

GREENWOOD LEFLORE HOSPITAL

Audited Financial Statements
As of and for the Years Ended
September 30, 2020 and 2019

CONTENTS

Independent Auditor's Report	1 - 2
<hr/>	
Management's Discussion and Analysis	3 - 9
Financial Statements	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12 - 13
Notes to Financial Statements	14 - 34
Required Supplementary Information	
Schedule of Changes in Net Pension Liability and Related Ratios	35
Schedule of Contributions	36
Notes to Required Supplementary Information	37 - 38
Supplementary Information	
Schedule of Surety Bonds for Officers and Employees	39
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 <i>Government Auditing Standards</i>	40 - 41



INDEPENDENT AUDITOR'S REPORT

The Board of Hospital Commissioners
Greenwood Leflore Hospital
Greenwood, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Greenwood Leflore Hospital (the "Hospital"), a component unit of Leflore County, including the City of Greenwood, Mississippi, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital, as of September 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages three through nine and the pension schedules and information on pages 34 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Surety Bonds for Officers and Employees on page 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is 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 of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

HORNE LLP

Ridgeland, Mississippi
January 19, 2021

GREENWOOD LEFLORE HOSPITAL
Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

The discussion and analysis of Hospital financial performance provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2020 and 2019. This discussion and analysis should be read in conjunction with the Hospital's financial statements, which begin on page 10.

Using This Annual Report

The Hospital's three main financial statements include the statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors or enabling legislation.

The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position

The statements of net position include all of the Hospital's assets and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which are restricted for specific purposes. The statements of revenues, expenses and changes in net position report all of the revenues and expenses during the time periods indicated.

The Statements of Cash Flows

The final required statements are the statements of cash flows. The statements report cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities.

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the statements of net position on page 10. Total net position decreased during fiscal year 2020 by \$2.5 million (5 percent), and decreased \$6.4 million during fiscal year 2019 (10 percent), as reflected on the statements of revenues, expenses and changes in net position. The novel coronavirus (COVID-19) was identified in China in December 2019. On March 13, 2020, the President declared a national state of emergency, ordering all states to establish emergency operations and authorizing the use of federal funds. On March 14, 2020, the Governor of Mississippi declared a state of emergency due to the COVID-19 pandemic. Greenwood Leflore Hospital implemented incident command on March 13, 2020. The first COVID patient was identified in Leflore County on March 11, 2020. In an effort to prevent the spread and preserve Personal Protective Equipment ("PPE"), an executive order was issued March 18, 2020 until May 2020 cancelling and / or postponing elective procedures, outpatient diagnostic testing and physician clinic visits. In mid-May the restrictions were slowly lifted, but new COVID-19 protocols remained in place. The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted by Congress on March 27, 2020. The CARES Act included a variety of economic assistance provisions for hospitals and other providers. Greenwood Leflore Hospital received \$24.8 million of CARES Act funding to aid in the recovery of lost revenues, responding to the pandemic and maintaining the delivery of healthcare capacity, the details of which are presented in the financial results of fiscal year ending September 30, 2020. Under the CARES Act, Greenwood Leflore Hospital also received \$16.5 million in advanced Medicare payments from CMS in fiscal year 2020, accounted for as a contractual liability on the September 30, 2020 statement of net position. CMS has indicated that it will begin recouping these advance payments against future Medicare claims for services that are provided during the defined recoupment period.

GREENWOOD LEFLORE HOSPITAL
Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

These events had a significant impact on volumes, revenues and expenses for the fiscal year. In accordance with Governmental Accounting Standards Technical Bulletin No. 2020-1, the Hospital has generally reported all CARES Act funds recognized as revenue in 2020 as nonoperating revenue. Cash used in operations of the Hospital increased approximately \$10.1 million from 2019 to 2020. This increase in cash used in operations was offset by CARES Act funds and the Medicare Advanced payments which were accounted for as cash provided by noncapital financing activities.

Assets, Liabilities and Net Position (in thousands)

	September 30,		
	2020	2019	2018
Assets			
Current assets	\$ 54,507	\$ 28,080	\$ 30,063
Funds internally designated for capital improvements	13,400	13,400	15,000
Capital assets, net	44,103	43,086	46,535
Other assets	2,295	3,175	3,462
Total assets	114,305	87,741	95,060
Deferred outflows of resources	418	416	440
Total assets and deferred outflows of resources	114,723	88,157	95,500
Liabilities			
Current liabilities	44,949	16,628	16,641
Net pension liability	14,130	14,383	14,687
Long-term debt, net of current maturities	2,644	1,897	2,883
Total liabilities	61,723	32,908	34,211
Deferred inflows of resources	714	461	133
Net position			
Invested in capital assets	38,739	39,971	42,482
Restricted			
Expendable for use in self-insurance	897	1,018	1,453
Expendable for specific operating activities	46	46	45
Unrestricted	12,604	13,753	17,176
Total net position	\$ 52,286	\$ 54,788	\$ 61,156

The Hospital's cash and investment position increased in 2020 by \$28.5 million. This net increase in cash is attributable to the CARES Act funding and Medicare Advanced and Accelerated Loan Payments. The Hospital's cash and investment position decreased in 2019 by \$1.5 million. This net decrease in cash is attributable to the reduction in cash to fund capital purchases and improvements.

GREENWOOD LEFLORE HOSPITAL
Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

The following is a summary of the Hospital's cash and investment position at September 30, (in thousands):

	2020	2019	2018
Cash and cash equivalents	\$ 38,614	\$ 10,033	\$ 9,514
Assets limited to use	897	1,018	1,453
Designated by Board for capital improvements	13,400	13,400	15,000
Total available cash and investments	<u>\$ 52,911</u>	<u>\$ 24,451</u>	<u>\$ 25,967</u>

Cash and investment balances available for operations at September 30, 2020 and 2019, inclusive of CARES Act and Medicare Advanced Payment funds, represent cash sufficient to cover approximately 173 and 79 days of operating expenses, respectively.

Capital Assets and Current Liabilities Administration

Net capital assets increased by \$1 million in 2020. This increase relates to \$7 million in capital expenditures offset by \$6 million in depreciation of the Hospital's assets. Net capital assets decreased by \$3.4 million in 2019. This decrease relates to \$2.6 million in capital expenditures offset by \$6 million in depreciation of the Hospital's assets.

The table below shows the changes in capital assets:

Capital Assets (in thousands)

	September 30,		
	2020	2019	2018
Land and land improvements	\$ 1,901	\$ 1,899	\$ 1,882
Building and leasehold improvements	56,878	55,680	53,030
Equipment	139,851	134,644	134,728
Subtotal	198,630	192,223	189,640
Less: accumulated depreciation	(156,357)	(150,891)	(146,235)
Construction in progress	1,830	1,754	3,130
Net capital assets	<u>\$ 44,103</u>	<u>\$ 43,086</u>	<u>\$ 46,535</u>

In 2020, current liabilities increased by \$28.3 million, primarily due to the \$16.5 million liability associated with the Medicare Advanced Payments due to be recouped from future remittance advices and the \$11.3 million deferred CARES Act revenue to be recognized in fiscal year 2021 as incurred. Fiscal year 2019 current liabilities were comparable to 2018.

GREENWOOD LEFLORE HOSPITAL
Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

Net Pension Liability

The net pension liability and related deferred outflows and inflows of resources are actuarially determined. Deferred outflows from pension were \$0.4 million in 2020, 2019 and 2018. Deferred inflows from pension were \$0.7 million, \$0.5 million and \$0.1 million in 2020, 2019 and 2018, respectively. These represent a change in actuarial assumptions, experience and investment gains or losses pertaining to the defined benefit plan that is being amortized over a two to five-year period. Net pension liability as of September 30, 2020, 2019, and 2018 was \$14.1 million, \$14.4 million, and \$14.7 million, respectively.

The table below shows the changes in revenues, expenses and net position:

Revenues, Expenses and Changes in Net Position (in thousands)

	Fiscal Year Ended September 30,		
	2020	2019	2018
Operating revenues			
Net patient service revenue	\$ 99,938	\$ 111,222	\$ 114,826
Other revenues	1,088	1,057	1,456
Total operating revenues	<u>101,026</u>	<u>112,279</u>	<u>116,282</u>
Operating expenses			
Professional care of patients	81,299	82,191	84,798
General, administrative and plant services	21,567	21,684	22,352
Employee health and welfare	8,843	9,368	11,539
Depreciation and amortization	5,906	6,007	6,767
Total operating expenses	<u>117,615</u>	<u>119,250</u>	<u>125,456</u>
Loss from operations	<u>(16,589)</u>	<u>(6,971)</u>	<u>(9,174)</u>
Non-operating revenues (expenses)			
Investment income	698	699	361
Interest expense	(129)	(79)	(53)
CARES Act funding	13,581	-	-
Loss on disposal of capital assets	(63)	(17)	1
Total non-operating revenues, net	<u>14,087</u>	<u>603</u>	<u>309</u>
Decrease in net position	<u>(2,502)</u>	<u>(6,368)</u>	<u>(8,865)</u>
Net position, beginning of year	<u>54,788</u>	<u>61,156</u>	<u>70,021</u>
Net position, end of year	<u>\$ 52,286</u>	<u>\$ 54,788</u>	<u>\$ 61,156</u>

As described above, on March 14, 2020, the Governor of the State of Mississippi declared a state of emergency in the State of Mississippi related to the Coronavirus ("COVID-19") pandemic and subsequently issued numerous executive orders in an effort to reduce community spread of the virus and protect Mississippi's most vulnerable citizens. As a result of the executive orders and generally in response to the concern for community spread, elective procedures and other non-emergency

GREENWOOD LEFLORE HOSPITAL
Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

visits to the Hospital's facilities were significantly curtailed beginning March 2020 and continued through fiscal 2020. The Hospital experienced significantly lower inpatient and outpatient volumes while also dealing with increased costs associated with personal protective equipment and managing the pandemic, causing the significant decline in operating income from the prior year. Through September 30, 2020, the Hospital received approximately \$24.8 million of CARES Act relief funds, of which approximately \$13.6 million was recognized as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The CARES Act relief funds are to be used to cover allowable costs and loss of revenue attributable to the effects of COVID-19 and are subject to terms and conditions which contain significant complexities and uncertainties.

Net Patient Service Revenue

Fiscal Year Ended September 30, 2020

Compared to 2019, net patient service revenue decreased by \$11.3 million or 10 percent. This was primarily a function of lost revenue associated with the COVID-19 pandemic. Gross revenues decreased by \$41.4 million or 12 percent. Inpatient admissions decreased 18 percent, while average length of stay increased 8 percent, resulting in an 11 percent decrease of total patient days. Observation care admissions decreased 16 percent, with observation days of care decreasing 25 percent. Outpatient visits to the Hospital decreased by approximately 16 percent. Surgeries decreased by 19 percent, a 29 percent decrease in inpatient surgeries and a 15 percent decrease in outpatient surgeries. Overall, gains in patient volumes were recognized in the routine services, cardiopulmonary, intensive care and cancer center, while decreases were recognized in all other service lines due to the COVID pandemic and related service restrictions.

Contractual adjustments, which are deductions from gross patient service revenue, decreased \$20.6 million (9 percent) to \$200.1 million in 2020 from \$220.7 million in 2019. Contractual adjustments expressed as a percentage of gross patient service revenues were 63.5 percent in 2020 and 61.9 percent in 2019. The Hospital's net benefit from the Medicaid Voluntary Contribution program and the Mississippi Hospital Access program increased approximately \$846,000 in fiscal year 2020. There can be no assurance that the Hospital will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified.

Bad debt expense decreased \$9.4 million (38 percent) to \$15.3 million in 2020 from \$24.7 million in 2019. Bad debt expense expressed as a percentage of gross patient service revenue was 4.8 percent in 2020 and 6.9 percent 2019.

Fiscal Year Ended September 30, 2019

Compared to 2018, net patient service revenue decreased by \$3.6 million or 3.1 percent, \$2.5 million of which was due to an increase in bad debt due to increasing industry-wide trends in high deductibles and rising co-payments. The remaining \$1.1 million decrease was due to a 0.3 percent increase in insurance contractual adjustments. Gross revenues decreased by \$0.9 million or 0.3 percent. Inpatient admissions increased 0.4 percent, while average length of stay increased 2.08 percent, resulting in a 3.8 percent increase of total patient days. Observation care admissions increased 3.6 percent, with observation days of care decreasing 0.6 percent. Outpatient visits to the Hospital decreased by approximately 3.7 percent. Overall, gains in patient volumes were recognized in the routine services, newborn nursery, inpatient rehabilitation, emergency room, cardio pulmonary, physical therapy, sleep lab and cancer center, while decreases were recognized in radiology, surgical services, endo lab, wound care, labor and delivery, cath lab and clinic network.

GREENWOOD LEFLORE HOSPITAL
Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

Contractual adjustments, which are deductions from gross patient service revenue, increased \$0.5 million (0.2 percent) to \$220.7 million in 2019 from \$220.2 million in 2018. Contractual adjustments expressed as a percentage of gross patient service revenues were 61.9 percent in 2019 and 61.6 percent 2018. The Hospital's net benefit from the Medicaid Voluntary Contribution program and the Mississippi Hospital Access program decreased approximately \$19,000 in fiscal year 2019. There can be no assurance that the Hospital will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified.

Bad debt expense increased \$2.2 million (9.7 percent) to \$24.7 million in 2019 from \$22.5 million in 2018. Bad debt expense expressed as a percentage of gross patient service revenue was 6.9 percent in 2019 and 6.3 percent 2018.

Operating Expenses

Fiscal Year Ended September 30, 2020

Total operating expenses were \$117.6 million in 2020 compared to \$119.3 million in 2019, a decrease of \$1.7 million or 1.3 percent.

Professional care of patients' expenses comprises 69.1 percent and 68.9 percent of total operating expenses for 2020 and 2019, respectively, and decreased to \$81.3 million in 2020 from \$82.2 million in 2019, a decrease of \$0.9 million or 1.1 percent. Salaries and contract expenses associated with rendering patient care comprises approximately 63.0 percent of total professional care of patients' expenses. Salaries and contract expenses within the cost component decreased \$0.8 million in 2020. This was the result of rising labor costs created by the staffing shortages related to the COVID-19 pandemic offset by the patient volume decreases and continued focus on labor targets. Supplies and other costs included in the professional care of patients' components decreased \$3.2 million from 2019 to 2020.

General, administrative and plant expenses comprise approximately 18.3 percent and 18.2 percent of total operating expenses in 2020 and 2019, respectively. These costs decreased \$0.1 million from 2019 to 2020.

Employee health and welfare expenses comprise 7.5 percent and 7.9 percent of total operating expenses for 2020 and 2019, respectively. These costs decreased to \$8.8 million in 2020 from \$9.4 million in 2019, a decrease of \$0.6 million or 5.3 percent. This decrease is due to a decrease in the health insurance expense and pension expense.

Depreciation and amortization expense was \$5.9 million for 2020 and \$6.0 million for 2019.

Fiscal Year Ended September 30, 2019

Total operating expenses were \$119.3 million in 2019 compared to \$125.5 million in 2018, a decrease of \$6.2 million or 4.9 percent.

Professional care of patients' expenses comprises 68.9 percent and 67.6 percent of total operating expenses for 2019 and 2018, respectively, and decreased to \$82.2 million in 2019 from \$84.8 million in 2018, a decrease of \$2.6 million or 3.1 percent. Salaries and contract expenses associated with rendering patient care comprises approximately 63.0 percent of total professional

GREENWOOD LEFLORE HOSPITAL
Management's Discussion and Analysis
Years Ended September 30, 2020 and 2019

care of patients' expenses. Salaries and contract expenses within the cost component decreased \$1.7 million in 2019, primarily due to the continued focus on labor targets to manage variable labor costs as patient volume shifts throughout the day. In addition, two consulting engagements from the prior year were no longer being contracted. Supplies and other costs included in the professional care of patients' components increased \$0.1 million from 2018 to 2019.

General, administrative and plant expenses comprise approximately 18.2 percent and 17.8 percent of total operating expenses in 2019 and 2018, respectively. These costs decreased \$0.7 million from 2018 to 2019.

Employee health and welfare expenses comprise 7.9 percent and 9.2 percent of total operating expenses for 2019 and 2018, respectively. These costs decreased from \$11.5 million in 2018 to \$9.4 million in 2019, a decrease of \$2.1 million or 18.8 percent. This decrease is due to a decrease in the health insurance expense and pension expense.

Depreciation and amortization expense was \$6.0 million for 2019 and \$6.8 million for 2018.

Economic Factors and Next Year's Budget

Based on the trending patient volumes and financial results of fiscal year 2019 and 2020, the Hospital is strategically recruiting for succession planning for some of its physicians that are set to retire in the next year or two. The Hospital added 340B contract pharmacy and is participating in Orthopedic and Medical and Critical Care BPCI-A for fiscal year 2021.

The Board of Hospital Commissioners approved the 2021 operating budget. The budget was developed after a review of key volume indicators and trends, a review of the Hospital's strategic business plan, a review of the funding changes to Medicare and Medicaid and a review of local economic conditions in Leflore County. The budget provides for a net loss of \$3.1 million and a negative .85 percent margin.

Contacting the Hospital Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances. If you have any questions about this report or need additional financial information, please contact the Chief Financial Officer, Greenwood Leflore Hospital, Post Office Box 1410, Greenwood, Mississippi 38935.

GREENWOOD LEFLORE HOSPITAL

Statements of Net Position
September 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 38,613,917	\$ 10,033,349
Assets limited as to use	897,011	1,017,859
Patient accounts receivable, net of allowance for doubtful accounts of \$42,238,007 and \$43,554,886, respectively	9,804,850	12,434,126
Estimated third-party payor settlements	981,461	529,327
Inventories	2,610,634	2,487,537
Prepaid expenses and other current assets	1,599,345	1,578,067
Total current assets	54,507,218	28,080,265
Funds internally designated for capital improvements	13,400,000	13,400,000
Capital assets, net	44,102,646	43,085,875
Other assets		
Other receivables	988,124	1,869,286
Other assets	282,494	280,995
Intangibles	1,024,940	1,024,940
Total other assets	2,295,558	3,175,221
Total assets	114,305,422	87,741,361
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	418,066	416,731
LIABILITIES		
Current liabilities		
Accounts payable	5,664,530	7,530,141
Accrued expenses, including payroll taxes withheld	8,770,082	7,880,309
Medicare Advance Payments contractual obligation	16,529,305	-
CARES Act deferred revenue	11,265,797	-
Current maturities of long-term debt and capital lease obligations	2,718,961	1,218,203
Total current liabilities	44,948,675	16,628,653
Net pension liability	14,130,423	14,382,537
Long-term debt and capital lease obligations, net of current maturities	2,644,092	1,897,155
Total liabilities	61,723,190	32,908,345
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	713,949	461,309
NET POSITION		
Net investment in capital assets	38,739,593	39,970,517
Restricted		
Use in self-insurance	897,011	1,017,859
Specific operating activities	46,062	46,552
Unrestricted	12,603,683	13,753,510
Total net position	52,286,349	54,788,438
Total liabilities, deferred inflows of resources and net position	\$ 114,723,488	\$ 88,158,092

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended September 30, 2020 and 2019

	2020	2019
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$15,251,992 and \$24,739,952, respectively	\$ 99,937,557	\$ 111,222,511
Other operating revenue	1,088,060	1,056,907
Total operating revenues	101,025,617	112,279,418
Operating expenses		
Professional care of patients	81,298,930	82,191,474
General and administrative services	14,711,840	14,734,715
Dietary services	1,305,801	1,324,087
Household and plant operations	5,549,527	5,625,558
Employee health and welfare	8,842,889	9,367,696
Depreciation and amortization	5,905,573	6,006,873
Total operating expenses	117,614,560	119,250,403
Loss from operations	(16,588,943)	(6,970,985)
Nonoperating revenues (expenses)		
Investment income	698,582	699,480
Interest expense	(129,388)	(78,684)
CARES Act funding	13,580,799	-
Loss on disposal of capital assets	(63,139)	(17,066)
Total nonoperating revenues	14,086,854	603,730
Decrease in net position	(2,502,089)	(6,367,255)
Net position, beginning of year	54,788,438	61,155,693
Net position, end of year	\$ 52,286,349	\$ 54,788,438

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL
 Statements of Cash Flows
 Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 102,114,699	\$ 112,895,437
Payments to employees	(69,646,554)	(69,730,260)
Payments to suppliers and contractors	(42,303,792)	(42,846,121)
Other receipts and payments, net	1,088,060	1,056,907
Net cash provided by (used in) operating activities	<u>(8,747,587)</u>	<u>1,375,963</u>
Cash flows from noncapital financing activities		
Medicare Advance Payment receipts	16,529,305	-
CARES Act relief funds	24,846,596	-
Net cash provided by noncapital financing activities	<u>41,375,901</u>	<u>-</u>
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	300	581
Purchase of capital assets	(4,115,304)	(2,312,467)
Proceeds from issuance of long-term debt	1,000,000	-
Payments on long-term debt and capital lease obligations	(1,622,784)	(1,169,246)
Interest paid on long-term debt and capital lease obligations	(129,388)	(109,550)
Net cash used in capital and related financing activities	<u>(4,867,176)</u>	<u>(3,590,682)</u>
Cash flows from investing activities		
Purchases of investments	(103,291)	(200,723)
Proceeds from sale of investments	5,996,437	113,759
Interest and dividends on investments	559,360	282,908
Net cash provided by investing activities	<u>6,452,506</u>	<u>195,944</u>
Increase (decrease) in cash and cash equivalents	34,213,644	(2,018,775)
Cash and cash equivalents, beginning of year	<u>14,048,108</u>	<u>16,066,883</u>
Cash and cash equivalents, end of year	<u>\$ 48,261,752</u>	<u>\$ 14,048,108</u>
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 38,613,917	\$ 10,033,349
Assets limited as to use	897,011	1,017,859
Cash internally designated for capital improvements	8,750,824	2,996,900
Total cash and cash equivalents	<u>\$ 48,261,752</u>	<u>\$ 14,048,108</u>

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL
 Statements of Cash Flows (Continued)
 Years Ended September 30, 2020 and 2019

	2020	2019
Reconciliation of loss from operations to net cash provided by (used in) operating activities		
Loss from operations	\$ (16,588,943)	\$ (6,970,985)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities		
Depreciation and amortization	5,905,573	6,006,873
Provision for bad debts	15,251,992	24,739,952
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources		
Receivables	(12,622,716)	(23,794,475)
Inventories	(123,097)	(9,680)
Prepaid and other assets	858,385	691,192
Accounts payable	(1,865,611)	393,733
Estimated third-party payor settlements	(452,134)	727,449
Accrued expenses, including payroll taxes withheld	889,773	(454,529)
Net pension liability and related accounts	(809)	46,433
Net cash provided by (used in) operating activities	\$ (8,747,587)	\$ 1,375,963
Supplemental cash flow information		
Purchase of equipment through capital lease obligations	\$ 2,870,479	\$ 232,167
Unrealized gain on investments	\$ 139,222	\$ 416,572
Loss on disposal of capital assets	\$ (63,139)	\$ (17,066)

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Greenwood Leflore Hospital (the "Hospital") is a governmental component unit of Leflore County, Mississippi (including the City of Greenwood). The Hospital consists of a 208-bed acute-care hospital and related psychiatric, rehabilitation and outpatient care facilities and physician clinics principally located in Greenwood, Mississippi. The Hospital's financial accountability as a component unit, is defined in Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended. The Hospital is governed by a five-member Board of Hospital Commissioners, three of whom are appointed by the Board of Supervisors of Leflore County and two of whom are appointed by the Mayor and Board of Commissioners of the City of Greenwood.

The Hospital is an independent enterprise held and operated separate and apart from all other assets and activities of the City or the County. The Hospital is not a taxable entity and does not file income tax returns. Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America with concurrence by the Hospital's Board of Hospital Commissioners on an annual basis. The Hospital, however, is not required by statute to adopt a legally binding budget. Accordingly, budgetary information is not a required part of these financial statements.

Basis of Accounting

The Hospital prepares its financial statements as a business-type activity in conformity with the applicable pronouncements of the GASB. The accompanying financial statements have been prepared on the accrual basis using the economic resources measurement focus. In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 makes the GASB Accounting Standards Codification the sole source of authoritative accounting guidance for governmental entities in the United States of America. In June 2011, the GASB also issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides financial reporting standards guidance for deferred inflows and outflows of resources and identifies net position as the residual of all other elements presented in the statements of net position. The accompanying financial statements are prepared and presented in accordance with the requirements of these statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, deferrals, inflows and outflows, revenues and expenses, as well as disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates and assumptions are used for, but are not limited to, contractual allowances for revenue adjustments, allowance for doubtful accounts, depreciable lives of assets and net pension liability self-insurance reserves.

Accounting estimates used in the preparation of the financial statements may change as new events occur, as more experience is acquired, and as additional information is obtained. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

exercise of judgment. In particular, laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates related to these programs will change by a material amount in the near term.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less. This includes amounts internally designated and amounts restricted for self-insurance programs.

Patient Accounts Receivable

Patient accounts receivable is reported at net realizable value, after recognition of allowances for estimated uncollectible accounts. The allowance for uncollectible accounts is based on historical losses, economic trends and on analysis of currently outstanding amounts. This account is generally increased by charges to a provision for uncollectible amounts and decreased by write-offs of accounts determined by management to be uncollectible.

Inventories

Inventories, which consist primarily of medical supplies and drugs, are valued at the lower of average cost or market.

Prepaid Expenses and Deferred Charges

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

Investments

Investments in debt and equity securities are carried at fair value except for investments in money market investments and participating interest-earning investment contracts with a remaining maturity of less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. Investment income on investments in debt and equity securities, including realized and unrealized gains and losses, are included in nonoperating revenues when earned or incurred.

Designated Funds

Funds internally designated include assets set aside by the Board of Hospital Commissioners for plant replacement and expansion, over which the Board retains control and may at its discretion use for other purposes.

Capital Assets

Capital asset acquisitions are recorded at cost if purchased or at fair value at date of receipt if donated. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

included with depreciation in the accompanying financial statements. Depreciation of property and equipment is provided over the estimated useful life of each class of depreciable assets using the straight-line method.

Useful lives for the major asset classes follows:

	Years
Land improvements	5 - 20
Buildings and improvements	5 - 40
Fixed equipment	5 - 25
Major moveable equipment	5 - 20

Management evaluates assets for potential impairment when a significant, unexpected decline in the service utility of a capital asset occurs.

Major improvements and betterments to capital assets are capitalized. Expenses for maintenance and repairs, which do not extend the lives of the related assets, are charged to expense as incurred. When retired or otherwise disposed of, the asset and its related accumulated depreciation or amortization is adjusted accordingly, and any resulting gain or loss is included in the statements of revenues, expenses and changes in net position.

Intangible Assets

Intangible assets consist of a certificate of need acquired in a business combination. Intangible assets with indefinite lives are not amortized, but are tested for impairment annually and more frequently in the event of an impairment indicator. In the event intangible assets are considered to be impaired, a charge to earnings would be recorded during the period in which management makes such impairment assessment.

Income Taxes

The Hospital qualifies as a tax-exempt organization under existing provisions of the Internal Revenue Code and its income is generally not subject to federal and state income taxes.

Net Position

Net position consists of those resources invested in capital assets (property and equipment), net of related debt, restricted net position and unrestricted net position. Net position invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisitions of the capital assets. Restricted net position are those assets that are externally restricted by creditors, grants or contributors or laws and regulations or those restricted by constitutional provisions and enabling legislation. Unrestricted net position consists of all other assets.

When both restricted and unrestricted resources are available to finance particular programs, it is the Hospital's policy to use the restricted resources before using the unrestricted resources.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Operating Revenue and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, which is the Hospital's principal activity. Non-exchange revenues, including gifts and bequests, and revenues and expenses associated with investment income and financing, are reported as nonoperating revenues and expenses. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Net Patient Service Revenue

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

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

Charity Care

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

Grants and Contributions

Revenues from grants and contributions either from governmental units or private organizations are recognized when all eligibility requirements, including time requirements, are met. Non-exchange transactions, incidental or transactions not considered to be central to the provision of healthcare services are reported as nonoperating revenues and expenses and include investment income, interest expense and certain grants, including the CARES Act funds. Gifts and bequests may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to specific operating purposes are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Compensated Absences

The Hospital's employees earn vacation days at varying rates depending on years of service. Vacation time does not accumulate. Generally, any days not used at year-end expire. Employees also earn sick leave benefits based on varying rates depending on years of service. Employees may accumulate sick leave up to a specified maximum. Employees are not paid for accumulated sick leave if they leave before retirement. However, employees who retire from the Hospital may convert accumulated sick leave to termination payments at varying rates, depending on the employee's contract. Due to the contingent nature of these payments, no amounts have been accrued in the accompanying financial statements.

Estimated Health Insurance

The Hospital periodically considers the need for recording a liability for health insurance claims. When determined to be necessary, the provision for estimated health insurance claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Defined Benefit Pension Plan (the "Plan")

The Hospital uses GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68") on the statements to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans. The Hospital recognizes benefit payments when due and payable in accordance with benefit terms. Investment assets are reported at fair value. More information on pension activity for the Hospital is included in Note 7.

Estimated Malpractice Costs

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

Accounting Pronouncements Issued Not Yet Adopted

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates listed in the paragraphs below are the effective dates, as postponed by this Statement.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This statement is meant to provide guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. Fiduciary activities meeting certain criteria (i.e., pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds) will be reported in a fiduciary fund as part of the basic financial statements.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, with earlier application encouraged. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period by not allowing for the capitalization of interest in future periods. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, with earlier application encouraged and should be applied prospectively. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

In June 2017, the GASB issued Statement No. 87, *Leases*, which provides guidance for lease contracts for nonfinancial assets. This Statement will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. Under this Statement, all leases are required to be recognized as assets and liabilities with associated deferred inflows and outflows of resources on the financial statements. Furthermore, the Statement defines a lease and details the considerations for determining the lease term. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, with earlier application encouraged. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users. This Statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, with earlier application encouraged. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

In June 2020, the GASB issued Technical Bulletin No. 2020-1, *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and Coronavirus Diseases*, to provide application guidance for recognition and presentation issues related to expenses incurred in response to closures prompted by the COVID-19 pandemic and revenue and liabilities related to certain programs established by the CARES Act. The requirements of the Technical Bulletin were effective immediately and applied in fiscal year 2020.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits might not be recovered. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann (1972). Under this program, the Hospital's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation ("FDIC"). All deposits with financial institutions must be collateralized in an amount equal to 105 percent of uninsured deposits and are therefore fully insured. The bank balance of the collateralized and insured balances was \$47,819,056 and \$14,334,053 at September 30, 2020 and 2019, respectively, including money market accounts listed below.

Investments

The statutes of the State of Mississippi restrict the authorized investments of the Hospital to obligations of the U. S. Treasury, agencies and instrumentalities of the United States and certain other types of investments. The Hospital does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Mississippi Hospital Association ("MHA") investment pool is the result of an amendment to the Mississippi Code of 1972 passed in the 1999 and 2000 sessions of the Mississippi Legislature. This law expanded the investment options and permits the pooling of hospital funds. All Mississippi hospitals are allowed to participate in these funds. Pooled funds are invested in authorized investments and are managed by approved investment advisors. The external investment pools do not have a credit rating on the overall pool and they are not insured.

The Hospital's investments are reported at fair value, as discussed in Note 3. At September 30, 2020 and 2019, the Hospital had the following investments and maturities.

September 30, 2020 Investment Type	Bond Ratings		Interest Rate	Carrying Amount	Maturity Date
	Moody's	S&P			
MHA Intermediate Pool	N/A	N/A	N/A	\$ 4,649,176	N/A
Total				<u>\$ 4,649,176</u>	

September 30, 2019 Investment Type	Bond Ratings		Interest Rate	Carrying Amount	Maturity Date
	Moody's	S&P			
FHLB Bond	Aaa	AA+	1.63%	\$ 2,989,500	8/25/2021
FHLB Bond	Aaa	AA+	2.01%	2,000,122	12/22/2021
MHA Intermediate Pool	N/A	N/A	N/A	5,413,478	N/A
Total				<u>\$ 10,403,100</u>	

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

Deposits and investments are presented on the statements of net position as of September 30, 2020 and 2019, as follows:

	2020	2019
Cash and cash equivalents	\$ 38,613,917	\$ 10,033,349
Assets limited as to use, current	897,011	1,017,859
Internally designated for capital improvements	13,400,000	13,400,000
Total	\$ 52,910,928	\$ 24,451,208

Of the \$12,603,683 and \$13,753,510 of unrestricted net position reported at September 30, 2020 and 2019, respectively, \$13,400,000 has been internally designated by the Hospital's Board of Commissioners for capital acquisitions. From time to time the operations of the Hospital have resulted in negative changes in unrestricted net position and, over a period, these negative operations have resulted in the Hospital relying on the use of internally designated funds to meet cash flow needs. Designated funds remain under the control of the Board of Commissioners which may, at its discretion, later use the funds for other purposes, and the portion invested in cash and cash equivalents is presented on the statements of cash flows as of September 30, 2020 and 2019, as follows:

	2020	2019
Cash and cash equivalents	\$ 8,750,824	\$ 2,996,900
Investments	4,649,176	10,403,100
Total	\$ 13,400,000	\$ 13,400,000

Note 3. Fair Value Measurement

The Hospital holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Hospital's mission, the Hospital determined that the disclosures related to these investments only need to be disaggregated by major type. The Hospital elected a narrative format for the fair value disclosures.

The Hospital categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The Hospital has the following recurring fair value measurements:

- Investment pools of \$4,649,176 and \$5,413,478 as of September 30, 2020 and 2019, respectively, are valued at the Hospital's percentage ownership based on the value of the underlying investments (Level 2 inputs).
- Government agency bond obligations of \$0- and \$4,989,622 as of September 30, 2020 and 2019, respectively, are valued based on observable inputs such as benchmark yields, broker quotes, base spread, rating agency updates and prepayment schedule and history (Level 2 inputs).

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Major classes of capital assets at September 30, 2020 and 2019 are summarized as follows:

	2020	2019
Land and improvements	\$ 1,900,387	\$ 1,899,762
Buildings	56,877,881	55,679,737
Fixed equipment	7,825,301	7,546,182
Moveable equipment	132,025,577	127,097,275
Total capital assets	198,629,146	192,222,956
Less accumulated depreciation	156,356,622	150,891,371
Add construction in progress	1,830,122	1,754,290
Capital assets, net	<u>\$ 44,102,646</u>	<u>\$ 43,085,875</u>

Depreciation expense for the years ended September 30, 2020 and 2019 totaled \$5,905,573 and \$6,006,873, respectively. Interest capitalized and included in construction in progress during the years ended September 30, 2020 and 2019, totaled \$0- and \$30,866, respectively. Equipment under capital lease obligations net of accumulated amortization totaled \$3,155,424 and \$692,631 as of September 30, 2020 and 2019, respectively. Accumulated amortization of equipment under capital lease obligations was approximately \$2,036,000 and \$1,611,000 at September 30, 2020 and 2019, respectively.

A summary of capital assets for the years ended September 30, 2020 and 2019 follows:

	2019	Increases	Decreases	2020
Capital assets not being depreciated				
Land	\$ 578,395	\$ -	\$ -	\$ 578,395
Construction in progress	1,754,290	2,818,213	(2,742,381)	1,830,122
Total	<u>2,332,685</u>	<u>2,818,213</u>	<u>(2,742,381)</u>	<u>2,408,517</u>
Capital assets being depreciated				
Land improvements	1,321,367	625	-	1,321,992
Buildings	55,679,737	1,198,144	-	56,877,881
Fixed equipment	7,546,182	279,778	(659)	7,825,301
Movable equipment	127,097,275	5,431,404	(503,102)	132,025,577
Total	<u>191,644,561</u>	<u>6,909,951</u>	<u>(503,761)</u>	<u>198,050,751</u>
Less accumulated depreciation for				
Land improvements	(469,070)	(11,868)	-	(480,938)
Buildings	(19,487,369)	(1,584,349)	-	(21,071,718)
Fixed equipment	(3,954,858)	(88,292)	-	(4,043,150)
Movable equipment	(126,980,074)	(4,221,064)	440,322	(130,760,816)
Total accumulated depreciation	<u>(150,891,371)</u>	<u>(5,905,573)</u>	<u>440,322</u>	<u>(156,356,622)</u>
Depreciable capital assets, net	<u>40,753,190</u>	<u>1,004,378</u>	<u>(63,439)</u>	<u>41,694,129</u>
Total capital assets, net	<u>\$ 43,085,875</u>	<u>\$ 3,822,591</u>	<u>\$ (2,805,820)</u>	<u>\$ 44,102,646</u>

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 4. Continued

A summary of capital assets for the years ended September 30, 2019 and 2018 follows:

	2018	Increases	Decreases	2019
Capital assets not being depreciated				
Land	\$ 578,395	\$ -	\$ -	\$ 578,395
Construction in progress	3,129,528	1,058,488	(2,433,726)	1,754,290
Total	3,707,923	1,058,488	(2,433,726)	2,332,685
Capital assets being depreciated				
Land improvements	1,303,619	17,748	-	1,321,367
Buildings	53,029,730	2,650,007	-	55,679,737
Fixed equipment	7,496,015	50,167	-	7,546,182
Movable equipment	127,232,718	1,232,816	(1,368,259)	127,097,275
Total	189,062,082	3,950,738	(1,368,259)	191,644,561
Less accumulated depreciation for				
Land improvements	(460,683)	(8,387)	-	(469,070)
Buildings	(17,989,370)	(1,497,999)	-	(19,487,369)
Fixed equipment	(3,878,703)	(76,155)	-	(3,954,858)
Movable equipment	(123,906,354)	(4,424,332)	1,350,612	(126,980,074)
Total accumulated depreciation	(146,235,110)	(6,006,873)	1,350,612	(150,891,371)
Depreciable capital assets, net	42,826,972	(2,056,135)	(17,647)	40,753,190
Total capital assets, net	\$ 46,534,895	\$ (997,647)	\$ (2,451,373)	\$ 43,085,875

Note 5. Long-Term Debt and Capitalized Obligations

A summary of long-term debt, and capital lease obligations at September 30 follows:

	2020	2019
Trustmark note payable, with an interest rate of 2.98 percent and payments due through November 2, 2021, collateralized by equipment that was purchased with the note	\$ 874,875	\$ 1,600,336
Bank of Commerce note payable, with an interest rate of 3.00 percent and payable in 11 monthly principal and interest payments of \$13,215, beginning December 2019 and ending November 2020 with a final payment of \$884,009	892,715	-
Capital lease obligations, with payments due through 2024, collateralized by leased equipment.	3,595,463	1,515,022
Total long-term debt	5,363,053	3,115,358
Less current maturities of long-term debt	(2,718,961)	(1,218,203)
Long-term debt and capital lease obligations, excluding current maturities	\$ 2,644,092	\$ 1,897,155

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

Upon maturity of the capital lease obligation for leased equipment, the ownership of the equipment is transferred to the Hospital.

A summary of interest cost on borrowed funds and interest income at September 30 follows:

	2020	2019
Interest paid on long-term debt Capitalized	\$ 129,388	\$ 109,550
	-	(30,866)
Interest expense	<u>\$ 129,388</u>	<u>\$ 78,684</u>
Investment income	<u>\$ 698,582</u>	<u>\$ 699,480</u>

Scheduled interest and principal payments of long-term debt and payments on capital lease obligations at September 30, 2020 are as follows:

Year Ending September 30,	Long-Term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2021	\$ 1,596,761	\$ 20,609	\$ 1,122,199	\$ 86,034
2022	170,829	478	1,025,075	54,673
2023	-	-	663,933	31,710
2024	-	-	650,014	13,156
2025	-	-	134,242	812
	<u>\$ 1,767,590</u>	<u>\$ 21,087</u>	<u>\$ 3,595,463</u>	<u>\$ 186,385</u>

A schedule of changes in the Hospital's long-term debt for 2020 follows:

	Balance September 30, 2019			Balance September 30, 2020		Due Within One Year
		Additions	Retirements			
Notes payable	\$ 1,600,336	\$ 1,000,000	\$ (832,746)	\$ 1,767,590	\$ 1,596,762	
Capital lease obligations	1,515,022	2,870,479	(790,038)	3,595,463	1,122,199	
Total long-term debt	<u>\$ 3,115,358</u>	<u>\$ 3,870,479</u>	<u>\$ (1,622,784)</u>	<u>\$ 5,363,053</u>	<u>\$ 2,718,961</u>	

A schedule of changes in the Hospital's long-term debt for 2019 follows:

	Balance September 30, 2018			Balance September 30, 2019		Due Within One Year
		Additions	Retirements			
Notes payable	\$ 2,304,322	-	\$ (703,986)	\$ 1,600,336	\$ 704,321	
Capital lease obligations	1,748,115	232,167	(465,260)	1,515,022	513,882	
Total long-term debt	<u>\$ 4,052,437</u>	<u>\$ 232,167</u>	<u>\$ (1,169,246)</u>	<u>\$ 3,115,358</u>	<u>\$ 1,218,203</u>	

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 6. Other Receivables

The Hospital has entered into various agreements with physicians, registered nurses and other healthcare professionals specifically to benefit the Hospital's community service area. These agreements include income guarantees, loans, scholarships and other advances, all of which are generally conditioned upon a service commitment to the community. Amounts paid under income guarantee arrangements are generally expensed as incurred, unless repayment is expected under the terms of the related agreements. Loans are generally due within five years.

Advances under some agreements are forgiven upon fulfillment of the professional's contractual service commitment, but are due in full if such commitment is not fulfilled. Advances under those arrangements are amortized to expense using the straight-line method over the related commitment period. Amounts expected to be amortized in the ensuing fiscal year are classified as a current asset in the accompanying statements of net position.

Note 7. Defined Benefit Pension Plan

Greenwood Leflore Hospital Pension Plan (the "Plan") is a single-employer defined benefit pension plan sponsored by the Hospital. The Plan provides retirement, disability and death benefits to Plan members and beneficiaries. The Hospital elected to freeze the Plan to new members as of March 31, 2012. The Plan issues a publicly available financial report that can be obtained from the Chief Financial Officer of Greenwood Leflore Hospital at Post Office Box 1410, Greenwood, Mississippi, 38935.

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

Normal Retirement Benefit

The normal retirement date of a participant is the first day of the calendar month coincident with or next following his attainment of age 65 and completion of five years of service.

The normal retirement benefit, payable monthly for life, is equal to the sum of (i), (ii) and (iii) as follows:

- (i) For service before October 1, 1972:
 - a. 1.00 percent of average compensation multiplied by benefit service through September 30, 1972.
- (ii) For service from October 1, 1972 through September 30, 1988:
 - a. 0.85 percent of average compensation plus 1.00 percent of average compensation in excess of \$15,000, all multiplied by benefit service from October 1, 1972 through September 30, 1988 (limited to 16 years).
- (iii) For each year of participation on and after October 1, 1988:
 - a. 1.25 percent of compensation for a given year of participation plus 0.65 percent of compensation for that year in excess of the integration level for that year.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

"Years of participation" as used in (iii) above for the benefit attributable to compensation in excess of the integration level cannot exceed 35 years minus the number of years of benefit service used in (ii) above.

"Average compensation" is the average of a participant's compensation for the three consecutive plan years preceding October 1, 1988, which produce the highest average (or the average over all years of benefit service if less than three).

"Integration level" for a plan year means one-half of Social Security-covered compensation for an individual who reaches Social Security retirement age in that year, but not less than \$10,000.

Summary of Participant Data

	2020	2019
1. Inactive Plan Participants		
a. Retirees and beneficiaries currently receiving benefits	349	326
b. Terminated employees entitled to deferred benefits	575	575
c. Disabled employees entitled to deferred benefits	-	-
d. Total	924	901
2. Active Plan Participants		
a. Vested	309	333
b. Nonvested	-	-
c. Total	309	333
3. Total Plan Participants	1,233	1,234

Funding Policy

Although a formal funding policy has not been established, the Hospital generally contributes the amount necessary to fund the Plan at an actuarially determined rate. Employees are not allowed to contribute to the Plan. The current actuarially required minimum rate is 1.7 percent of annual covered payroll. The Hospital's contributions to the Plan for the years ended September 30, 2020 and 2019 were \$1,413,913 and \$1,340,319, respectively, equal to the actuarial determined annual contributions for each year.

Net Pension Liability

The Hospital's net pension liability was measured as of September 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2019 and 2018, respectively.

Summary of Assumptions

The total pension liability as of September 30, 2020 and 2019 was measured using the following actuarial assumptions, applied to all periods in the measurement:

Investment Rate of Return 7.00 and 7.20 percent, respectively, per annum, compounded annually

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

Discount Rate 7.00 and 7.20 percent, respectively, per annum, compounded annually

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods projected benefit payments to determine the total pension liability.

Salary increases Not applicable, benefits are frozen

Effective September 30, 2019, the mortality table was changed from the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2017 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2018 to better recognize current and future mortality improvements.

Effective September 30, 2020, the mortality table was changed from the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2018 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2019 to better recognize current and future mortality improvements.

All liabilities and normal costs are calculated based on the Entry Age Normal method.

Schedule of Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2019	\$ 48,259,789	\$ 33,877,252	\$ 14,382,537
Changes for the Year:			
Service cost	-	-	-
Interest	3,474,705	-	3,474,705
Difference between expected and actual experience	377,521	-	377,521
Changes of assumptions	876,677	-	876,677
Contributions - employer	-	1,413,913	(1,413,913)
Net investment income	-	3,654,209	(3,654,209)
Benefits paid/refunds	(2,848,623)	(2,848,623)	-
Administrative expenses	-	(87,105)	87,105
Net changes	1,880,280	2,132,394	(252,114)
Balance at September 30, 2020	\$ 50,140,069	\$ 36,009,646	\$ 14,130,423

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

	Total Pension Liability (a)	Increase (Decrease) Plan Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2018	\$ 48,148,176	\$ 33,461,016	\$ 14,687,160
Changes for the Year:			
Service cost	-	-	-
Interest	3,514,817	-	3,514,817
Difference between expected and actual experience	(1,120,322)	-	(1,120,322)
Changes of assumptions	382,573	-	382,573
Contributions - employer	-	1,340,319	(1,340,319)
Net investment income	-	1,826,911	(1,826,911)
Benefits paid/refunds	(2,665,455)	(2,665,455)	-
Administrative expenses	-	(85,539)	85,539
Net changes	111,613	416,236	(304,623)
Balance at September 30, 2019	\$ 48,259,789	\$ 33,877,252	\$ 14,382,537

The following represents the net pension liability as calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 19,876,500	\$ 14,130,423	\$ 9,352,416

The asset allocations for each major asset class at September 30, 2020 and 2019, are summarized below in the following table:

Asset Class	2020 Allocation	2019 Allocation
Mutual funds – fixed income	43.4%	43.8%
Mutual funds – equities	40.8%	39.8%
Common stock – equities	2.3%	2.6%
International mutual funds	12.6%	12.7%
Cash and cash equivalents	0.8%	0.8%
International foreign stock	0.1%	0.3%
Total	100%	100%

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended September 30, 2020 and 2019, the Hospital recognized pension expense of \$1,413,106 and \$1,386,751, respectively. At September 30, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2020	2019
<hr/>		
Deferred outflows of resources		
Experience losses	\$ 125,840	\$ -
Change in assumptions	292,226	157,530
Net difference between projected and actual earnings on pension plan investments	-	259,201
Total deferred outflows of resources	<u>\$ 418,066</u>	<u>\$ 416,731</u>
<hr/>		
	2020	2019
Deferred inflows of resources		
Experience losses	\$ -	\$ (461,309)
Net difference between projected and actual earnings on pension plan investments	(713,949)	-
Total deferred inflows of resources	<u>\$ (713,949)</u>	<u>\$ (461,309)</u>
Net deferred inflows of resources	<u>\$ (295,883)</u>	<u>\$ (44,578)</u>

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 181,486
2022	(89,560)
2023	(140,673)
2024	(247,136)
Total	<u>\$ (295,883)</u>

Amortization Period

Investment gains or losses are amortized over five years.

Changes in actuarial assumptions and experience gains or losses are amortized over the average working lifetime of all participants, which for the current period is 1.5 and 1.7 years for the measurement periods ended September 30, 2020 and 2019, respectively.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 8. Net Patient Service Revenue

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

Medicare

Inpatient acute, psychiatric, rehabilitation and outpatient services rendered to Medicare beneficiaries are paid primarily by prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Medicare bad debts and disproportionate share payments are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon the Ambulatory Payment Classification ("APC") system for outpatient payments APR-DRG system for inpatient payments.

The Hospital participates in the Division of Medicaid ("DOM") Mississippi Hospital Access Payment ("MHAP") program (the "MHAP Program"). The MHAP Program is administered by the DOM through the Mississippi CAN coordinated care organizations ("CCO"). The CCO's subcontract with the Hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care. The MHAP payments and associated tax were distributed and collected in equal installments during the months of December 2018 through June 2019, and monthly thereafter. The Hospital received approximately \$9,654,000 and \$9,759,000 from the MHAP program with related tax assessments of approximately \$2,436,000 and \$3,387,000 recorded in operating expenses for the years ended September 30, 2020 and 2019, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change. The 2020 and 2019 net patient service revenue increased approximately \$-0- and \$135,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated. The Hospital's cost reports have been settled through September 30, 2014.

Other

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

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

The composition of net patient service revenue as of September 30, includes:

	2020	2019
Gross patient service revenue	\$ 315,281,761	\$ 356,698,887
Less:		
Provisions for contractual adjustments	(200,092,212)	(220,736,424)
Provisions for bad debts	(15,251,992)	(24,739,952)
Net patient service revenue	\$ 99,937,557	\$ 111,222,511

Nonoperating Income

In response to the COVID-19 pandemic, Congress passed multiple bills that included funding and operational relief for affected hospitals. The U. S. Department of Health and Human Services ("HHS"), the Centers for Medicare and Medicaid Services, and the Health Resources and Services Administration all issued various waivers of regulations governing coverage of specific services and conditions of program participation. The Public Health and Social Services Emergency Fund (the "Provider Relief Fund") was among the provisions of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which was signed into law on March 27, 2020. On April 22, 2020, HHS announced a distribution methodology for the \$100 billion Provider Relief Fund appropriated as part of the CARES Act. Additionally, HHS provided \$75 billion in addition to the \$100 billion provided under the CARES Act. 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-19 related costs. As of September 30, 2020, the Hospital received approximately \$24.8 million from the Provider Relief Fund and the Hospital recognized approximately \$13.6 million as of September 30, 2020 in nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The Hospital recognizes the Provider Relief Fund payments as income when there is reasonable assurance of compliance with the conditions associated with the funding.

The CARES Act also established the \$150 billion Coronavirus Relief Fund. Under the provision of the Act, 150 billion was made available by the U.S. Department of Treasury to states, tribal governments and certain units of local government for specified uses related to the COVID-19 pandemic. Under the Coronavirus Relief Fund's distribution formula, Mississippi received \$1.25 billion. In July 2020, the Mississippi Legislature passed House Bill 1782, which allocated \$91.9 million to the Mississippi State Department of Health. The Medical Center received approximately \$1.7 million from the Mississippi State Department of Health to be used for necessary expenditures incurred due to the COVID-19 public health emergency. As of September 30, 2020, the Medical Center recognized approximately \$958,000 of the Coronavirus Relief Funds in non-operating revenue in the accompanying statements of operations and changes in net assets.

The Hospital also applied for and was paid approximately \$16,500,000 as an advance on six months of its Medicare payments through the Medicare Accelerated and Advance Payment Program expanded to increase cash flow to providers of services impacted by the COVID-19 pandemic. Recoupment of the advance payments will begin one year after the advance payments were received. After the first year, Medicare will automatically recoup 25 percent of the Medicare payments otherwise owed to the provider for eleven months. At the end of the eleven month period, recoupment will increase to 50 percent for another six months.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

Any outstanding balance after the 29 months, Medicare will issue letters requiring repayment of any outstanding balance, subject to an interest rate of four percent. The Hospital has accounted for these funds as a contractual liability at September 30, 2020.

Note 9. Charity Care

The Hospital has established a policy under which it provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Following that policy, the Hospital maintains records to identify and monitor the level of charity care it provides, which include the amount of charges foregone for services and supplies furnished under its policy. The direct and indirect costs associated with these services cannot be identified to specific charity care patients. Therefore, management estimated the costs of these services by calculating a cost-to-gross-charge ratio and multiplying it by the charges associated with services provided to patients meeting the Hospital's charity care guidelines. Charges foregone, based on the cost-to-charge ratio, were approximately \$2,408,000 and \$1,166,000 in 2020 and 2019, respectively.

Note 10. Concentration of Credit Risks and Patient Service Revenue

Accounts Receivable

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

	2020	2019
Medicare	33%	33%
Medicaid	15	14
Blue Cross	6	7
Self-pay	31	32
Other	15	14
	100%	100%

Patient Service Revenue

The percentage mix of gross revenue for the years ended September 30, 2020 and 2019 for patient services rendered under contract with major third-party cost reimbursors follows:

	2020	2019
Medicare	50%	48%
Medicaid	21	21
Blue Cross	9	11
Self-pay	7	8
Other	13	12
	100%	100%

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 11. Commitments and Contingencies

Operating Leases

The Hospital leases various equipment under operating leases expiring at various dates through September 2024. Total rental expense for the years ended September 30, 2020 and 2019, for all operating leases was approximately \$1,667,423 and \$1,555,293, respectively.

The following is a schedule by year of future minimum lease payments under noncancelable operating leases as of September 30, 2020, that have initial or remaining lease terms in excess of one year:

Year Ending September 30,	Amount
2021	\$ 673,878
2022	427,861
2023	349,973
2024	178,780
	<u>\$ 1,630,492</u>

Risk Management

The Hospital is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets, business interruption, errors and omissions, employee injuries and illness, natural disasters, and professional and general liability claims and judgments. Commercial liability insurance is purchased for most of these risks. However, employee health and dental insurance and certain general and professional liability risks are self-funded as further explained below. The Hospital has accrued for the estimate of self-funded claims.

Medical Malpractice Program

The Hospital holds professional and general liability insurance under a self-funded plan. At year-end, the Hospital has accrued for an estimate of losses for malpractice and general liability claims outstanding, based on historical loss and loss adjustment expense development patterns. The future assertion of claims for occurrences prior to year-end is reasonably possible and may occur, although not anticipated.

The Mississippi Tort Claims Act ("MTCA") provides a cap on the amount of damages recoverable against government entities, including governmental hospitals. The amount recoverable for claims is the greater of \$500,000 or the amount of liability insurance coverage that has been retained. Changes in the Hospital's medical malpractice liability are as follows:

	(Beginning) October 1, Claims Liability	Current Year Claims and Change in Estimates	Current Year Claim Payments	(Ended) September 30, Claims Liability
2020	\$ 2,614,180	\$ 264,706	\$ (124,702)	\$ 2,754,184
2019	\$ 3,091,209	\$ (68,690)	\$ (408,339)	\$ 2,614,180

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO FINANCIAL STATEMENTS

Note 11. Continued

Self-Funded Health Insurance

The Hospital is self-insured for employee health coverage, up to a limit of \$70,000 per individual claim. Substantial coverage with a third-party carrier is maintained for excess losses. The Hospital records a liability for employee health claims incurred but not reported or paid. This liability as of September 30, 2020 and 2019 is based on the requirements of GASB, which requires that liability claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Hospital's health insurance claims liability amount in fiscal years 2020 and 2019 are as follows:

	(Beginning) October 1, Claims Liability	Current Year Claims and Change in Estimates	Current Year Claim Payments	(Ended) September 30, Claims Liability
2020	\$ 936,476	\$ 3,884,304	\$ (4,297,178)	\$ 523,602
2019	\$ 1,289,623	\$ 4,425,171	\$ (4,778,318)	\$ 936,476

Note 12. Risks and Uncertainties

As a continuing impact of the COVID-19 pandemic, the Hospital continues to experience lower inpatient and outpatient volumes while also dealing with increased costs associated with personal protective equipment and managing the pandemic. The full impact of the public health crisis on the Hospital cannot be estimated with any degree of certainty at this time and will depend upon the duration of the public health crisis and the state and federal response. Additionally, the CARES Act funds received by the Hospital are subject to complex terms and conditions with significant interpretation required. The ultimate use and retention of these funds remains uncertain.

The accompanying financial statements have been prepared using information currently available to the Hospital.

Note 13. Subsequent Events

In preparing these financial statements, the Hospital has disclosed events and transactions through January 19, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GREENWOOD LEFLORE HOSPITAL

Schedule of Changes in Net Pension Liability and Related Ratios
September 30, 2020, 2019, 2018, 2017, 2016 and 2015

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	3,474,705	3,514,817	3,413,176	3,363,064	3,384,889	3,384,889
Difference between expected and actual experience	377,521	(1,120,322)	740,367	(355,795)	(294,088)	68,042
Changes of assumptions	876,677	382,573	(299,489)	-	(1,336,081)	-
Benefit payments/refunds	(2,848,623)	(2,665,455)	(2,461,722)	(2,320,792)	(2,053,702)	(1,965,617)
Net change in total pension liability	1,880,280	111,613	1,392,332	686,477	(298,982)	1,487,314
Total pension liability – beginning	48,259,789	48,148,176	46,755,844	46,069,367	46,368,349	44,881,035
Total pension liability – ending (a)	\$ 50,140,069	\$ 48,259,789	\$ 48,148,176	\$ 46,755,844	\$ 46,069,367	\$ 46,368,349
Plan Fiduciary Net Position						
Contributions – employer	\$ 1,413,913	\$ 1,340,319	\$ 1,452,904	\$ 1,367,610	\$ 1,394,632	\$ 2,517,899
Net investment income	3,654,209	1,826,911	2,073,394	2,883,575	2,229,987	107,212
Benefit payments/refunds	(2,848,623)	(2,665,455)	(2,461,722)	(2,320,792)	(2,053,702)	(1,965,617)
Administrative expenses	(87,105)	(85,539)	(85,579)	(80,239)	(78,351)	(88,388)
Net change in plan fiduciary net position	2,132,394	416,236	978,997	1,850,154	1,492,566	571,106
Plan fiduciary net position – beginning	33,877,252	33,461,016	32,482,019	30,631,865	29,139,299	28,568,193
Plan fiduciary net position – ending (b)	\$ 36,009,646	\$ 33,877,252	\$ 33,461,016	\$ 32,482,019	\$ 30,631,865	\$ 29,139,299
Net pension liability – ending (a) – (b)	\$ 14,130,423	\$ 14,382,537	\$ 14,687,160	\$ 14,273,825	\$ 15,437,502	\$ 17,229,050
Plan fiduciary net position as a percent of the total pension liability	71.8%	70.2%	69.5%	69.5%	66.5%	63.0%
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percent of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

See notes to required supplementary information.

GREENWOOD LEFLORE HOSPITAL
Schedule of Contributions
Years Ended September 30, 2020, 2019, 2018, 2017, 2016 and 2015

Year Ended September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as % of Covered Payroll
2020	\$ 1,405,581	\$ 1,413,913	\$ 8,332	\$ N/A	N/A
2019	1,340,319	1,340,319	-	N/A	N/A
2018	1,452,904	1,452,904	-	N/A	N/A
2017	1,367,610	1,367,610	-	N/A	N/A
2016	1,394,632	1,394,632	-	N/A	N/A
2015	2,517,899	2,517,899	-	N/A	N/A

See notes to required supplementary information.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Summary of Assumptions and Methods Used to Determine Contributions Rates

The total pension liability as of September 30, 2019 and 2018 was determined using the following actuarial assumptions, applied to all periods in the measurement:

Investment Rate of Return	7.00 and 7.20 percent, respectively, per annum, compounded annually
Discount Rate	7.00 and 7.20 percent, respectively per annum, compounded annually

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods projected benefit payments to determine the total pension liability.

Salary increases	Not applicable, benefits are frozen
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Effective September 30, 2019 the mortality table was changed from the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2017 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2018 to better recognize current and future mortality improvements.

Effective September 30, 2020 the mortality table was changed from the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2018 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2019 to better recognize current and future mortality improvements.

Amortization Period

Investment gains or losses are amortized over five years.

Changes in actuarial assumptions and experience gains or losses are amortized over the average working lifetime of all participants, which for the years ending September 30, 2020 and 2019 was 1.5 and 1.7 years, respectively.

Schedule of Investment Returns

	Fiscal year ended September 30,	
	2020	2019
Net investment yield	11.01%	5.56%

The annual money-weighted rate of return is based on monthly cash flows on pension plan investments, net of pension plan investment expense.

Fiduciary net position is the amount of assets available for benefits in the Plan.

GREENWOOD LEFLORE HOSPITAL
Years Ended September 30, 2020 and 2019

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Total pension liability is the Plan liability determined using assumption listed in the Summary of Actuarial Assumption.

Net pension liability is the difference in the total pension liability and the fiduciary net position.

Amortization Period (Funding)

The actuarially determined contribution for the Plan year ended September 30, 2020 and 2019 uses a closed period of 22 and 23 years, respectively.

Assumptions and Valuation Method

The Hospital selected the assumptions and funding methods based on the review of Plan experience in conjunction with the October 1, 2019 and 2018 Actuarial Valuation Reports. The actuary annually reviews the assumptions and methods for reasonableness.

The normal retirement date of a participant is the first day of the calendar month coincident with or next following his attainment of age 65 and completion of five years of service.

SUPPLEMENTARY INFORMATION

GREENWOOD LEFLORE HOSPITAL
Schedule of Surety Bonds for Officers and Employees
September 30, 2020

Name	Position	Surety	Amount
Harris Powers, Jr.	Board Member	Travelers	\$ 100,000
Marcus Banks	Board Member	Travelers	100,000
Emma Bell	Board Member	Travelers	100,000
Tracy Shelton	Board Member	Travelers	100,000
Hank Hargrove	Board Member	Travelers	100,000
Dawne Holmes	Chief Financial Officer	Travelers	100,000
Gary Marchand	Interim Chief Executive Officer	Travelers	100,000



**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 Hospital Commissioners
Greenwood Leflore Hospital
Greenwood, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of Greenwood Leflore Hospital (the "Hospital"), a component unit of Leflore County, including the City of Greenwood, Mississippi, as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated January 19, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

HORNE LLP

Ridgeland, Mississippi
January 19, 2021