$ 150,997	$ 141,412	$ 153,252
Company's net pension liability (asset) as a percentage of covered-employee payroll	**86%**	59%	99%	87%	81%	76%	82%	72%	64%

Note: Information prior to 2015 for this plan is not available.

(in thousands)

	415(m) Pension Plan, Year Ended June 30,								
	2023	**2022**	**2021**	2020	2019	2018	2017	2016	2015
Total pension liability:									
Service cost	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	**26**	27	41	42	40	41	42	43	43
Differences between expected and actual experience	**10**	9	7	6	90	5	4	4	4
Benefit payments	**(76)**	(76)	(76)	(76)	(70)	(70)	(70)	(70)	(70)
Net change in total pension liability	**(40)**	(40)	(28)	(28)	60	(24)	(24)	(23)	(23)
Assumption change - discount rate adjustment	**(157)**	-	182	-	-	-	-	-	-
Total pension liability - beginning	**1,178**	1,218	1,064	1,092	1,032	1,056	1,080	1,103	1,126
Total pension liability-ending (a)	**981**	1,178	1,218	1,064	1,092	1,032	1,056	1,080	1,103
Plan fiduciary net position:									
Contributions - employer	**76**	76	76	76	70	70	70	70	70
Net investment income	**-**	-	-	-	-	-	-	-	-
Benefit payments	**(76)**	(76)	(76)	(76)	(70)	(70)	(70)	(70)	(70)
Administrative expense	**-**	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	**-**	-	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	**-**	-	-	-	-	-	-	-	-
Plan fiduciary net position-ending (b)	**-**	-	-	-	-	-	-	-	-
Net pension liability (asset) (a)-(b)	**$ 981**	$ 1,178	$ 1,218	$ 1,064	$ 1,092	$ 1,032	$ 1,056	$ 1,080	$ 1,103
Plan fiduciary net position as a percentage of the total pension liability	**0%**	0%	0%	0%	0%	0%	0%	0%	0%
Covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Company's net pension liability (asset) as a percentage of covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Information prior to 2015 for this plan is not available.

(in thousands)

	OPEB Plan, Year Ended June 30,					
	2023	**2022**	**2021**	**2020**	**2019**	**2018**
Total OPEB liability:						
Service cost	**$ -**	$ -	$ -	$ -	$ 16	$ 35
Interest	**11**	11	14	28	100	121
Differences between expected and actual experience	**(5)**	23	(5)	(160)	(1,149)	(374)
Benefit payments	**(16)**	(43)	(98)	(62)	(41)	(142)
Net change in OPEB liability	**(10)**	(9)	(89)	(194)	(1,074)	(360)
Assumption change - discount rate adjustment	**(18)**	2	-	-	-	-
Total OPEB liability - beginning	**176**	183	272	466	1,540	1,900
Total OPEB liability-ending (a)	**148**	176	183	272	466	1,540
Plan fiduciary net position:						
Contributions - employer	**-**	-	-	-	-	-
Net investment income	**(119)**	603	(67)	142	266	519
Benefit payments	**-**	(2,297)	-	-	(2,548)	(532)
Administrative expense	**-**	-	-	-	-	-
Net change in plan fiduciary net position	**(119)**	(1,694)	(67)	142	(2,282)	(13)
Plan fiduciary net position - beginning	**1,215**	2,909	2,976	2,834	5,116	5,129
Plan fiduciary net position-ending (b)	**1,096**	1,215	2,909	2,976	2,834	5,116
Net OPEB liability (asset) (a)-(b)	**$ (948)**	$ (1,039)	$ (2,726)	$ (2,704)	$ (2,368)	$ (3,576)
Plan fiduciary net position as a percentage of the total OPEB liability	**741%**	690%	1590%	1094%	608%	332%
Covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	$ 265,123
Company's net pension liability (asset) as a percentage of covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A

Note: Information prior to 2018 for the OPEB plan is not available.

West Tennessee Healthcare and Related Affiliates
Schedule of Contributions
(in thousands)

	Pension Plan, Year Ended June 30,								
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Actuarially determined contribution	**$ 11,462**	**$ 7,755**	$ 13,549	$ 12,775	$ 12,378	$ 12,300	$ 15,427	$ 15,552	$ 13,141
Contributions in relation to the actuarially determined contribution	**(11,462)**	**(13,549)**	(12,775)	(16,278)	(13,400)	(12,300)	(18,000)	(18,000)	(17,040)
Contribution deficiency (excess)	**$ -**	**$ (5,794)**	$ 774	$ (3,503)	$ (1,022)	$ -	$ (2,573)	$ (2,448)	$ (3,899)
Covered-employee payroll	**$ 119,402**	**$ 118,607**	$ 127,378	$ 139,557	$ 144,257	$ 148,645	$ 150,997	$ 141,412	$ 153,252
Contributions as a percentage of covered-employee payroll	**10%**	**11%**	10%	12%	9%	8%	12%	13%	11%

Notes to the schedule valuation date:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	Pension
Valuation date	June 30, one year prior to the end of the fiscal year
Actuarial cost method	Entry Age Normal Cost
Amortization method	Closed amortization
Amortization period of initial unfunded AAL	30 years
Remaining amortization period	25 years
Asset valuation method	Market value
CPI	2.5%
Salary increases	3.5% average, including inflation
Investment rate of return	6.5%, net of pension plan investment expense, including inflation
Mortality 2023	PRI-2012 Mortality table for males and females with generational projections using Scale MP-2021.
Mortality 2022 - 2015	RP-2014 Mortality Table for males and females with generational projections using Scale BB.
Retirement age	Per the following table:

Age	Male	Female
55 - 59	5.0%	5.0%
60	10.0%	10.0%
61	10.0%	10.0%
62	15.0%	15.0%
63	15.0%	15.0%
64	15.0%	15.0%
65	40.0%	40.0%
66	30.0%	30.0%
67	30.0%	30.0%
68	30.0%	30.0%
69	25.0%	25.0%
70+	100.0%	100.0%

West Tennessee Healthcare and Related Affiliates
Schedule of Contributions **(Continued)**
(in thousands)

	415(m) Pension Plan, Year Ended June 30,								
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Actuarially determined contribution	**$ 76**	$ 76	$ 76	$ 76	$ 70	$ 70	$ 70	$ 70	$ 70
Contributions in relation to the actuarially determined contribution	**(76)**	(76)	(76)	(76)	(70)	(70)	(70)	(70)	(70)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to the schedule valuation date.
Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates

	415(m) Plan								
Valuation date	June 30, one year prior to the end of the fiscal year								
Actuarial cost method	Entry Age Normal Cost								
Amortization method	N/A								
Amortization period of initial unfunded AAL	N/A								
Remaining amortization period	N/A								
Asset valuation method	N/A								
CPI	N/A								
Salary increases	N/A								
Investment rate of return	3.50%	2.25%	2.25%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Mortality 2023	PRI-2012 health retiree mortality tables with white collar adjustment for males and females with generational mortality improvement projections using Scale MP-2021 after 2012.								
Mortality 2022 - 2015	RP-2014 Mortality Table for males and females with generational projections using Scale BB.								

(in thousands)

	OPEB Plan, Year Ended June 30,					
	2023	**2022**	**2021**	**2020**	**2019**	**2018**
Actuarially determined contribution	**$ -**	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	**-**	-	-	-	-	-
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A

Notes to the schedule valuation date:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	OPEB
Valuation date	June 30, one year prior to the end of the fiscal year
Actuarial cost method	Entry Age Normal Cost
Amortization method	Closed amortization
Amortization period of initial unfunded AAL	N/A
Remaining amortization period	N/A
Asset valuation method	Market value
CPI	N/A
Salary increases	N/A
Investment rate of return	6.5%, net of pension plan investment expense, including inflation
Mortality 2023	PRI-2012 Mortality table for males and females with generational projections using Scale MP-2021.
Mortality 2022 - 2015	RP-2014 Mortality Table for males and females with generational projections using Scale BB.

Supplementary Information

West Tennessee Healthcare and Related Affiliates
Deductions From Gross Patient Service Revenues
(in thousands)

Year Ended June 30, 2023

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Total BCUs
Medicare	$ 1,188,022	$ 20,890	$ 7,889	$ 29,134	$ 8,648	$ 83,369	$ 723	$ 13,256	$ 57,388	$ -	$ 6	$ 1,409,325
TennCare	308,624	11,299	7,221	18,738	4,989	38,526	4,630	6,570	28,169	-	10,579	439,345
Other revenue deductions	594,864	19,543	9,195	20,196	6,913	48,823	5,864	11,715	39,535	-	3,728	760,376
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-
	$ 2,091,510	$ 51,732	$ 24,305	$ 68,068	$ 20,550	$ 170,718	$ 11,217	$ 31,541	$ 125,092	$ -	$ 14,313	$ 2,609,046

Year Ended June 30, 2022

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Total BCUs
Medicare	$ 899,587	$ 13,181	$ 4,691	$ 20,690	$ 5,973	$ 56,510	$ 1,064	$ 10,714	$ 45,801	$ -	$ 19	$ 1,058,230
TennCare	293,850	6,718	4,086	14,119	2,642	32,976	4,039	5,136	24,513	-	8,484	396,563
Other revenue deductions	583,949	16,954	6,502	21,517	5,753	49,889	3,547	9,190	44,030	-	3,119	744,450
Bad debt	59,530	2,176	1,500	2,726	1,201	6,033	322	407	7,523	-	29	81,447
	$ 1,836,916	$ 39,029	$ 16,779	$ 59,052	$ 15,569	$ 145,408	$ 8,972	$ 25,447	$ 121,867	$ -	$ 11,651	$ 2,280,690

West Tennessee Healthcare and Related Affiliates
Schedule of Changes in Long-term Debt by Individual Issue
(in thousands)

Description of Indebtness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2023
Bonds and notes payable									
Hospital Revenue Bonds, Series 2015	205,965	2.0% - 5.25%	April 5, 2015	April 1, 2041	$ 167,110	$ -	$ 5,515	$ -	**$ 161,595**
Hospital Revenue Bonds, Series 2018A	62,870	5%	November 1, 2018	April 1, 2041	53,240	-	1,745	-	**51,495**
Hospital Revenue Bonds, Series 2018B	91,025	3.25% - 5.31%	November 1, 2018	April 1, 2048	85,745	-	1,705	-	**84,040**
Bond Anticipation Notes Series 2021	10,000	SOFR Index Rate	November 19, 2021	November 1, 2023	10,000	-	-	-	**10,000**
					316,095	-	8,965	-	**307,130**
Financed equipment purchases									
Equipment lease - May 2019	627	4%	May 1, 2019	May 1, 2029	450	-	58	-	**392**
Equipment lease - April 2022	20		April 30, 2022	May 31, 2028	20	324	30	-	**314**
					470	324	88	-	**706**
Totals					$ 316,565	$ 324	$ 9,053	$ -	**$ 307,836**

West Tennessee Healthcare and Related Affiliates
Schedule of Changes in Lease Obligations
(in thousands)

Description of Indebtness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2022	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding June 30, 2023
Equipment leases:									
Equipment leases - fiscal 2018	54	2.11%	Various	Various	$ 54	$ -	$ 54	$ -	**$ -**
Equipment leases - fiscal 2020	8,574	2.11%	Various	Various	8,574	-	1,834	-	**6,740**
Equipment leases - fiscal 2021	8,547	2% - 2.11%	Various	Various	8,547	-	2,275	-	**6,272**
Equipment leases - fiscal 2022	1,318	2.11%	Various	Various	1,318	-	1,192	-	**126**
Equipment leases - fiscal 2023	348	2.11%	Various	Various	-	348	18	-	**330**
					18,493	348	5,373	-	**13,468**
Real estate leases:									
(original issue year):									
Real estate leases - fiscal 1993	56	2.11%	May 1, 1993	July 31, 2024	29	-	27	-	**2**
Real estate leases - fiscal 2004	15	2.11%	November 1, 2003	October 23, 2023	2	7	7	-	**2**
Real estate leases - fiscal 2005	51	2.11%	July 1, 2004	July 31, 2024	29	-	27	-	**2**
Real estate leases - fiscal 2008	354	2.11%	August 1, 2007	July 31, 2027	5	291	55	-	**241**
Real estate leases - fiscal 2009	345	2.11%	January 1, 2009	Various	156	-	105	-	**51**
Real estate leases - fiscal 2010	12,036	2.11% - 2.77%	Various	Various	10,904	-	1,209	(449)	**10,144**
Real estate leases - fiscal 2012	16	2.11%	October 18, 2011	December 31, 2023	8	-	8	-	**-**
Real estate leases - fiscal 2013	3,701	2.77%	August 31, 2012	June 30, 2031	3,394	-	314	-	**3,080**
Real estate leases - fiscal 2015	609	2.11%	Various	Various	433	-	180	-	**253**
Real estate leases - fiscal 2016	417	2.11%	Various	Various	312	26	81	-	**257**
Real estate leases - fiscal 2017	1,207	2.11% - 2.77%	Various	Various	1,044	-	166	-	**878**
Real estate leases - fiscal 2018	2,846	2.11% - 2.77%	Various	Various	2,216	275	368	-	**2,123**
Real estate leases - fiscal 2019	491	2.11% - 2.77%	Various	Various	418	-	89	-	**329**
Real estate leases - fiscal 2020	427	2.77%	October 1, 2019	January 31, 2029	376	-	53	-	**323**
Real estate leases - fiscal 2021	11,362	2.11% - 3.60%	Various	Various	10,985	-	399	-	**10,586**
Real estate leases - fiscal 2022	1,728	2.11% - 2.77%	Various	Various	1,618	-	149	-	**1,469**
Real estate leases - fiscal 2023	39,373	2.11% - 3.60%	Various	Various	-	39,373	1,703	-	**37,670**
					31,929	39,972	4,940	(449)	**67,410**
Totals					$ 50,422	$ 40,320	$ 10,313	$ (449)	**$ 80,878**

West Tennessee Healthcare and Related Affiliates
Schedule of Debt Obligations, Principal and Interest Requirements by Fiscal Year
(in thousands)

Fiscal Year	Series 2018A		Series 2018B		Series 2015		Series 2021		Starbucks		Enterprise		Total	Total	Total Debt
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Service
6/30/2024	$ 1,835	$ 2,575	$ 1,775	$ 4,329	$ 5,785	$ 7,509	$ 10,000	$ 484	$ 61	$ 15	$ 73	$ 19	$ 19,529	$ 14,931	$ 34,460
6/30/2025	1,920	2,483	1,855	4,254	6,065	7,220	-	-	63	12	73	19	9,976	13,987	23,963
6/30/2026	2,025	2,387	1,935	4,172	6,365	6,917	-	-	66	9	74	18	10,465	13,503	23,969
6/30/2027	2,120	2,286	2,020	4,084	6,685	6,598	-	-	68	7	49	13	10,943	12,989	23,932
6/30/2028	2,230	2,180	2,115	3,991	7,025	6,264	-	-	71	4	41	11	11,483	12,450	23,933
6/30/2029	2,335	2,068	2,215	3,892	7,380	5,913	-	-	62	1	-	-	11,992	11,874	23,866
6/30/2030	2,450	1,952	2,325	3,781	7,750	5,544	-	-	-	-	-	-	12,525	11,276	23,801
6/30/2031	2,570	1,829	2,440	3,664	8,130	5,156	-	-	-	-	-	-	13,140	10,649	23,789
6/30/2032	2,695	1,701	2,565	3,541	8,520	4,772	-	-	-	-	-	-	13,780	10,014	23,794
6/30/2033	2,835	1,566	2,690	3,412	10,900	4,325	-	-	-	-	-	-	16,425	9,303	25,728
6/30/2034	2,989	1,424	2,825	3,277	7,505	3,777	-	-	-	-	-	-	13,319	8,478	21,797
6/30/2035	3,130	1,275	2,970	3,131	9,915	3,383	-	-	-	-	-	-	16,015	7,788	23,803
6/30/2036	3,285	1,118	3,125	2,977	10,410	2,887	-	-	-	-	-	-	16,820	6,982	23,802
6/30/2037	3,450	954	3,290	2,815	10,925	2,366	-	-	-	-	-	-	17,665	6,135	23,800
6/30/2038	3,620	782	3,460	2,644	11,365	1,929	-	-	-	-	-	-	18,445	5,355	23,800
6/30/2039	3,805	601	3,635	2,465	11,815	1,475	-	-	-	-	-	-	19,255	4,540	23,795
6/30/2040	4,000	410	3,830	2,272	12,285	1,002	-	-	-	-	-	-	20,115	3,684	23,799
6/30/2041	4,205	210	4,035	2,069	12,770	511	-	-	-	-	-	-	21,010	2,790	23,800
6/30/2042	-	-	4,250	1,854	-	-	-	-	-	-	-	-	4,250	1,854	6,104
6/30/2043	-	-	4,475	1,629	-	-	-	-	-	-	-	-	4,475	1,629	6,104
6/30/2044	-	-	4,715	1,391	-	-	-	-	-	-	-	-	4,715	1,391	6,106
6/30/2045	-	-	4,965	1,141	-	-	-	-	-		-		4,965	1,141	6,106
6/30/2046	-	-	5,225	877	-	-	-	-					5,225	877	6,102
6/30/2047	-	-	5,505	600	-	-	-	-					5,505	600	6,105
6/30/2048	-	-	5,800	308	-	-	-	-					5,800	308	6,108
Total	$ 51,499	$ 27,799	$ 84,040	$ 68,568	$ 161,595	$ 77,548	$ 10,000	$ 484	$ 391	$ 48	$ 311	$ 81	$ 307,836	$ 174,529	$ 482,365

West Tennessee Healthcare and Related Affiliates
Schedule of Lease Obligations, Principal and Interest Requirements by Fiscal Year
(in thousands)

	Total Real Estate plus Equipment		
Lease payments due in:	**Principal**	**Interest**	**Total**
2024	$ 9,543	$ 2,224	$ 11,767
2025	9,393	1,986	11,379
2026	9,407	1,748	11,155
2027	6,963	1,530	8,493
2028	5,853	1,360	7,213
2028-2033	22,835	4,431	27,266
2033-2038	9,114	2,237	11,351
2038-2043	7,770	523	8,293
2043-2048	-	-	-
	$ 80,878	$ 16,039	$ 96,917

Compliance Information

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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
West Tennessee Healthcare and Related Affiliates
Jackson, Tennessee

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 (*Government Auditing Standards*), the financial statements of business-type activities and fiduciary activities of West Tennessee Healthcare and Related Affiliates (the "Company"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated October 26, 2023. Our report contained an "Emphasis of a Matter" paragraph regarding a change in accounting principles.

Report Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company'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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 over financial reporting 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 have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of 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 Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Memphis, Tennessee
August 26, 2023