GREENWOOD LEFLORE HOSPITAL

Greenwood, MS

Audited Financial Statements

As of and for the Years Ended

September 30, 2022 and 2021

CONTENTS

HORNE

INDEPENDENT AUDITOR'S REPORT

The Board of Hospital Commissioners
Greenwood Leflore Hospital
Greenwood, Mississippi

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Hospital as of September 30, 2022 and 2021 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Hospital will continue as a going concern. As discussed in Note 12 to the financial statements, the Hospital has suffered recurring losses from operations, declining volumes, and cash used in operating activities that raise substantial doubt about its ability to continue as a going concern. Management's plan regarding these matters is also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of Matter Regarding Subsequent Event

On January 9, 2023, the Mississippi Department of Health approved the Hospital's request to place a total of 173 beds in abeyance with the transaction effective February 1, 2023 or later.

Emphasis of Matter Regarding GASB 87 Adoption

As explained in Note 1 to the financial statements, the Hospital adopted Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*, during the year ended September 30, 2022, which is applied retroactively by restating balances in the financial statements as of October 1, 2020 and for the period ended September 30, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4 through 11 and the pension schedules and information on pages 39 through 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB 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 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Report on Other Reporting Required by Governmental Auditing Standards

In accordance with GAS, we have also issued our report dated January 17, 2023, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering the Hospitals internal control over financial reporting and compliance.

HORNE LLP

Ridgeland, Mississippi
January 17, 2023

The discussion and analysis of Hospital financial performance provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2022 and 2021. This discussion and analysis should be read in conjunction with the Hospital's financial statements, which begin on page 12.

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 12. Total net position decreased during fiscal year 2022 by $17.1 million (41 percent), and decreased $11 million during fiscal year 2021 (21 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-19 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 National Public Health Emergency has been extended several times and currently remains in effect. The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted by Congress in 2020 and the American Rescue Plan Act (“ARPA”) in 2021 Greenwood Leflore Hospital received $33.4 million of funding to aid in the recovery of lost revenues, responding to the pandemic and maintaining the delivery of healthcare capacity, of which approximately $8.6 million, $11.2 million and $13.6 million was recognized as nonoperating revenues in the accompanying 2022, 2021 and 2020 statements of revenues, expenses and changes in net position, respectively. 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 contract liability on the September 30, 2022, 2021 and 2020 statements of net position. CMS began recouping these advance payments against Medicare claims for services that are provided during the fiscal year ended 2021 and continued to recoup during the

fiscal year ended 2022. CMS recouped $3 million of the advance Medicare payments in 2021 and recouped $7.9 million of the advance Medicare payments in 2022. Management believes that the cost incurred related to COVID-19, combined with the lasting impact of decreased volume and labor and supply chain issues far exceed the COVID-related funding received by the Hospital.

The COVID 19 pandemic exacerbated the challenges already confronting this rural hospital. Already under an economic strain before COVID 19, the financial position has continued to deteriorate as costs to provide care have increased. Greenwood Leflore Hospital is the only available hospital in the County and bore the responsibility of treating the County's COVID 19 surges and waves. Labor costs increased significantly and the hospital struggled to retain staff and compete with contract agency wages. These events had a significant impact on volumes, revenues and expenses for all fiscal years reported.

Unfavorable payor terms have also attributed to the declining net position as high deductible health plans and managed care plans have begun to dominate the market. In fiscal year 2022 42% of the Medicare revenues were Medicare HMO plans as compared to 31% in 2021 and 17% of Medicare Revenues in 2020.

In accordance with Governmental Accounting Standards Technical Bulletin No. 2021-1, the Hospital has generally reported all remaining CARES Act funds recognized as revenue in 2022 and 2021 as nonoperating revenue. The Hospital used $16.2 million and $20.7 million in cash from operations during fiscal years 2022 and 2021, respectively. Cash used from operations was partially offset by COVID-related funds accounted for as cash provided by noncapital financing activities. Additionally, during 2022 and 2021, the Hospital paid back a combined total of $10.9 million of Medicare Advance funding received by the Hospital in 2020, which was also accounted for as cash flows from noncapital financing activities.

Assets, Liabilities and Net Position (in thousands)

	September 30		
	2022	2021	2020
Assets			
Current assets	$ 19,153	$ 40,867	$ 54,507
Funds internally designated for capital improvements	-	-	13,400
Capital assets, net	35,983	42,293	45,574
Other assets	3,042	2,891	2,295
Total assets	58,178	86,051	115,776
Deferred outflows of resources	5,533	36	418
Total assets and deferred outflows of resources	63,711	86,087	116,194
Liabilities			
Current liabilities	19,402	29,712	44,949
Net pension liability	18,918	9,477	14,130
Long-term debt, net of current maturities	1,196	2,027	4,115
Total liabilities	39,516	41,216	63,194
Deferred inflows of resources	63	3,592	714
Net position			
Invested in capital assets	33,109	37,824	38,739
Restricted			
Expendable for use in self-insurance	2,545	2,752	897
Expendable for specific operating activities	46	46	46
Unrestricted	(11,568)	657	12,604
Total net position	$ 24,132	$ 41,279	$ 52,286

The Hospital's cash and investment position decreased in 2022 by $17.9 million. This net decrease in cash is attributable to the use of ARPA and CARES Act funding and the on-going recoupment of Medicare Advanced and Accelerated Loan Payments, $7.9 million recouped in 2022. The decrease in cash is also attributable to the reduction in patient volumes and revenues and a use of cash to fund operations. The Hospital's cash and investment position decreased in 2021 by $28.3 million. This net decrease in cash is attributable to the use of CARES Act funding and the on-going recoupment of Medicare Advanced and Accelerated Loan Pyments. The decrease in cash is also attributable to the reduction in patient volumes and a use of cash to fund operations and capital purchases and improvements.

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

	2022	2021	2020
Cash and cash equivalents	$ 4,251	$ 17,289	$ 38,614
Assets limited to use	2,546	2,752	897
Investments	-	4,610	-
Designated by Board for capital improvements	-	-	13,400
Total available cash and investments	$ 6,797	$ 24,651	$ 52,911

The Hospital's cash and cash equivalents includes funds associated with the Advanced Medicare Payment Program reported as a contract liability of approximately $5.6 million and $13.5 million at September 30, 2022 and 2021, respectively.

Cash and investment balances available for operations at September 30, 2022 and 2021, inclusive of Medicare Advanced Payment funds, represent cash sufficient to cover approximately 24 and 78 days of operating expenses, respectively.

Capital Assets and Current Liabilities Adminstration

Net capital assets decreased by $6.3 million in 2022. This decrease relates to $400 thousand in capital expenditures offset by $6.7 million in depreciation of the Hospital's assets. Net capital assets decreased by $3.3 million in 2021. This decrease relates to $3.4 million in capital expenditures offset by $6.7 million in depreciation of the Hospital's assets.

The table below shows the changes in capital assets:

Capital Assets (in thousands)

	September 30		
	2022	2021	2020
Land and land improvements	$ 1,950	$ 1,922	$ 1,901
Building and leasehold improvements	57,759	57,124	56,878
Equipment	143,869	143,392	139,851
Lease assets	1,763	1,641	1,472
Subtotal	205,341	204,079	200,102
Less: accumulated depreciation	(169,365)	(163,024)	(156,358)
Construction in progress	7	1,238	1,830
Net capital assets	$ 35,983	$ 42,293	$ 45,574

In 2022, current liabilities decreased by $10.3 million, primarily due to the $7.9 million decrease in the liability associated with the Medicare Advanced Payments that were recouped from remittance advices and the $909 thousand decrease associated with the first of two repayments of the employer portion of the Social Security Deferral related to the COVID 19 Familes First Act provisions. In 2021, current liabilities decreased by $15.2 million, primariliy due to the $3 million decrease in the liability associated with the Medicare Advanced Payments that were recouped from remittance advices and the $11.2 million deferred CARES Act revenue being recognized in fiscal year 2021 as incurred.

Net Pension Liability

The net pension liability and related deferred outflows and inflows of resources are actuarially determined. Deferred outflows from pension were $5.5 million in 2022, $0.03 million in 2021, and $0.4 million in 2020. Deferred inflows from pension were $0.06 million, $3.6 million and $0.7 million in 2022, 2021 and 2020, 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, 2022, 2021, and 2020 was $18.9 million, $9.5 million, and $14.1 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,		
	2022	2021	2020
Operating revenues			
Net patient service revenue	$ 80,456	$ 96,652	$ 99,938
Other revenues	3,820	2,875	1,088
Total operating revenues	84,276	99,527	101,026
Operating expenses			
Professional care of patients	73,103	84,034	81,299
General, administrative and plant services	21,851	21,313	21,567
Employee health and welfare	8,528	9,664	8,843
Depreciation and amortization	6,679	6,772	5,906
Total operating expenses	110,161	121,783	117,615
Loss from operations	(25,885)	(22,256)	(16,589)
Nonoperating revenues (expenses)			
Investment income	(191)	265	698
Interest expense	(80)	(142)	(129)
CARES Act funding	8,595	11,123	13,581
USDA funding	1,000	-	-
Impairment loss on capital assets	(542)	-	-
Loss on disposal of capital assets	(43)	2	(63)
Total nonoperating revenues, net	8,739	11,248	14,087
Decrease in net position	(17,146)	(11,008)	(2,502)
Net position, beginning of year	41,278	52,286	54,788
Net position, end of year	$ 24,132	$ 41,278	$ 52,286

Net Patient Service Revenue

Fiscal Year Ended September 30, 2022

Compared to 2021, net patient service revenue decreased by $16.2 million or 16.8 percent. This was primarily a function of lost revenue associated with the COVID-19 pandemic. Gross revenues decreased by $47.2 million or 15.3 percent. Inpatient admissions decreased 27.5 percent, while average length of stay decreased 9.2 percent, resulting in a 34.2 percent decrease of total patient days. Observation care admissions decreased 14.6 percent, with observation days of care decreasing 19.6 percent. Outpatient visits to the Hospital decreased by approximately 15 percent. Surgeries decreased by 15.6 percent, a 39.9 percent decrease in inpatient surgeries and a 9.3 percent decrease in outpatient surgeries. Overall, gains in patient volumes were recognized in endoscopy, wound care and, while decreases were recognized in all other service lines due to the COVID-19 pandemic and related service restrictions.

Contractual adjustments, which are deductions from gross patient service revenue, decreased $28.6 million (14.6 percent) to $166.9 million in 2022 from $195.5 million in 2021. Contractual adjustments expressed as a percentage of gross patient service revenues were 63.8 percent in 2022 and 63.3 percent in 2021. The Hospital's net benefit from the Medicaid Voluntary Contribution program and the Mississippi Hospital Access program decreased approximately $753,000 in fiscal year 2022. 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 $2.5 million (14.8 percent) to $14.3 million in 2022 from $16.8 million in 2021. Bad debt expense expressed as a percentage of gross patient service revenue was 5.5 percent in 2022 and 5.4 percent 2021.

Fiscal Year Ended September 30, 2021

Compared to 2020, net patient service revenue decreased by $3.3 million or 3 percent. This was primarily a function of lost revenue associated with the COVID-19 pandemic. Gross revenues decreased by $6.4 million or 2 percent. Inpatient admissions decreased 17.4 percent, while average length of stay increased 1.6 percent, resulting in a 15.1 percent decrease of total patient days. Observation care admissions decreased 22.8 percent, with observation days of care decreasing 2.3 percent. Outpatient visits to the Hospital decreased by approximately 1 percent. Surgeries increased by 6 percent, a 13 percent decrease in inpatient surgeries and a 13 percent increase in outpatient surgeries. Overall, gains in patient volumes were recognized in endoscopy, cardiopulmonary and intensive care, while decreases were recognized in all other service lines due to the COVID-19 pandemic and related service restrictions.

Contractual adjustments, which are deductions from gross patient service revenue, decreased $4.6 million (2 percent) to $195.5 million in 2021 from $200.1 million in 2020. Contractual adjustments expressed as a percentage of gross patient service revenues were 63.3 percent in 2021 and 63.5 percent in 2020. The Hospital's net benefit from the Medicaid Voluntary Contribution program and the Mississippi Hospital Access program decreased approximately $437,000 in fiscal year 2021. 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 $1.5 million (10 percent) to $16.8 million in 2021 from $15.3 million in 2020. Bad debt expense expressed as a percentage of gross patient service revenue was 5.4 percent in 2021 and 4.8 percent 2020.

Operating Expenses

Fiscal Year Ended September 30, 2022

Total operating expenses were $110.2 million in 2022 compared to $121.8 million in 2021, a decrease of $11.6 million or 9.5 percent.

Professional care of patients' expenses comprises 66.4 percent and 69 percent of total operating expenses for 2022 and 2021, respectively, and decreased to $73.1 million in 2022 from $84 million in 2021, a decrease of $10.9 million or 13 percent. Salaries and contract expenses associated with rendering patient care comprise approximately 64.2 percent of total professional care of patients' expenses. Salaries and contract expenses within the cost component decreased $9 million in 2022. Decreases in patient volumes, the elimination of the neurosurgery service line along with rising labor costs created by the nationwide staffing shortages in nursing, cardiopulmonary and laboratories related to the COVID-19 pandemic were all factors in the changes in salaries and contract expenses. The constant upward pressure on contract labor rates led the hospital to create a staffing and bed availability model to become less reliant on contract clinical labor in the last half of 2022, with a goal to stabilize and or lower costs and maintain quality patient care. Supplies and other costs included in the professional care of patients' components decreased $3.4 million from 2021 to 2022. This was mainly due to reductions in volumes and the elimination of the neurosurgery service line.

General, administrative and plant expenses comprise approximately 19.8 percent and 17.5 percent of total operating expenses in 2022 and 2021, respectively. These costs increased $0.5 million from 2021 to 2022.

Employee health and welfare expenses comprise 7.7 percent and 7.9 percent of total operating expenses for 2022 and 2021, respectively. These costs decreased to $8.5 million in 2022 from $9.7 million in 2021, a decrease of $1.2 million or 12.4 percent.

Depreciation and amortization expense was $6.7 million for 2022 and $6.8 million for 2021.

Fiscal Year Ended September 30, 2021

Total operating expenses were $121.8 million in 2021 compared to $117.6 million in 2020, an increase of $4.2 million or 3.6 percent.

Professional care of patients' expenses comprises 69 percent and 69.1 percent of total operating expenses for 2021 and 2020, respectively, and increased to $84 million in 2021 from $81.3 million in 2020, an increase of $2.7 million or 3.3 percent. Salaries and contract expenses associated with rendering patient care comprise approximately 65.4 percent of total professional care of patients' expenses. Salaries and contract expenses within the cost component increased $2.5 million in 2021.

This was the result of rising labor costs created by the nationwide staffing shortages in nursing, cardiopulmonary and laboratories related to the COVID-19 pandemic. Supplies and other costs included in the professional care of patients' components increased $.08 million from 2020 to 2021.

General, administrative and plant expenses comprise approximately 17.5 percent and 18.3 percent of total operating expenses in 2021 and 2020, respectively. These costs decreased $0.3 million from 2020 to 2021.

Employee health and welfare expenses comprise 7.9 percent and 7.5 percent of total operating expenses for 2021 and 2020, respectively. These costs increased to $9.7 million in 2021 from $8.8 million in 2020, an increase of $0.9 million or 10.2 percent. This increase is due to an increase in the health insurance expense.

Depreciation and amortization expense was $6.8 million for 2021 and $5.9 million for 2020.

Economic Factors and Next Year's Budget

COVID-19 is expected to continue to have a significant impact on patient services. The Hospital's inpatient and outpatient services have been and continue to be negatively impacted. The pace of any recovery does not appear to be recovering to historical patient service levels in the near term. In addition, the nationwide shortage of key clinical skill positions has resulted in the cost of labor increases and an inability to consistently continue to provide some of the Hospital's services, forcing the Hospital to go on diversion during some shifts due to staffing shortages. In an effort to control costs and deliver staffing resources to the most utilized areas, the Hospital made the decision to shut the ICU and Labor and Delivery Units. Also in an effort to control costs and deliver staffing resources to the most utilized areas, in fiscal year 2023, the Hospital put 163 acute care beds and 10 IRF beds in abeyance. The Hospital will be licensed for 25 Acute care beds and 10 IRF beds effective February 1, 2023. The City and the County have preliminary committed to providing $3.8 million in owner support funding for fiscal year 2023. The Hospital continues to monitor regulatory actions for the availability of additional grants to mitigate negative impacts on revenues and costs.

The Board of Hospital Commissioners approved the 2024 operating budget. The budget was developed after a review of key volume indicators and trends, the likelihood of an ongoing pandemic, 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 the service area. The budget provides for a net loss of $21.5 million. The budget does not include $3.8 million in City and County funding that is expected to be given to the Hospital in fiscal year 2023. It also does not include the eliminations of the ICU or the Labor & Delivery service lines and reduced beds. A revised budget estimate was provided to the County in December 2022.

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, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,250,916	$ 17,288,573
Assets limited as to use	2,545,568	2,751,780
Investments	-	4,610,280
Patient accounts receivable, net of allowance for doubtful accounts of $46,115,318 and $45,859,218, respectively	6,883,027	10,933,670
Estimated third-party payor settlements	1,161,679	857,493
Inventories	2,668,853	2,639,155
Prepaid expenses and other current assets	1,643,225	1,785,657
Total current assets	19,153,268	40,866,608
Capital assets, net	35,982,682	42,292,560
Other assets		
Other receivables	1,734,658	1,583,784
Other assets	282,494	282,494
Intangibles	1,024,940	1,024,940
Total other assets	3,042,092	2,891,218
Total assets	58,178,042	86,050,386
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	5,532,764	36,212
LIABILITIES		
Current liabilities		
Accounts payable	5,648,571	6,664,073
Accrued expenses, including payroll taxes withheld	6,234,669	6,292,242
Contract liability	5,595,612	13,534,198
Deferred revenue	244,945	779,691
Current maturities of long-term debt and lease obligations	1,678,053	2,441,892
Total current liabilities	19,401,850	29,712,096
Net pension liability	18,918,424	9,476,751
Long-term debt and lease obligations, net of current maturities	1,195,534	2,026,847
Total liabilities	39,515,808	41,215,694
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	62,818	3,592,403
NET POSITION		
Net investment in capital assets	33,109,095	37,823,821
Restricted		
Use in self-insurance	2,545,568	2,751,780
Specific operating activities	45,702	45,882
Unrestricted (deficit)	(11,568,185)	657,018
Total net position (as restated)	24,132,180	41,278,501
Total liabilities, deferred inflows of resources and net position	$ 63,710,806	$ 86,086,598

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30, 2022 and 2021

	2022	2021
Operating revenues		
Net patient service revenue, net of provision for bad debts of $14,322,479 and $16,769,497, respectively	$ 80,455,620	$ 96,652,104
Other operating revenue	3,820,096	2,874,688
Total operating revenues	84,275,716	99,526,792
Operating expenses		
Professional care of patients	73,102,834	84,034,494
General and administrative services	15,052,463	14,048,893
Dietary services	1,280,959	1,247,033
Household and plant operations	5,517,523	6,016,062
Employee health and welfare	8,528,235	9,664,240
Depreciation and amortization	6,678,925	6,772,193
Total operating expenses	110,160,939	121,782,915
Loss from operations	(25,885,223)	(22,256,123)
Nonoperating revenues (expenses)		
Investment income (loss)	(191,212)	265,461
Interest expense	(79,670)	(142,323)
CARES Act funding	8,594,839	11,122,740
USDA Grant	1,000,000	-
Impairment of capital assets	(542,494)	-
Gain (loss) on disposal of capital assets	(42,561)	2,397
Total nonoperating revenues	8,738,902	11,248,275
Decrease in net position	(17,146,321)	(11,007,848)
Net position, beginning of year	41,278,501	52,286,349
Net position, end of year	$ 24,132,180	$ 41,278,501

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL

Statements of Cash Flows

Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 84,202,077	$ 95,647,252
Payments to employees	(63,520,845)	(78,391,508)
Payments to suppliers and contractors	(40,656,848)	(40,802,884)
Other receipts and payments, net	3,820,096	2,874,688
Net cash used in operating activities	(16,155,520)	(20,672,452)
Cash flows from noncapital financing activities		
Contract liability	(7,938,586)	(2,995,107)
CARES Act relief funds	8,060,093	636,634
USDA Grant Funds	1,000,000	-
Net cash provided by (used in) noncapital financing activities	1,121,507	(2,358,473)
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	135,050	3,350
Purchases of capital assets	(966,452)	(3,318,076)
Payments on long-term debt and lease obligations	(1,717,852)	(2,055,275)
Interest paid on long-term debt and lease obligations	(79,670)	(124,830)
Net cash used in capital and related financing activities	(2,628,924)	(5,494,831)
Cash flows from investing activities		
Purchases of investments	-	(81,195)
Proceeds from sale of investments	4,610,280	-
Investment income (loss)	(191,212)	385,552
Net cash provided by investing activities	4,419,068	304,357
Decrease in cash and cash equivalents	(13,243,869)	(28,221,399)
Cash and cash equivalents, beginning of year	20,040,353	48,261,752
Cash and cash equivalents, end of year	$ 6,796,484	$ 20,040,353
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	$ 4,250,916	$ 17,288,573
Assets limited as to use	2,545,568	2,751,780
Total cash and cash equivalents	$ 6,796,484	$ 20,040,353

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL

Statements of Cash Flows (Continued)

Years Ended September 30, 2022 and 2021

	2022	2021
Reconciliation of loss from operations to net cash used in operating activities		
Loss from operations	$ (25,885,223)	$ (22,256,123)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation and amortization	6,678,925	6,270,677
Provision for bad debts	14,322,479	16,769,497
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources		
Receivables	(10,271,836)	(17,898,317)
Inventories	(29,698)	(28,521)
Prepaid and other assets	(8,442)	(781,972)
Accounts payable	(1,015,502)	999,543
Estimated third-party payor settlements	(304,186)	123,968
Accrued expenses, including payroll taxes withheld	(57,573)	(2,477,840)
Net pension liability and related accounts	415,536	(1,393,364)
Net cash used in operating activities	$ (16,155,520)	$ (20,672,452)
Supplemental cash flow Information		
Purchase of equipment through lease obligations	$ 122,700	$ 173,484
Unrealized gain (loss) on investments	$ -	$ (120,091)
Gain (loss) on disposal of capital assets	$ (42,561)	$ 2,397

See notes to financial statements.

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 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, two of whom are appointed by the Board of Supervisors of Leflore County, two of whom are appointed by the Mayor and the Greenwood City Council, and one of whom is jointly appointed by the Board of Supervisors of Leflore County and the Mayor and the Greenwood City Council.

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

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 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

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 are as follows:

	Years
Land improvements	5 – 20
Buildings and improvements	5 – 40
Fixed equipment	5 – 25
Major moveable equipment	5 – 20
Leased assets	2 – 5

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.

Leases

The Hospital determines if an arrangement is a lease at inception. Leases are included in capital assets, net, current maturities of long-term debt and lease obligations, and long-term debt and lease obligations, net of current maturities in the statements of net position.

Lease assets represent the Hospital's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on initial measurement of the lease liability, adjusted for payments made to the lessor at or before the commencement of the lease term and certain initial direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease obligations represent the Hospital's obligation to make lease payments arising from the lease. Lease obligations are initially recognized at the commencement date based on the present value of expected lease payments over the lease term, adjusted for lease incentives. Subsequently, the lease liability is reduced by the principal portion of the lease payment made. Interest expense is recognized ratably over the contract term.

The Hospital has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Hospital has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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 and is in a deficit position at September 30, 2022.

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.

Operating Revenue and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, which is the Hospital's principal activity. Nonexchange revenues, including 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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. Nonexchange 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.

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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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.

New Accounting Standards Adopted

Governmental Accounting Standards Board Statement No. 84 ("GASB 84")

The Hospital adopted GASB 84, *Fiduciary Activities,* in fiscal year 2022. 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 now be reported in a fiduciary fund as part of the basic financial statements.

The Hospital noted that the adoption of GASB 84 had no effect on the Hospital's financial position or results of operations.

Governmental Accounting Standards Board Statement No. 87 ("GASB 87")

The Hospital adopted GASB 87, *Leases*, in fiscal year 2022. This statement enhances 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 audit standard was applied retroactively back to October 1, 2020 as required resulting in the restatement of prior period balances.

The Hospital noted that the adoption of GASB 87 resulted in the addition of $1,493,733 in capital assets and related lease liabilities, effective October 1, 2020, on the Hospital's financial statements. The impact of the adoption on September 30, 2021 net position was a decrease of $6,833.

Governmental Accounting Standards Board Statement No. 89 ("GASB 89")

The Hospital adopted GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* This statement improved financial reporting by (1) enhancing the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) simplifying accounting for interest cost incurred before the end of a construction period. This statement superseded GASB 62, requiring that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost was incurred.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

The adoption of GASB 89 did not have a significant impact on the Hospital's financial position or results of operations.

Accounting Pronouncements Issued Not Yet Adopted

In May 2021, 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.

Prior Period Adjustments

The Hospital adopted GASB Statement No. 87, *Leases,* during the year ended September 30, 2022. As a result of adopting the new standard, the Hospital has retroactively restated the net position as of October 1, 2020, which resulted in net position as of September 30, 2021 decreasing $6,833.

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 $6,407,320 and $19,524,059 at September 30, 2022 and 2021, 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

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

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, 2022 and 2021, the Hospital had the following investments and maturities.

September 30, 2021	Bond Ratings		Interest		Carrying	
Investment Type	Moody's	S&P	Rate		Amount	Maturity Date
MHA Intermediate Pool	N/A	N/A	N/A	$	4,610,280	N/A
Total				$	4,610,280	

The Hospital liquidated all investments during 2022.

Deposits and investments are presented on the statements of net position as of September 30, 2022 and 2021, as follows:

	2022	2021
Cash and cash equivalents	$ 4,250,916	$ 17,288,573
Assets limited as to use, current	2,545,568	2,751,780
Investments	-	4,610,280
Total	$ 6,796,484	$ 24,650,633

The Hospital's Board of Commissioners did not internally designate any amounts at September 30, 2022 and 2021.

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 $4,610,280 as of September 30, 2021, are valued at the Hospital's percentage ownership based on the value of the underlying investments (Level 2 inputs).

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Major classes of capital assets at September 30, 2022 and 2021 are summarized as follows:

	2022	2021
Land and improvements	$ 1,949,917	$ 1,921,975
Buildings	57,758,984	57,123,778
Fixed equipment	8,029,297	7,914,713
Moveable equipment	135,839,342	135,477,672
Leased Assets	1,763,349	1,640,649
Total capital assets	205,340,889	204,078,787
Less accumulated depreciation	(169,364,892)	(163,024,464)
Add construction in progress	6,685	1,238,237
Capital assets, net	$ 35,982,682	$ 42,292,560

Depreciation expense for the years ended September 30, 2022 and 2021 totaled $6,678,925 and $6,772,193, respectively. There was no capitalized interest included in construction in progress during the years ended September 30, 2022 and 2021.

Right-of-use assets acquired through outstanding leases are included in capital assets, net.

A summary of capital assets for the years ended September 30, 2022 and 2021 follows:

	2021	Increases	Decreases	2022
Capital assets not being depreciated				
Land	$ 578,395	$ -	$ -	$ 578,395
Construction in progress	1,238,237	550,765	(1,782,317)	6,685
Total	1,816,632	550,765	(1,782,317)	585,080
Capital assets being depreciated				
Land improvements	1,343,580	27,942	-	1,371,522
Buildings	57,123,778	635,206	-	57,758,984
Fixed equipment	7,914,713	114,584	-	8,029,297
Movable equipment	135,477,672	679,518	(317,848)	135,839,342
Leased assets	1,640,649	122,700	-	1,763,349
Total	203,500,392	1,579,950	(317,848)	204,762,494
Less accumulated depreciation for				
Land improvements	(493,289)	(32,915)	-	(526,204)
Buildings	(22,606,366)	(2,290,077)	-	(24,896,443)
Fixed equipment	(4,133,500)	(2,369,334)	-	(6,502,834)
Movable equipment	(135,300,453)	(823,532)	338,497	(135,785,488)
Leased assets	(490,856)	(1,163,067)	-	(1,653,923)
Total accumulated depreciation	(163,024,464)	(6,678,925)	338,497	(169,364,892)
Depreciable capital assets, net	40,475,928	(5,098,975)	20,649	35,397,602
Total capital assets, net	$ 42,292,560	$ (4,548,210)	$ (1,761,668)	$ 35,982,682

NOTES TO FINANCIAL STATEMENTS

Note 4. Continued

A summary of capital assets for the years ended September 30, 2021 and 2020 follows:

	2020	Increases	Decreases	2021
Capital assets not being depreciated				
Land	$ 578,395	$ -	$ -	$ 578,395
Construction in progress	1,830,122	673,195	(1,265,080)	1,238,237
Total	2,408,517	673,195	(1,265,080)	1,816,632
Capital assets being depreciated				
Land improvements	1,321,992	21,588	-	1,343,580
Buildings	56,877,881	245,897	-	57,123,778
Fixed equipment	7,825,301	89,412	-	7,914,713
Movable equipment	132,025,577	3,556,859	(104,764)	135,477,672
Leased assets	1,471,500	169,149	-	1,640,649
Total	199,522,251	4,082,905	(104,764)	203,500,392
Less accumulated depreciation for				
Land improvements	(480,938)	(12,351)	-	(493,289)
Buildings	(21,071,718)	(1,534,648)	-	(22,606,366)
Fixed equipment	(4,043,150)	(90,350)	-	(4,133,500)
Movable equipment	(130,760,816)	(4,643,988)	104,351	(135,300,453)
Leased assets	-	(490,856)	-	(490,856)
Total accumulated depreciation	(156,356,622)	(6,772,193)	104,351	(163,024,464)
Depreciable capital assets, net	43,165,629	(2,689,288)	(413)	40,475,928
Total capital assets, net	$ 45,574,146	$ (2,016,093)	$ (1,265,493)	$ 42,292,560

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt and Lease Obligations

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

	2022	2021
Trustmark note payable, with an interest rate of 2.98 percent paid in full during 2022	$ -	$ 127,106
Bank of Commerce note payable, with an interest rate of 1.40 percent and payable in 12 monthly principal and interest payments of $13,215, beginning November 2021 and ending November 2022 with a final payment of $599,107	611,603	759,920
Lease obligations, with payments due through 2027, collateralized by leased equipment.	2,261,984	3,581,713
Total long-term debt and lease obligations	2,873,587	4,468,739
Less current maturities of long-term debt	(1,678,053)	(2,441,892)
Long-term debt and lease obligations, excluding current maturities	$ 1,195,534	$ 2,026,847

On November 10, 2022, the Hospital paid the remaining balance of the Bank of Commerce note payable in full.

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

The Hospital leases various equipment, each with unique terms. The leases expire at various dates through March 2027.

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

	2022	2021
Interest expense	$ 79,670	$ 142,323
Investment income (loss)	$ (191,212)	$ 265,461

Scheduled interest and principal payments of long-term debt and payments on lease obligations at September 30, 2022 are as follows:

Year Ending	Long-Term Debt		Lease Obligations	
September 30,	Principal	Interest	Principal	Interest
2023	$ 611,603	$ 1,436	$ 1,066,450	$ 42,837
2024	-	-	838,591	18,890
2025	-	-	350,110	1,980
2026	-	-	4,540	72
2027	-	-	2,293	12
	$ 611,603	$ 1,436	$ 2,261,984	$ 63,791

NOTES TO FINANCIAL STATEMENTS

Note 5. Continued

A schedule of changes in the Hospital's long-term debt for 2022 follows:

	Balance September 30, 2021	Additions	Retirements	Balance September 30, 2022	Due Within One Year
Notes payable	$ 887,026	$ -	$ (275,423)	$ 611,603	$ 611,603
Lease obligations	3,581,713	122,700	(1,442,429)	2,261,984	1,066,450
Total long-term debt	$ 4,468,739	$ 122,700	$ (1,717,852)	$ 2,873,587	$ 1,678,053

A schedule of changes in the Hospital's long-term debt for 2021 follows:

	Balance September 30, 2020	Additions	Retirements	Balance September 30, 2021	Due Within One Year
Notes payable	$ 1,767,590	$ -	$ (880,564)	$ 887,026	$ 887,026
Lease obligations	5,227,513	173,484	(1,819,284)	3,581,713	1,554,866
Total long-term debt	$ 6,995,103	$ 173,484	$ (2,699,848)	$ 4,468,739	$ 2,441,892

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.

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

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.

"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.

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

Summary of Participant Data

	2022	2021
1. Inactive Plan Participants		
a. Retirees and beneficiaries currently receiving benefits	374	359
b. Terminated employees entitled to deferred benefits	583	580
c. Disabled employees entitled to deferred benefits	-	-
d. Total	957	939
2. Active Plan Participants		
a. Vested	261	281
b. Nonvested	-	-
c. Total	261	281
3. Total Plan Participants	1,218	1,220

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, 2022 and 2021 were $1,519,619 and $1,598,738, 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, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2021 and 2020, respectively.

Summary of Assumptions

The total pension liability as of September 30, 2022 and 2021 was measured using the following actuarial assumptions, applied to all periods in the measurement:

Investment Rate of Return	7.20 and 7.10 percent, respectively, per annum, compounded annually
Discount Rate	7.20 and 7.10 percent, respectively, per annum, compounded annually

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

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, 2021, 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-2019 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2020 to better recognize current and future mortality improvements.

Effective September 30, 2022, 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-2020 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2021 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, 2021	$ 49,765,386	$ 40,288,635	$ 9,476,751
Changes for the Year:			
Service cost	-	-	-
Interest	3,533,342	-	3,533,342
Difference between expected and actual experience	470,361	-	470,361
Changes of assumptions	(376,907)	-	(376,907)
Contributions - employer	-	1,519,619	(1,519,619)
Net investment income	-	(7,243,261)	7,243,261
Benefits paid/refunds	(3,208,071)	(3,208,071)	-
Administrative expenses	-	(91,235)	91,235
Net changes	418,725	(9,022,948)	9,441,673
Balance at September 30, 2022	$ 50,184,111	$ 31,265,687	$ 18,918,424

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, 2020	$ 50,140,069	$ 36,009,646	$ 14,130,423
Changes for the Year:			
Service cost	-	-	-
Interest	3,509,805	-	3,509,805
Difference between expected and actual experience	126,746	-	126,746
Changes of assumptions	(683,581)	-	(683,581)
Contributions - employer	-	1,598,738	(1,598,738)
Net investment income	-	6,100,827	(6,100,827)
Benefits paid/refunds	(3,327,653)	(3,327,653)	-
Administrative expenses	-	(92,923)	92,923
Net changes	(374,683)	4,278,989	(4,653,672)
Balance at September 30, 2021	$ 49,765,386	$ 40,288,635	$ 9,476,751

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 (6.20%)	Current Rate (7.20%)	1% Increase (8.20%)
Net Pension Liability	$ 24,294,384	$ 18,918,424	$ 14,400,369

The asset allocations for each major asset class at September 30, 2022 and 2021, are summarized below in the following table:

Asset Class	2022 Allocation	2021 Allocation
Mutual funds – fixed income	42.1%	42.8%
Mutual funds – equities	43.0%	41.2%
Common stock – equities	3.4%	2.7%
International mutual funds	10.5%	12.6%
Cash and cash equivalents	1.0%	0.7%
Total	100%	100%

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended September 30, 2022 and 2021, the Hospital recognized pension expense of $1,935,155 and $205,375, respectively. On September 30, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2022	2021
Deferred outflows of resources		
Experience losses	$ 78,392	$ 36,212
Net difference between projected and actual earnings on pension plan investments	5,454,372	-
Total deferred outflows of resources	$ 5,532,764	$ 36,212

	2022	2021
Deferred inflows of resources		
Changes in assumptions	$ (62,818)	$ (195,309)
Net difference between projected and actual earnings on pension plan investments	-	(3,397,094)
Total deferred inflows of resources	$ (62,818)	$ (3,592,403)
Net deferred outflows (inflows) of resources	$ 5,469,946	$ (3,556,191)

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

Year Ending September 30,	Amount
2023	$ 1,152,965
2024	1,030,927
2025	1,278,061
2026	2,007,993
Total	$ 5,469,946

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 1.2 and 1.4 years for the measurement periods ended September 30, 2022 and 2021, respectively.

Plan Termination

In the event the Hospital concludes that it is impossible or inadvisable to continue the Plan, the Board of Hospital Commissioners of the Hospital shall have the right to terminate the Plan by an appropriate resolution or resolutions which shall specify the date of termination.

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

Additionally, the Plan shall automatically terminate upon the occurrence of any of the following events: 1) discontinuance or liquidation of the Hospital's business, 2) the merger or consolidation of the Hospital into any other hospital, corporation, or business, or 3) the sale by the Hospital of substantially all of its assets to any hospital, corporation, or business.

Upon termination of the Plan, the rights of participants, retired participants and beneficiaries to benefits accrued to the date of such termination of the Plan shall be nonforfeitable and shall be determined in accordance with the Plan Document.

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, 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 $7,928,000 and $8,768,000 from the MHAP program with related tax assessments of approximately $1,957,000 and $1,987,000 recorded in operating expenses for the years ended September 30, 2022 and 2021, 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 2022 and 2021 net patient service revenue increased approximately $429,450 and decreased approximately $126,360, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated. The Hospital's cost reports have been settled through September 30, 2018.

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

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.

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

	2022	2021
Gross patient service revenue	$ 261,674,118	$ 308,882,623
Less:		
Provisions for contractual adjustments	(166,896,019)	(195,461,022)
Provisions for bad debts	(14,322,479)	(16,769,497)
Net patient service revenue	$ 80,455,620	$ 96,652,104

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. From the beginning of the Pandemic, the Hospital has received approximately $27.9 million from the Provider Relief Fund through September 30, 2022. The Hospital has recognized approximately $3.1 million, 11.2 million, and $13.6 million in nonoperating revenues in the accompanying 2022, 2021, and 2020 statements of revenues, expenses and changes in net position, respectively. The Hospital recognizes the Provider Relief Fund payments as income when there is reasonable assurance of compliance with the conditions associated with the funding. As of September 30, 2022 and 2021, the Hospital had $-0- and $351,370, respectively, in CARES Act deferred revenue on the statements of net position.

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. As of September 30, 2021, the Hospital 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. The Hospital recognized approximately $-0- and $742,000 of the Coronavirus Relief Funds in nonoperating revenue in the accompanying 2022 and 2021 statements of operations and changes in net assets, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

In fiscal year 2020, 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 began one year after the advance payments were received. After the first year, Medicare began automatically recouping 25 percent of the Medicare payments otherwise owed to the provider for 11 months. At the end of the 11-month period, recoupment will increase to 50 percent for another six months. For 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. As of September 30, 2022, Medicare has recouped approximately $10.9 million of these funds. The Hospital has accounted for the remaining unrecouped funds as a contractual liability at September 30, 2022 and 2021. Subsequent to year end, the Hospital requested and was granted an extended repayment schedule with a 4 percent interest rate on the total unpaid balance of $5,595,612. The Hospital will make 60 monthly payments in the amount of $103,051

In fiscal year 2022, HHS began distributing $8.5 billion in American Rescue Plan ("ARP") Rural payments to providers and suppliers who serve rural Medicaid, Children's Health Insurance Program ("CHIP"), and Medicare beneficiaries. The Hospital received approximately $5.5 million of these distributed funds in November 2021 and had until December 31, 2022 to use the funds received. These funds have similar terms and conditions to the HHS Provider Relief Fund. The Hospital recognized approximately $5.5 million in nonoperating revenues in the accompanying 2022 statements of revenues, expenses and changes in net position, respectively.

In fiscal year 2022, the Hospital applied for and received $1 million from the United States Department of Agriculture ("USDA") for assistance under the Emergency Rural Health Care ("ERHC") Program. The Hospital recognized $1 million in nonoperating revenues in the accompanying 2022 statements of revenues, expenses and changes in net position, respectively.

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 $1,866,000 and $1,575,000 in 2022 and 2021, 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 gross accounts receivable, based on gross charges, from patients and major third-party payors at September 30 are as follows:

	2022	2021
Medicare/Medicare Advantage	24%	26%
Medicaid	19	16
Blue Cross	5	7
Self-pay	38	33
Other	14	18
Total	100%	100%

Patient Service Revenue

The percentage mix of gross revenue for the years ended September 30, 2022 and 2021 for patient services rendered under contract with major third-party cost reimbursors follows:

	2022	2021
Medicare/Medicare Advantage	48%	49%
Medicaid	21	20
Blue Cross	11	11
Self-pay	6	7
Other	14	13
Total	100%	100%

Note 11. Commitments and Contingencies

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.

Note 11. Continued

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	(Ending) September 30, Claims Liability
2022	$ 1,763,453	$ 1,056,327	$ (205,685)	$ 2,614,095
2021	$ 2,754,184	$ (847,768)	$ (142,963)	$ 1,763,453

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, 2022 and 2021 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 2022 and 2021 are as follows:

	(Beginning) October 1, Claims Liability	Current Year Claims and Change in Estimates	Current Year Claim Payments	(Ending) September 30, Claims Liability
2022	$ 713,903	$ 2,620,205	$ (2,846,496)	$ 487,612
2021	$ 523,602	$ 4,863,399	$ (4,673,098)	$ 713,903

Note 12. Going Concern Risks and Uncertainties

During recent years, including 2022 and 2021, the Hospital incurred recurring losses and negative cash flows from operations due primarily to decreased patient volumes, rising labor and supply costs and unfavorable payer contracts. Staffing shortages have also caused limitations in the Hospital's ability to provide services. The Hospital's current days cash on hand represents less than 30 days of operations. The impacts of the public health emergency combined with decreasing provisions of payer models continues to negatively impact the financial condition of the Hospital.

Note 12. Continued

Management has evaluated these conditions and has determined that they are significant in relation to the Hospital's ability to meet its obligations as they come due. Management's plan of action includes eliminating certain significant service lines, focusing existing resources on core services, and seeking additional funding from other sources including the City of Greenwood, Leflore County and the State of Mississippi. Additionally, as described below, management is evaluating the overall structure of the Hospital and is taking action to improve the efficiency of operations and determine if more viable methods of operations may exist. The ultimate outcome of management's plan of action and requests for funding remains uncertain.

Note 13. Subsequent Events

During December 2022, the Hospital submitted a request to the Mississippi Department of Health ("MDoH") to place 163 acute care beds and 10 inpatient rehabilitation beds in abeyance. The MDoH approved this transaction to be effective February 1, 2023 or later and the Hospital intends to execute this transaction as of that date. Upon proper notification and approval by the MDoH, these beds may return to service without the requirement of a Certificate of Need. Management believes that the abeyance of this number of beds would qualify the Hospital to meet the requirements of a Critical Access Hospital designation.

In preparing these financial statements, the Hospital has disclosed events and transactions through January 17, 2023, the date the financial statements were available to be issued.

GREENWOOD LEFLORE HOSPITAL

Schedule of Changes in Net Pension Liability and Related Ratios

September 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	3,533,342	3,509,805	3,474,705	3,514,817	3,413,176	3,363,064	3,384,889	3,384,889
Difference between expected and actual experience	470,361	126,746	377,521	(1,120,322)	740,367	(355,795)	(294,088)	68,042
Changes of assumptions	(376,907)	(683,581)	876,677	382,573	(299,489)	-	(1,336,081)	-
Benefit payments/refunds	(3,208,071)	(3,327,653)	(2,848,623)	(2,665,455)	(2,461,722)	(2,320,792)	(2,053,702)	(1,965,617)
Net change in total pension liability	418,725	(374,683)	1,880,280	111,613	1,392,332	686,477	(298,982)	1,487,314
Total pension liability – beginning	49,765,386	50,140,069	48,259,789	48,148,176	46,755,844	46,069,367	46,368,349	44,881,035
Total pension liability – ending (a)	$ 50,184,111	$ 49,765,386	$ 50,140,069	$ 48,259,789	$ 48,148,176	$ 46,755,844	$ 46,069,367	$ 46,368,349
Plan Fiduciary Net Position								
Contributions – employer	$ 1,519,619	$ 1,598,738	$ 1,413,913	$ 1,340,319	$ 1,452,904	$ 1,367,610	$ 1,394,632	$ 2,517,899
Net investment income (loss)	(7,243,261)	6,100,827	3,654,209	1,826,911	2,073,394	2,883,575	2,229,987	107,212
Benefit payments/refunds	(3,208,071)	(3,327,653)	(2,848,623)	(2,665,455)	(2,461,722)	(2,320,792)	(2,053,702)	(1,965,617)
Administrative expenses	(91,235)	(92,923)	(87,105)	(85,539)	(85,579)	(80,239)	(78,351)	(88,388)
Net change in plan fiduciary net position	(9,022,948)	4,278,989	2,132,394	416,236	978,997	1,850,154	1,492,566	571,106
Plan fiduciary net position – beginning	40,288,635	36,009,646	33,877,252	33,461,016	32,482,019	30,631,865	29,139,299	28,568,193
Plan fiduciary net position – ending (b)	$ 31,265,687	$ 40,288,635	$ 36,009,646	$ 33,877,252	$ 33,461,016	$ 32,482,019	$ 30,631,865	$ 29,139,299
Net pension liability – ending (a) – (b)	$ 18,918,424	$ 9,476,751	$ 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	62.3%	81.0%	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	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	N/A	N/A

See notes to required supplementary information.

GREENWOOD LEFLORE HOSPITAL

Schedule of Contributions

Years Ended September 30, 2022, 2021, 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
2022	$ 1,519,619	$ 1,519,619	$ -	$ N/A	N/A
2021	1,598,738	1,598,738	-	N/A	N/A
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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Summary of Assumptions and Methods Used to Determine Contributions Rates

The total pension liability as of September 30, 2022 and 2021 was determined using the following actuarial assumptions, applied to all periods in the measurement:

Investment Rate of Return	7.20 and 7.10 percent, respectively, per annum, compounded annually
Discount Rate	7.20 and 7.10 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, 2021 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-2019 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2020 to better recognize current and future mortality improvements.

Effective September 30, 2022 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-2020 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2021 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, 2022 and 2021 was 1.2 and 1.4 years, respectively.

Schedule of Investment Returns

	Fiscal year ended 2022	September 30, 2021
Net investment yield	(18.36%)	17.39%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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.

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, 2022 and 2021 uses a closed period of 20 and 21 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, 2021 and 2020 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, 2022

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

HORNE

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, 2022 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 17, 2023.

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 17, 2023