

GREENWOOD LEFLORE HOSPITAL

Report to the Board of Hospital Commissioners
February 27, 2024



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The Hospital Board of Commissioners
Greenwood Leflore Hospital
Greenwood, Mississippi

Attention: Board of Commissioners

We are pleased to present this report related to our audit of the consolidated financial statements of Greenwood Leflore Hospital, a component unit of Leflore County, including the City of Greenwood, Mississippi (the "Hospital") as of and for the year ended September 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Hospital's financial reporting process.

This report is intended solely for the information and use of the Board of Commissioners and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Hospital.

HORNE LLP

Ridgeland, Mississippi

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REQUIRED COMMUNICATIONS

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated October 26, 2023. Our audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated October 26, 2023 regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Hospital. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

- GASB 96, *Subscription-Based Information Technology Arrangements* ("SBITA"). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA

The adoption of this standard resulted in the addition of subscription assets and related liabilities of \$246,032 for the year ended September 30, 2023 and \$4,692,619 for the year ended September 30, 2022. The impact of the retroactive adoption on September 30, 2022 net position was a decrease of \$34,806.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

REQUIRED COMMUNICATIONS, CONTINUED

Significant Unusual Transaction

We identified the following significant unusual transactions and the policies and practices management used to account for these transactions:

- Subrecipient ARPA revenue from Leflore County, MS
- Transfers in from the County related to the Mississippi Development Bank Special Obligation Bonds, Series 2023
- Transfers in from the City of Greenwood

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

Adjustments and Uncorrected Misstatements

Adjustments, other than those that are clearly trivial, proposed by us, as well as management, and recorded by the Hospital are shown in the attached list of Recorded Adjustments.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the consolidated financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

The following is a description of significant issues arising from the audit that were discussed with management:

- Going concern indicators identified;
- Accounting for funds transferred in from Leflore County's Mississippi Development Bank Special Obligation Bonds, Series 2023; and
- Single audit requirement for PRF, APRA and CRF funds

REQUIRED COMMUNICATIONS, CONTINUED

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Shared Responsibilities for Independence

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants ("AICPA") and *Government Accountability Office* ("GAO") independence rules. For HORNE LLP ("HORNE") to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Commissioners, and HORNE each play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. HORNE is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

The Organization's Responsibilities

- Timely inform HORNE, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, or officers.
 - Changes in the organizational structure or the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Organization and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with HORNE.
- Not entering into arrangements of nonaudit services resulting in HORNE being involved in making management decisions on behalf of the Organization.
- Not entering into relationships resulting in close family members of HORNE covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Organization.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Hospital, including the draft representation letter to be provided to us by management, are attached as Exhibit A.

SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in the Hospital's September 30, 2023 consolidated financial statements.

Significant Accounting Estimates

Revenue and Receivables

Accounting policy	Allowance for contractual adjustments
Management's estimation process	The estimate of the allowance for contractual adjustments is based upon historical collection percentages by significant payors' categories such as Medicare, Medicaid and commercial insurance and changes in contractual arrangements.
Basis for our conclusion on the reasonableness of the estimate	Estimation process appears reasonable.

Revenue and Receivables

Accounting policy	Allowance for doubtful accounts
Management's estimation process	The estimate of the allowance for doubtful accounts is also based upon the collection history by payor and developing economic trends.
Basis for our conclusion on the reasonableness of the estimate	Estimation process appears reasonable.

Revenue and Receivables

Accounting policy	Due to/from third-party payors
Management's estimation process	The amount of due to/from third-party payors is determined based upon management's best estimate of settlement amounts payable to/receivable from third-party payors, specifically Medicare and Medicaid.
Basis for our conclusion on the reasonableness of the estimate	Estimation process appears reasonable.

Accrued Expenses

Accounting policy	Accrued Health Insurance and Liability Insurance
Management's estimation process	The estimate for employee health insurance costs for claims incurred but not reported, as well as claims payable, and also for professional and general liability are based upon actuarial evaluations.
Basis for our conclusion on the reasonableness of the estimate	Estimation process appears reasonable.

Significant Accounting Estimates

Accrued Expenses

Accounting policy	Accrued medical malpractice
Management's estimation process	The estimate for litigation is based upon amounts to be incurred to defend and/or settle each case outstanding at year-end, as accumulated by the insurance plan administrator.
Basis for our conclusion on the reasonableness of the estimate	Estimation process appears reasonable.

Net Pension Liability

Accounting policy	Net Pension Liability
Management's estimation process	The estimate for net pension liability is actuarially determined based on certain assumptions of mortality, compensation, rate of return, and routine and expected employer contributions.
Basis for our conclusion on the reasonableness of the estimate	Estimation process appears reasonable.

Revenue, Operating Expenses

Accounting policy	MHAP Payments and Assessments
Management's estimation process	The estimate for MHAP distributions and related Assessments by the DOM is based on a proposed plan pending CMS approval.
Basis for our conclusion on the reasonableness of the estimate	Estimation process appears reasonable.

Going Concern

Accounting policy	Evaluation of Going Concern Indicators
Management's estimation process	Management continually seeks to identify and evaluate conditions or indicators that could raise substantial doubt about the Hospital's ability to continue as a going concern.
Basis for our conclusion on the reasonableness of the estimate	Adequate

RECORDED ADJUSTMENTS

Management recorded the following adjustments subsequent to the initial trial balance provided:

Decrease in net position, preliminary	\$ (8,945,224)
To adjust net pension liability	155,509
To adopt GASB 96	(160,710)
To record recognize insurance settlement	417,877
To record cost report estimate	1,131,946
To adjust malpractice reserve	(196,711)
To adjust IBNR reserve	<u>20,998</u>
Total audit adjustments	<u>1,368,909</u>
Decrease in net position, final	<u><u>\$ (7,576,315)</u></u>

EXHIBIT A

Significant Written Communications
Between Management and Our Firm