GREENWOOD LEFLORE HOSPITAL

Audited Financial Statements

Years Ended September 30, 2015 and 2014

CONTENTS

HORNE
CPAs & Business Advisors

INDEPENDENT AUDITOR'S REPORT

The Board of Hospital Commissioners
Greenwood Leflore Hospital
Greenwood, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Greenwood Leflore Hospital (the "Hospital"), a component unit of Leflore County, including the City of Greenwood, Mississippi, as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital, as of September 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended September 30, 2015, the Hospital adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of the implementation of these standards, the Hospital restated net position as of October 1, 2014 for the change in accounting principle (See Note 14). Our auditor's opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the pension information on pages 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Surety Bonds for Officers and Employees on page 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Horne LLP

Ridgeland, Mississippi
December 10, 2015

The discussion and analysis of Hospital financial performance provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2015 and 2014. This discussion and analysis should be read in conjunction with the Hospital's financial statements, which begin on page 11.

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.

Financial Statement Comparison

During the fiscal year ended September 30, 2015, the Hospital adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made After the Measurement Date*. These statements require employers providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits. The adoption of these statements resulted in a $15,896,549 decrease of beginning net position as of October 1, 2014 for the change in accounting principle (see Note 14).

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 as a result of bond covenants or other 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 2015 by $14.8 million (13.1 percent). The most significant issue impacting net position was caused by the restatement of beginning net position as a result of adoption of GASB No. 68. Recognition of GASB No. 68 resulted in a decrease in beginning net position of $15.9 million. This was offset by the $1.1 million increase in net position reflected on the statement of revenues, expenses and changes in net position.

The Hospital's net position increased in 2014 by $1.4 million (1.3 percent), as illustrated on the following table:

Assets, Liabilities and Net Position (in thousands)

	September 30, 2015	September 30, 2014	September 30, 2013
Assets			
Current assets	$ 51,570	$ 53,097	$ 59,319
Designated funds and funds held by trustee	25,000	20,000	20,000
Funds restricted by creditor for capital improvements	-	-	-
Capital assets, net	49,714	50,985	54,784
Other assets	3,003	2,451	1,828
Total assets	129,287	126,533	135,931
Deferred outflows of resources	1,636	-	-
Total assets and deferred outflows of resources	130,923	126,533	135,931
Liabilities			
Current liabilities	15,594	13,621	14,972
Net pension liability	17,229	-	-
Long-term debt	-	-	9,474
Total liabilities	32,823	13,621	24,446
Net position			
Invested in capital assets, net of related debt	49,714	50,985	44,948
Restricted			
Expendable for capital improvements	-	-	-
Expendable for use in self-insurance	1,650	1,491	1,480
Expendable for specific operating activities	49	47	50
Unrestricted	46,687	60,389	65,007
Total net position	$ 98,100	$ 112,912	$ 111,485

The Hospital's cash and investment position increased in 2015 by $2.5 million. This net increase in cash is attributable to the accumulation of operating cash to establish reserves in excess of the use of operating cash to reduce current liabilities. The Hospital's cash and investment position decreased in 2014 by $4.4 million. This net decrease in cash is attributable to the payoff of the $9.8 million Central Plant debt offset by the accumulation of operating cash to establish reserves in excess of the use of operating cash to reduce current liabilities.

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

	2015	2014	2013
Cash and cash equivalents	$ 13,884	$ 16,551	$ 20,974
Restricted cash and cash equivalents	1,650	1,491	1,480
Designated by Board for capital improvements	25,000	20,000	20,000
Restricted by creditor for capital improvements	-	-	-
Total available cash and investments	$ 40,534	$ 38,042	$ 42,454

Cash and investment balances available for operations at September 30, 2015 and 2014 represent cash sufficient to cover approximately 123 and 121 days of operating expenses, respectively.

Capital Assets and Debt Administration

Net capital assets decreased by $1.3 million in 2015. This decrease relates to $6.4 million in capital expenditures offset by $7.7 million in depreciation of the Hospital's assets. Net capital assets decreased by $3.8 million in 2014. This decrease relates to $4.3 million in capital expenditures offset by $8.1 million in depreciation of the Hospital's assets.

Current liabilities increased by $2 million in 2015, due to an increase in accounts payable related to the additional service volume and expenses of five new physicians added to the staff the last quarter of the fiscal year. Current liabilities decreased by $1.4 million in 2014, due to decreases in accounts payable and accrued expenses.

During fiscal year ended September 30, 2015, the Hospital adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of the implementation of these standards, deferred outflows of resources from pension and net pension liability are newly adopted for 2015. Deferred outflows of resources from pension was $1.6 million in 2015. This represents a change in actuarial assumptions and investment gains or losses pertaining to the defined benefit plan that is being amortized over a 5 year period. Net pension liabilty as of September 30, 2015 was $17.2 million.

There was no long-term debt, net of current portion in 2015. Long-term debt, net of current portion, decreased by $9.5 million in 2014, due to repayments of long-term debt.

The table below shows the changes in capital assets:

Capital Assets (in thousands)

	September 30, 2015	September 30, 2014	September 30, 2013
Land and land improvements	$ 1,837	$ 1,801	$ 1,801
Building and leasehold improvements	49,860	49,625	49,374
Equipment	122,240	117,159	113,279
Subtotal	173,937	168,585	164,454
Less: Accumulated depreciation	(126,001)	(118,783)	(110,735)
Construction in progress	1,778	1,183	1,065
Net capital assets	$ 49,714	$ 50,985	$ 54,784

GASB No. 68*, Accounting and Financial Reporting for Pensions*

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, an Amendment of GASB Statement No. 27. GASB No. 68 results from comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. GASB No. 68 replaces the requirement of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they related to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. GASB No. 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined benefit plans.

GASB No. 68 was effective for fiscal years beginning after June 15, 2014, with earlier application encouraged. The Hospital adopted GASB No. 68 as of October, 1 2014 and, as required, adjusted net position and restated the statement of net position as of October 1, 2014. The impact of adopting GASB No. 68 resulted in a decrease in net position of $15,896,549 and increase in liabilities of 17,229,050.

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,		
	2015	2014	2013
Operating revenues			
Net patient service revenue	$ 121,579	$ 117,560	$ 113,706
Other revenues	2,388	2,506	5,065
Total operating revenues	123,967	120,066	118,771
Operating expenses			
Professional care of patients	84,586	81,399	81,709
General, administrative and plant services	20,881	20,799	20,611
Employee health and welfare	9,874	8,431	9,355
Depreciation and amortization	7,677	8,058	7,698
Total operating expenses	123,018	118,687	119,373
Operating income (loss)	949	1,379	(602)
Non-operating revenues (expenses)			
Investment income	197	222	287
Interest expense	-	(173)	(267)
Gain (loss) on disposal of capital assets	(61)	(1)	21
Total non-operating revenues, net	136	48	41
Increase (decrease) in net position	1,085	1,427	(561)
Net position, beginning of year before restatement	112,912	111,485	112,046
Accumulative effect of change in accounting principle	(15,897)	-	-
Net position, beginning of year, as restated	97,015		
Net position, end of year	$ 98,100	$ 112,912	$ 111,485

Net Patient Service Revenue

Fiscal Year Ended September 30, 2015

Compared to 2014, net patient service revenue increased by $4 million or 3.4 percent due to slight changes in payor mix and the closure of the subacute unit, offset by increases in the rehabilitation unit. Gross revenues decreased $702 thousand or less than 1 percent. Inpatient admissions increased 1.5 percent, while average length of stay increased 3.4 percent, resulting in total patient days increasing 4.9 percent. In general, outpatient visits to the Hospital remained flat increasing approximately .17 percent. Gains in patient volumes were recognized in routine nursing, ICU, Leflore Rehabilitation Unit, radiology, laboratory, cancer center, clinic network, sleep lab and the pain clinic while decreases were recognized in surgery, geriatric psychiatric unit, labor and delivery, emergency room, endoscopy, pharmacy, cardio pulmonary, physical therapy and wound care.

Contractual adjustments, which are deductions from gross patient service revenue, decreased $3.9 million (1.6 percent) from $235.1 million in 2014 to $231.2 million in 2015. Contractual adjustments expressed as a percentage of gross patient service revenues were 60.6 percent in 2015 and 61.5 percent in 2014. Since the majority of the Hospital's patients are Medicare, Medicaid and Blue Cross, price increases have little to no effect on increased reimbursement. The Hospital's net benefit from the Medicaid Voluntary Contribution program and the Medicare Upper Payment Limit program decreased approximately $289 thousand in fiscal year 2015. 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 $846 thousand (2.8 percent) from $29.5 million in 2014 to $28.7 million in 2015. Bad debt expense expressed as a percentage of gross patient service revenue was 7.5 percent in 2015 and 7.7 percent in 2014.

<u>Fiscal Year Ended September 30, 2014</u>

Compared to 2013, net patient service revenue increased by $3.8 million or 3.4 percent due to increases in inpatient volumes. Gross revenues decreased $6.58 million or 1.7 percent primarily as a result of decreased outpatient volumes and the closure of the Sub Acute Unit. Inpatient admissions increased 9.2 percent, while average length of stay decreased .1 percent, resulting in total patient days increasing 9.1 percent. In general, outpatient visits to the Hospital decreased approximately .6 percent. Gains in patient volumes were recognized in routine nursing, ICU, Leflore Rehabilitation Unit, Geriatric Psychiatric Unit, radiology, cardio pulmonary, sleep lab and the pain clinic while decreases were recognized in surgery, cath lab, endoscopy, emergency room, physical therapy and wound care.

Contractual adjustments, which are deductions from gross patient service revenue, decreased $14.8 million (5.9 percent) from $249.9 million in 2013 to $235.1 million in 2014. Contractual adjustments expressed as a percentage of gross patient service revenues were 61.5 percent in 2014 and 64.3 percent in 2013. Since the majority of the Hospital's patients are Medicare, Medicaid and Blue Cross, price increases have little to no effect on increased reimbursement. The Hospital's net benefit from the Medicaid Voluntary Contribution program and the Medicare Upper Payment Limit program increased approximately $630 thousand in fiscal year 2014. 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 $4.4 million (17.5 percent) from $25.1 million in 2013 to $29.5 million in 2014. Bad debt expense expressed as a percentage of gross patient service revenue was 6.4 percent in 2014 and 7.7 percent 2013.

Operating Expenses

<u>Fiscal Year Ended September 30, 2015</u>

Total operating expenses were $123 million in 2015 compared to $118.7 million in 2014, an increase of $4.3 million or 3.6 percent.

Professional care of patients' expenses comprise 68.8 percent and 68.6 percent of total operating expenses for 2015 and 2014, respectively, and increased from $81.4 million in 2014 to $84.6 million in 2015, an increase of $3.2 million or 3.8 percent. Salaries and contract expenses associated with rendering patient care comprises approximately 70 percent of total professional care of patients' expenses. Salaries and contract expenses within the cost component increased

$3.0 million in 2015, primarily due to the addition of physician clinics, addition of the cancer center service line, and the implementation of an updated market based salary scale. Supplies and other costs included in the professional care of patients' component increased $1 million from 2014 to 2015 primarily due to the addition of physician clinics, addition of the cancer center service line and increases in pharmacy expenses.

General, administrative and plant expenses comprise approximately 17.0 percent and 17.5 percent of total operating expenses in 2015 and 2014, respectively. These costs increased $82 thousand from 2014 to 2015.

Employee health and welfare expenses comprise 8.0 percent and 7.1 percent of total operating expenses for 2015 and 2014, respectively. These costs increased from $8.4 million in 2014 to $9.8 million in 2015, an increase of $1.4 million or 17.1 percent. This increase is due to an increase in the funding requirement for the defined benefit pension plan, the adoption of GASB No 68, as well as the implementation of the employer funding of the 403B pension for 2015.

Depreciation and amortization expense was $7.7 million for 2015 and $8.0 million 2014.

<u>Fiscal Year Ended September 30, 2014</u>

Total operating expenses were $118.7 million in 2014 compared to $119.4 million in 2013, a decrease of $700 thousand or .6 percent.

Professional care of patients' expenses comprise 68.6 percent and 68.4 percent of total operating expenses for 2014 and 2013, respectively, and decreased from $81.7 million in 2013 to $81.4 million in 2013, a decrease of $300 thousand or .3 percent. Salaries and contract expenses associated with rendering patient care comprises approximately 69.6 percent of total professional care of patients' expenses. Salaries and contract expenses within this cost component decreased approximately $2 million in 2014, primarily due to labor management related to census fluctuations and the elimination of contract therapy labor. Supplies and other costs included in the professional care of patients' component increased $2.3 million from 2013 to 2014 due to patient volume increases and increases in surgery expenses.

General, administrative and plant expenses comprise approximately 17.5 percent and 17.2 percent of total operating expenses in 2014 and 2013, respectively. These costs increased $188 thousand from 2014 to 2013.

Employee health and welfare expenses comprise 7.1 percent and 7.8 percent of total operating expenses for 2014 and 2013, respectively. These costs decreased from $9.3 million in 2013 to $8.4 million in 2014, a decrease of $900 thousand or 9.6 percent. This decrease is due to reductions in staffing and a full year of savings related to changes made to the employee health insurance benefit in January 2013.

Depreciation and amortization expense was $8.1 million for 2014 and $7.7 million 2013.

Economic Factors and Next Year's Budget

The Board of Hospital Commissioners approved the 2016 operating budget. The budget was developed after a review of key volume indicators and trends, a review of the Hospital's strategic business plan, a review of the funding changes to Medicaid and a review of local economic conditions in Leflore County. The budget provides for net income of $1.7 million and a 1.37 percent margin.

Contacting the Hospital Financial Manager

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

GREENWOOD LEFLORE HOSPITAL

Statements of Net Position

Year Ended September 30, 2015 and 2014

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 13,883,658	$ 16,550,619
Assets limited as to use	1,650,226	1,491,432
Patient accounts receivable, net of allowance for doubtful accounts of $26,115,472 and $29,715,561, respectively	29,403,337	25,529,860
Estimated third-party payor settlements	2,274,276	4,016,114
Other current receivables	409,471	1,027,517
Inventories	2,169,596	2,183,826
Prepaid expenses and other current assets	1,779,712	2,297,229
Total current assets	51,570,276	53,096,597
Noncurrent cash and investments		
Funds internally designated for capital improvements	25,000,000	20,000,000
Total noncurrent cash and investments	25,000,000	20,000,000
Capital assets, net	49,713,595	50,984,587
Other assets		
Other receivables	1,960,140	765,279
Other assets	17,495	661,065
Intangibles	1,024,940	1,024,940
Total other assets	3,002,575	2,451,284
Total assets	129,286,446	126,532,468
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources from pension	1,636,315	-
Total assets and deferred outflows of resources	130,922,761	126,532,468
LIABILITIES		
Current liabilities		
Accounts payable	8,289,620	5,922,328
Accrued expenses, including payroll taxes withheld	7,304,147	7,698,189
Total current liabilities	15,593,767	13,620,517
Net pension liability	17,229,050	-
Total liabilities	32,822,817	13,620,517
NET POSITION		
Invested in capital assets, net of related debt	49,713,595	50,984,587
Restricted		
Use in self-insurance	1,650,226	1,491,432
Specific operating activities	48,984	46,503
Unrestricted	46,687,139	60,389,429
Total net position	$ 98,099,944	$ 112,911,951

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL

Statements of Revenues, Expenses and Changes in Net Position

Year Ended September 30, 2015 and 2014

	2015	2014
Operating revenues		
Net patient service revenue, net of provision for bad debts of $28,676,476 and $29,552,148, respectively	$ 121,578,989	$ 117,560,325
Other operating revenue	2,388,134	2,505,761
Total operating revenues	123,967,123	120,066,086
Operating expenses		
Professional care of patients	84,586,292	81,398,612
General and administrative services	13,984,836	13,655,626
Dietary services	1,250,889	1,272,717
Household and plant operations	5,644,547	5,870,572
Employee health and welfare	9,874,396	8,431,231
Depreciation and amortization	7,677,199	8,058,372
Total operating expenses	123,018,159	118,687,130
Income from operations	948,964	1,378,956
Nonoperating revenues (expenses)		
Investment income	196,858	221,949
Interest expense	-	(173,840)
Loss on disposal of capital assets	(61,280)	(557)
Total nonoperating revenues	135,578	47,552
Increase in net position	1,084,542	1,426,508
Net position, beginning of year before restatement	112,911,951	111,485,443
Cumulative effect of change in accounting principle	(15,896,549)	-
Net position, beginning of year, as restated	97,015,402	111,485,443
Net position, end of year	$ 98,099,944	$ 112,911,951

See notes to financial statements.

GREENWOOD LEFLORE HOSPITAL

Statements of Cash Flows

Year Ended September 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 120,065,396	$ 118,426,355
Payments to employees	(66,672,369)	(61,851,554)
Payments to suppliers and contractors	(47,018,699)	(48,420,115)
Other receipts and payments, net	2,388,134	2,505,761
Net cash provided by operating activities	8,762,462	10,660,447
Cash flows from capital and related financing activities		
Principal paid on long-term debt	-	(9,836,569)
Interest paid on long-term debt	-	(173,840)
Proceeds from sale of capital assets	143,000	-
Purchase of capital assets and intangibles	(6,610,487)	(5,284,116)
Net cash used in capital and related financing activities	(6,467,487)	(15,294,525)
Cash flows from investing activities		
Purchases of investments	(3,053,821)	-
Sales of investments	-	4,458
Interest and dividends on investments	196,858	221,949
Net cash provided by (used in) investing activities	(2,856,963)	226,407
Decrease in cash and cash equivalents	(561,988)	(4,407,671)
Cash and cash equivalents, beginning of year	33,056,165	37,463,836
Cash and cash equivalents, end of year	$ 32,494,177	$ 33,056,165
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	$ 13,883,658	$ 16,550,619
Assets limited as to use	1,650,226	1,491,432
Cash internally designated for capital improvements	16,960,293	15,014,114
Total cash and cash equivalents	$ 32,494,177	$ 33,056,165

See notes to financial statements.

	2015	2014
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	$ 948,964	$ 1,378,956
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	7,677,199	8,058,372
Provision for bad debts	28,676,476	29,522,148
Changes in operating assets and liabilities		
Receivables	(31,931,907)	(28,681,736)
Inventories	14,230	230,252
Prepaid and other assets	(33,774)	1,116,236
Accounts payable	2,367,292	(992,573)
Estimated third-party payor settlements	1,741,838	25,618
Accrued expenses, including payroll taxes withheld	(394,042)	3,174
Net pension liability, and related accounts	(303,814)	-
Net cash provided by operating activities	$ 8,762,462	$ 10,660,447
Supplemental cash flow Information		
Loss on disposal of capital assets	$ (61,280)	$ (2,595)

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

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

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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 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 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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Capital Assets

Capital asset acquisitions are recorded at cost if purchased or at fair value at date of receipt if donated. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included with depreciation in the accompanying financial statements. Depreciation of property and equipment is provided over the estimated useful life of each class of depreciable assets using the straight-line method.

Useful lives for the major asset classes follows:

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

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

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

Intangible Assets

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

Income Taxes

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

Net Position

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

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. Non-exchange revenues, including gifts and bequests, and revenues and expenses associated with investment income and financing, are reported as nonoperating revenues and expenses. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Net Patient Service Revenue

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

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

Additionally, effective July 1 2015, the Mississippi Division of Medicaid ("DOM"), implemented the Mississippi Access Payment program, which is currently still pending the Centers for Medicare and Medicaid Services ("CMS") approval. The Hospital has reflected $2,499,000 as a receivable and related income in the accompanying financial statements based on estimates from this proposed plan, which could be subject to significant modification dependent on actions from CMS.

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.

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 for eligible hospitals and professionals that adopt and meaningfully use certified electronic health record ("EHR") technology. The Hospital must also attest to certain criteria in order to qualify to receive the incentive payments. The amount of the incentive payments are calculated using predetermined formulas based on available information, primarily related to discharges and patient days. The Hospital recognizes revenues related to Medicare incentive payments ratably over each EHR reporting period (October 1 to September 30) when it has been demonstrated meaningful use requirements of certified EHR technology for the EHR reporting period. The Hospital recognizes Medicaid incentive payments in the period that it qualifies for the funds based on the provisions of the Mississippi DOM.

The Hospital recognized $573,861 and $954,481 of revenues related to the Medicare and Medicaid incentive programs for the years ended September 30, 2015 and 2014, respectively. These revenues are reflected in other operating revenues on the accompanying statements of revenues, expenses and changes in net position. The Hospital recorded $409,471 and $1,027,517 of receivables related to the Medicare and Medicaid incentive programs for the years ended September 30, 2015 and 2014, respectively. These receivables are reflected in other current receivables on the accompanying statements of net position. Future incentive payments could vary due to certain factors such as availability of federal funding for both Medicare and Medicaid incentive payments and the Hospital's ability to implement and demonstrate meaningful use of certified EHR technology. The Hospital has and will continue to incur both capital costs and operating expenses in order to implement its certified EHR technology and meet meaningful use requirements in the future. These expenses are ongoing and are projected to continue overall stages of implementation of meaningful use. The timing of recognizing the expenses may not correlate with the receipt of the incentive payments and the recognition of revenues. There can be no assurance that the Hospital will be able to continue to demonstrate meaningful use of certified EHR technology in the future, and the failure to do so could have a material, adverse effect on the results of operations. As a part of operating this program, there is a possibility that government authorities may make adjustments to amounts previously recorded by the Hospital. The Hospital's attestation of demonstrating meaningful use is also subject to review by the appropriate government authorities. The amount of revenue recognized is based on management's best estimate, which is subject to change. Such changes will be reflected in the period in which the changes occur.

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. 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.

Note 1. Continued

Compensated Absences

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

Estimated Health Insurance

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

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. At September 30, 2015, the Hospital recognized changes in actuarial assumptions pertaining to the Hospital's defined benefit pension plan (Note 7) that are being amortized over a five-year period, totaling $1,636,315 as deferred outflows of resources.

Defined Benefit Pension Plan (the "Plan")

For purposes of measuring the 2015 net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Hospital's defined benefit pension plans and additions to/deductions from the Hospital's fiduciary net position have been determined on the same bases as they are reported by 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.

Prior to the adoption of GASB Statement No. 68 in 2015, contributions to the pension plans were actuarially determined and approximated annual pension expense (see 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.

Newly Adopted Accounting Standards

During the fiscal year ended September 30, 2015, the Hospital adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made After the Measurement Date*. These statements require employers providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability

NOTES TO FINANCIAL STATEMENTS

Note 1. Continued

and to more comprehensively and comparably measure the annual costs of pension benefits. The adoption of these statements resulted in the restatement of beginning net position as of October 1, 2014 for the change in accounting principle (see Note 14).

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* This statement provides guidance for financial accounting and reporting of government combinations and disposals of government operations. The adoption of this standard during 2015 did not have a material impact on the Hospital's financial statements.

Accounting Pronouncements Issued Not Yet Adopted

Governmental Accounting Standards Board Statement No. 72 ("GASB 72")

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This statement provides guidance for determining fair value measurements for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement are effective for financial statements for reporting periods beginning after June 15, 2015. The Hospital is currently assessing the impact of adopting this accounting standard.

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 were $30,601,660 and $33,518,067 at September 30, 2015 and 2014, 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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Continued

The Hospital's investments generally are reported at fair value, as discussed in Note 1. At September 30, 2015 and 2014, the Hospital had the following investments and maturities.

September 30, 2015 Investment Type	Bond Ratings Moodys	S&P	Interest Rate		Carrying Amount	Maturity Date
FHLB Bond	Aaa	AA+	2.00%	$	5,023,712	7/30/2020
FHLB Bond	Aaa	AA+	2.00%		3,015,995	8/24/2020
Total				$	8,039,707	

Deposits and investments are presented on the statements of net position as of September 30, 2015 and 2014, as follows:

		2015		2014
Cash and cash equivalents	$	32,494,177	$	33,056,165
Investments		8,039,707		4,985,886
Total	$	40,533,884	$	38,042,051
Cash and cash equivalents	$	13,883,658	$	16,550,619
Assets limited as to use		1,650,226		1,491,432
Internally designated for capital improvements		25,000,000		20,000,000
Total	$	40,533,884	$	38,042,051

Of the $46,687,139 and $60,389,429 of unrestricted net position reported at September 30, 2015 and 2014, respectively, $25,000,000 and $20,000,000 has been internally designated by the Hospital's Board of Commissioners for capital acquisitions for the period ended September 30, 2015 and 2014, respectively. Designated funds remain under the control of the Board of Commissioners which may, at its discretion, later use the funds for other purposes.

Note 3. Capital Assets

Major classes of capital assets at September 30, 2015 and 2014 are summarized as follows:

		2015		2014
Land and improvements	$	1,836,829	$	1,801,201
Buildings		49,860,000		49,625,000
Fixed equipment		6,952,642		6,077,268
Moveable equipment		115,287,192		111,082,077
Total capital assets		173,936,663		168,585,546
Less accumulated depreciation		126,001,211		118,783,604
Add construction in progress		1,778,143		1,182,645
Capital assets, net	$	49,713,595	$	50,984,587

NOTES TO FINANCIAL STATEMENTS

Note 3. Continued

Depreciation expense for the years ended September 30, 2015 and 2014 totaled $7,677,199 and $8,058,372, respectively.

A summary of capital assets for the years ended September 30, 2015 and 2014 follows:

	Balance September 30, 2014	Increases	Decreases	Balance September 30, 2015
Capital assets not being depreciated				
Land	$ 562,925	$ -	$ -	$ 562,925
Construction in progress	1,182,645	1,984,384	(1,388,886)	1,778,143
Total	1,745,570	1,984,384	(1,388,886)	2,341,068
Capital assets being depreciated				
Land improvements	1,238,276	35,628	-	1,273,904
Buildings	49,625,000	235,000	-	49,860,000
Fixed equipment	6,077,268	875,374	-	6,952,642
Movable equipment	111,082,077	4,679,025	(473,910)	115,287,192
Total	168,022,621	5,825,027	(473,910)	173,373,738
Less accumulated depreciation for				
Land improvements	(328,211)	(34,401)	-	(362,612)
Buildings	(12,685,361)	(1,299,649)	-	(13,985,010)
Fixed equipment	(3,616,817)	(36,009)	-	(3,652,826)
Movable equipment	(102,153,215)	(6,307,140)	459,592	(108,000,763)
Total accumulated depreciation	(118,783,604)	(7,677,199)	459,592	(126,001,211)
Depreciable capital assets, net	49,239,017	(1,852,172)	(14,318)	47,372,527
Total capital assets, net	$ 50,984,587	$ 132,212	$ (1,403,204)	$ 49,713,595

NOTES TO FINANCIAL STATEMENTS

Note 3. Continued

A summary of capital assets for the years ended September 30, 2014 and 2013 follows:

	Balance September 30, 2013	Increases	Decreases	Balance September 30, 2014
Capital assets not being depreciated				
Land	$ 562,925	$ -	$ -	$ 562,925
Construction in progress	1,065,156	1,438,045	(1,320,556)	1,182,645
Total	1,628,081	1,438,045	(1,320,556)	1,745,570
Capital assets being depreciated				
Land improvements	1,238,276	-	-	1,238,276
Buildings	49,373,894	251,106	-	49,625,000
Fixed equipment	6,028,035	49,233	-	6,077,268
Movable equipment	107,250,882	3,843,386	(12,191)	111,082,077
Total	163,891,087	4,143,725	(12,191)	168,022,621
Less accumulated depreciation for				
Land improvements	(302,440)	(25,771)	-	(328,211)
Buildings	(11,361,553)	(1,323,808)	-	(12,685,361)
Fixed equipment	(3,581,711)	(35,106)	-	(3,616,817)
Movable equipment	(95,489,124)	(6,673,687)	9,596	(102,153,215)
Total accumulated depreciation	(110,734,828)	(8,058,372)	9,596	(118,783,604)
Depreciable capital assets, net	53,156,259	(3,914,647)	(2,595)	49,239,017
Total capital assets, net	$ 54,784,340	$ (2,476,602)	$ (1,323,151)	$ 50,984,587

The Hospital had approximately $1,776,000 and $1,183,000 in construction commitments outstanding as of September 30, 2015 and 2014, respectively. No interest was capitalized during the years ended September 30, 2015 and 2014.

Note 4. 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.

NOTES TO FINANCIAL STATEMENTS

Note 4. Continued

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 5. Other Assets

The composition of other assets consisted of the following as of September 30:

	2015	2014
Net pension asset	$ -	$ 643,570
Other	17,495	17,495
Total other assets	$ 17,495	$ 661,065

Note 6. Net Position

Net position invested in capital assets, net of related debt, is as follows at September 30:

	2015	2014
Capital assets	$ 175,706,732	$ 169,768,191
Less accumulated depreciation	(126,095,631)	(118,783,604)
Net position invested in capital assets, net of related debt	$ 49,611,101	$ 50,984,587

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 publically available financial report that can be obtained from the Chief Financial Officer of Greenwood Leflore Hospital at P.O. Box 1410, Greenwood, Mississippi, 38935.

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

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% 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.

Summary of Participant Data

Data as of October 1, 2014:

1. Inactive Plan Participants	
a.) Retirees and beneficiaries currently receiving benefits	279
b.) Terminated employees entitled to deferred benefits	549
c.) Disabled employees entitled to deferred benefits	-
d.) Total	828
2. Active Plan Participants	
a.) Vested	434
b.) Nonvested	34
c.) Total	468
3. Total Plan Participants	1,296

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

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, 2015 and 2014 were $1,4548,037 and $1,059,862, respectively, equal to the required annual contributions for each year.

Net Pension Liability

The Hospital's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014.

Summary of Assumptions

The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Investment Rate of Return	7.30 percent, per annum, compounded annually
Discount Rate	7.30 percent 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

Mortality rates were based upon the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using projections Scale MP-2014.

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

Schedule of Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Net Position (b)	Net Pension Liability (a)–(b)
Balance at September 30, 2014	$ 44,881,035	$ 28,568,193	$ 16,312,842
Changes for the Year:			
Service cost	-	-	-
Interest	3,384,889	-	3,384,889
Benefit changes	-	-	-
Difference between expected and actual experience	68,042	-	68,042
Changes of assumptions	-	-	-
Contributions - employer	-	2,517,899	(2,517,899)
Contributions - employees	-	-	-
Net investment income	-	107,212	(107,212)
Refunds of contributions	-	-	-
Benefits paid	(1,965,617)	(1,965,617)	-
Administrative expenses	-	(88,388)	88,388
Other changes	-	-	-
Net changes	1,487,314	571,106	916,208
Balance at September 30, 2015	$ 46,368,349	$ 29,139,299	$ 17,229,050

Notes to Schedule

* The September 30, 2014 results reflect updated mortality table and interest rate assumptions that were adopted by the employer effective September 30, 2014.

The following represents the net pension liability 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 percent-point lower or 1 percent point higher than the current rate:

	1% Decrease (6.30%)	Current Rate (7.30%)	1% Increase (8.30%)
Net Pension Liability	$ 23,420,172	$ 17,229,050	$ 12,179,144

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

The asset allocation for each major asset class at September 30, 2015 are summarized below in the following table:

Asset Class	Asset Allocation
Mutual funds – fixed income	51.95%
Mutual funds – equities	23.00%
Common stock – equities	9.96%
International mutual funds	8.73%
Cash and cash equivalents	5.97%
International foreign stock	0.39%
Total	100%

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended September 30, 2015, the Hospital recognized pension expense of $1,797,793. At September 30, 2015, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Pension Outflows of Resources	Deferred Pension Inflows of Resources
Experience losses	$ 40,156	$ -
Net difference between projected and actual earnings on pension plan investments	1,596,159	-
Total	$ 1,636,315	$ -

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

Year Ending September 30,	Amount
2016	$ 426,926
2017	411,309
2018	399,040
2019	399,040
Total	$ 1,636,315

NOTES TO FINANCIAL STATEMENTS

Note 7. Continued

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 2.44 years.

Pension Plan as of and for the Year Ended September 30, 2014:

The annual required contribution for 2014 and 2013 was determined by an actuary using the frozen initial liability method. The actuarial assumptions for both years included (a) 7.75 percent investment rate of return and (b) no projected salary increases due to plan being frozen. Both (a) and (b) included a cost of living escalation of 5 percent per year.

Annual Pension Cost and Net Pension Asset

A reconciliation of the Hospital's annual pension cost and related net pension asset at September 30 2014, follows:

	2014
Annual required contribution	$ 1,059,862
Interest on net pension asset	(50,027)
Adjustment to annual required contribution	51,965
Annual pension cost	1,061,800
Contributions made	1,059,862
Decrease in net pension asset	1,938
Net pension asset at beginning of year	645,508
Net pension asset at end of year	$ 643,570

Three-Year Trend Information

Fiscal Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2014	$ 1,061,800	99.8%	$ 643,570
2013	1,046,133	99.8%	645,508
2012	1,900,904	99.9%	647,452

Note 7. Continued

Funding Progress

Analysis of the Plan's funding progress follows:

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a % of Covered Payroll
10/1/13	$ 27,123,606	$39,107,777	$11,984,171	69.4%	$ N/A	N/A
10/1/12	24,442,873	37,369,691	11,926,818	68.1%	42,232,178	28.2%
10/1/11	23,380,061	35,236,629	11,856,568	66.4%	40,123,235	29.6%

Note 8. Net Patient Service Revenue

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

Medicare

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

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective reimbursement methodology. The Hospital is reimbursed at a prospective rate which is adjusted annually based on published market basket updates (inpatient) or adjusted cost-to-charge ratios per annual cost reports (outpatient) as submitted by the Hospital and settled by the Medicaid fiscal intermediary. Beginning September 1, 2013, the Medicaid program changed to an Ambulatory Payment Classification ("APC") system for outpatient payments and beginning October 1, 2012, an APR-DRG system for inpatient payments.

The Hospital participates in the Medicaid Disproportionate Share Hospital ("DSH") and in the Medicaid Upper Payment Limit Program ("UPL"). Under these programs, the Hospital receives enhanced reimbursement through a matching mechanism. For the fiscal years ended September 30, 2015 and 2014, the Hospital reported approximately $10,097,000 and $10,386,000 respectively, from the UPL program. UPL amounts received are shown as a reduction of contractual adjustments with related tax assessments of approximately $3,324,000 and $4,302,000, respectively, for the years ended September 30, 2015 and 2014 that are recorded in operating expenses. The Hospital received approximately $-0- and $978,000 of enhanced reimbursements through the DSH program for the years ended September 30, 2015 and 2014, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 8. Continued

Beginning with the state fiscal year 2016, July 1, 2015, UPL payments were phased out and the DOM implemented the Mississippi Hospital Access Payment ("MHAP") program (the "MHAP Program") in its place. The MHAP Program will be administered by the DOM through the Mississippi CAN coordinated care organizations ("CCO"). The CCO's will subcontract with the Hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care. The MHAP Program is scheduled to begin December 1, 2015 and the MHAP payments and associated tax will be distributed and collected in seven equal installments during the months of December 2015 through June 2016. The MHAP Program, however, is currently pending CMS approval and therefore subject to significant modifications. The Hospital has accrued $2,499,000 related to the MHAP payments, net of tax, at September 30, 2015, based on information most readily and reasonably available to management.

Laws and regulations governing the Medicare and Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change. The 2015 and 2014 net patient service revenue decreased approximately $540,000 and $10,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated. The Hospital's cost reports have been settled through September 30, 2010.

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:

	2015	2014
Gross patient service revenue	$ 381,459,231	$ 382,160,879
Less:		
Provisions for contractual adjustments	231,203,766	235,078,405
Provisions for bad debts	28,676,476	29,522,149
Net patient service revenue	$ 121,578,989	$ 117,560,325

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 $1,689,979 and $3,077,036 in 2015 and 2014, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 10. Concentration of Credit Risks and Patient Service Revenue

Accounts Receivable

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

	2015	2014
Medicare	32%	30%
Medicaid	15	16
Blue Cross	6	6
Self-pay	29	30
Other	18	18
	100%	100%

Patient Service Revenue

The percentage mix of gross revenue for the years ended September 30, 2015 and 2014 for patient services rendered under contract with major third-party cost reimbursers follows:

	2015	2014
Medicare	49%	47%
Medicaid	21	21
Blue Cross	11	11
Self-pay	8	10
Other	11	11
	100%	100%

Note 11. Commitments and Contingencies

Operating Leases

The Hospital leases various equipment under operating leases expiring at various dates through September 2019. Total rental expense for the years ended September 30, 2015 and 2014, for all operating leases was approximately $916,000 and $726,000, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 11. Continued

The following is a schedule by year of future minimum lease payments under noncancelable operating leases as of September 30, 2015, that have initial or remaining lease terms in excess of one year:

Year Ending September 30,	Amount
2016	$ 328,483
2017	322,315
2018	319,358
2019	53,644
	$ 1,023,800

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. As of September 30, 2015 and 2014, this accrual totaled approximately $2,215,000 and $1,833,000, respectively.

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

	(Beginning) October 1, Claims Liability	Current Year Claims and Change in Estimates	Current Year Claim Payments	(Ended) September 30, Claims Liability
2014	$ 1,702,552	$ 530,902	$ (400,595)	$ 1,832,859
2015	$ 1,832,859	$ 403,218	$ (21,425)	$ 2,214,652

NOTES TO FINANCIAL STATEMENTS

Note 11. Continued

Self-Funded Health Insurance

The Hospital is self-insured for employee health coverage, up to a limit of $70,000 per individual claim. Substantial coverage with a third-party carrier is maintained for excess losses. The Hospital records a liability for employee health claims incurred but not reported or paid. This liability as of September 30, 2015 and 2014 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 2015 and 2014 are as follows:

	(Beginning) October 1, Claims Liability	Current Year Claims and Change in Estimates	Current Year Claim Payments	(Ended) September 30, Claims Liability
2014	$ 627,460	$ 4,618,720	$ (4,713,549)	$ 532,631
2015	$ 532,631	$ 3,317,934	$ (3,011,011)	$ 839,554

Note 12. Acquisition and Disposition

Effective September 17, 2014, the Hospital purchased the assets and business of North Central Mississippi Regional Cancer Center (the "Cancer Center") through an asset purchase agreement for cash consideration totaling $1,700,000. The acquisition was accounted for in accordance with the purchase method of accounting with the purchase price allocated to the fair value of the following assets acquired:

A summary of the transaction is as follows:

Fair value of assets of business acquired	
Furniture and equipment	$ 668,560
Medical and office supplies inventory	6,500
Other intangibles	1,024,940
Total fair value of assets acquired	$ 1,700,000

Operations of the Cancer Center are included in the accompanying financial statements from the date of acquisition.

During fiscal year 2015, the Hospital disposed of its investment in Cleveland Medical Alliance, which was accounted for as a blended component unit. The disposition resulted in a net loss of approximately $60,000 in the accompanying statements of revenues, expenses, and changes in net position.

NOTES TO FINANCIAL STATEMENTS

Note 13. Risks and Uncertainties

Current Economic Conditions and Patient Protection and Affordable Care Reconciliation Act

The current economic environment continues to present hospitals with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair values of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing and decreasing reimbursement rates.

Additionally, economic conditions, including the rising unemployment rate, have made it difficult for certain of the Hospital's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payors may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the state could have an adverse effect on cash flows related to the Medicaid program.

On March 23, 2010, the most sweeping healthcare legislation since the advent of Medicare was signed into law. The law promises to expand insurance coverage to an additional 32 million Americans, reduce the growth of Medicare expenditures, dramatically reform insurance markets, and continue the trend toward value-based payment. The Reconciliation Act adds some new provisions that were not included originally. Several legal challenges have been made against the legislation since it was enacted, and uncertainty exists as to the ultimate impact of the legislation on the healthcare delivery system. On June 28, 2012, the United States Supreme Court upheld the constitutionality of components of the Affordable Care Act, allowing the historic overhaul of the healthcare system to continue. Potential impacts of healthcare reform include uncertainty and volatility in Medicare and Medicaid reimbursement, fundamental changes in payment systems, increased regulation and significant required investments in healthcare information technology.

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

Note 14. Change in Accounting Principle

During the year ended September 30, 2015, the Hospital adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Due to certain information prior to the measurement date of September 30, 2014, not being available to the Hospital's actuary, the Hospital was not able to restate prior period presented. The following table summarized the effect of the implementation of GASB Statement No. 68 on the statement of changes in net position as of October 1, 2014:

Net position October 1, 2014, as previously stated	$ 112,911,951
Cumulative effect of application of GASB 68, net pension liability	(15,896,549)
Net position October 1, 2014, as restated	$ 97,015,402

REQUIRED SUPPLEMENTARY INFORMATION

GREENWOOD LEFLORE HOSPITAL
Schedule of Changes in Net Pension Liability and Ratios
September 30, 2015

Schedule of Changes in the Net Pension Liability and Related Ratios

	Fiscal year ended September 30, 2014	2015
Total Pension Liability		
Service cost	$ -	$ -
Interest	3,030,853	3,384,889
Changes of benefit terms	-	-
Difference between expected and actual experience	(65,094)	68,042
Changes of assumptions	4,640,010	-
Benefit payments/refunds	(1,832,511)	(1,965,617)
Net change in total pension liability	5,773,258	1,487,314
Total pension liability – beginning	39,107,777	44,881,035
Total pension liability – ending (a)	$ 44,881,035*	$ 46,368,349
Plan Fiduciary Net Position		
Contributions – employer	$ 1,044,189	$ 2,517,899
Contributions - employee	-	-
Net investment income	2,125,949	107,212
Benefit payments/refunds	(1,832,511)	(1,965,617)
Administrative expenses	(96,385)	(88,388)
Other	-	-
Net change in plan fiduciary net position	1,241,242	571,106
Plan fiduciary net position – beginning	27,326,951	28,568,193
Plan fiduciary net position – ending (b)	$ 28,568,193	$ 29,139,299
Net pension liability – ending (a) – (b)	$ 16,312,842*	$ 17,299,050
Plan fiduciary net position as a percent of the total pension liability	63.7%	62.8%
Covered-employee payroll	N/A	N/A
Net pension liability as a percent of covered-employee payroll	N/A	N/A

Notes to Schedule

* The September 30, 2014 results reflect updated mortality table and interest rate assumptions that were adopted by the employer effective September 30, 2014.

Schedule of Contributions

	Fiscal year ended September 30, 2014	2015
Actuarially determined contribution	$ 1,059,862	$ 1,458,037
Contributions in relation to the actuarially Determined contribution*	1,059,862	1,458,037
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule

* The contribution for the 2013-14 plan year ($1,059,862) was contributed during the 2014-15 plan year and was accrued by the Hospital as of fiscal year ended September 30, 2014. The contribution for the 2014-15 plan year ($1,458,037) was also contributed during the 2014-15 plan year. It is the employer's intent that future contributions will be made before the end of each given plan year.

Summary of Assumptions and Methods Used to Determine Contributions Rates

The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Investment Rate of Return	7.30%, per annum, compounded annually
Discount Rate	7.30% 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

Mortality rates were based upon the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using projections Scale MP-2014.

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 2.44 years.

Schedule of Investment Returns

	Fiscal year ended September 30, 2014	2015
Net Pension Liability	7.91%	0.37%

Notes to Schedule
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, 2015 uses a closed period of 27 years.

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, 2014 Actuarial Valuation Report. 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, 2015

Name	Position	Surety		Amount
Brian Waldrop	Board Member	Travelers	$	100,000
Gladys Flaggs	Board Member	Travelers		100,000
Sammy Foster	Board Member	Travelers		100,000
Bryan Thornhill	Board Member	Travelers		100,000
Larry Griggs	Board Member	Travelers		100,000
James Jackson	Chief Executive Officer	Travelers		100,000
Dodie McElmurray	Chief Operating Officer	Travelers		100,000
Dawne Holmes	Chief Financial Officer	Travelers		100,000

HORNE
CPAs & Business Advisors

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, MS, as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated December 10, 2015.

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
December 10, 2015