

**GREENWOOD LEFLORE HOSPITAL**  
Greenwood, MS

**Audited Financial Statements**  
As of and for the Years Ended  
September 30, 2021 and 2020

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## 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hospital, as of September 30, 2021 and 2020, 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 Matter Regarding Going Concern**

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

## **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 four through 10 and the pension schedules and information on pages 37 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Schedule of Surety Bonds for Officers and Employees on page 41 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 21, 2021 on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

*HORNE LLP*

Ridgeland, Mississippi  
December 21, 2021

## GREENWOOD LEFLORE HOSPITAL

### Management's Discussion and Analysis Years Ended September 30, 2021 and 2020

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The discussion and analysis of Hospital financial performance provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2021 and 2020. 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.

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

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

#### **The Statements of Cash Flows**

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

#### **The Hospital's Net Position**

The Hospital's net position is the difference between its assets and liabilities reported in the statements of net position on page 11. Total net position decreased during fiscal year 2021 by \$11 million (21 percent), and decreased \$2.5 million during fiscal year 2020 (5 percent), as reflected on the statements of revenues, expenses and changes in net position. The novel Coronavirus (COVID-19) was identified in China in December 2019. On March 13, 2020, the President declared a national state of emergency, ordering all states to establish emergency operations and authorizing the use of federal funds. On March 14, 2020, the Governor of Mississippi declared a state of emergency due to the COVID-19 pandemic. Greenwood Leflore Hospital implemented incident command on March 13, 2020. The first COVID-19 patient was identified in Leflore County on March 11, 2020. In an effort to prevent the spread and preserve Personal Protective Equipment ("PPE"), an executive order was issued March 18, 2020 until May 2020 cancelling and / or postponing elective procedures, outpatient diagnostic testing and physician clinic visits. In mid-May the restrictions were slowly lifted, but new COVID-19 protocols remained in place. The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted by Congress on March 27, 2020. The CARES Act included a variety of economic assistance provisions for hospitals and other providers. Greenwood Leflore Hospital received \$24.8 million of CARES Act funding to aid in the recovery of lost revenues, responding to the pandemic and maintaining the delivery of healthcare capacity, of which approximately \$11.2 million and \$13.6 million was recognized as nonoperating revenues in the accompanying 2021 and 2020 statements of revenues, expenses and changes in net position, respectively. Under the CARES Act, Greenwood Leflore Hospital also received \$16.5 million in advanced Medicare payments from CMS in fiscal year 2020, accounted for as a contract liability on the September 30, 2021 and 2020 statements of net position. CMS began recouping these advance payments against Medicare claims for services that are provided during the fiscal year ended 2021. These events had a significant impact on volumes, revenues and expenses for the fiscal year. In accordance with Governmental Accounting Standards Technical Bulletin No. 2021-1, the

## GREENWOOD LEFLORE HOSPITAL

### Management's Discussion and Analysis Years Ended September 30, 2021 and 2020

Hospital has generally reported all remaining CARES Act funds recognized as revenue in 2021 as nonoperating revenue. Cash used in operations of the Hospital increased approximately \$12 million from 2020 to 2021. This increase in cash used in operations was offset by CARES Act funds and the Medicare Advanced payments which were accounted for as cash provided by noncapital financing activities.

#### Assets, Liabilities and Net Position (in thousands)

	September 30,		
	2021	2020	2019
<b>Assets</b>			
Current assets	\$ 40,867	\$ 54,507	\$ 28,080
Funds internally designated for capital improvements	-	13,400	13,400
Capital assets, net	41,312	44,103	43,086
Other assets	2,891	2,295	3,175
Total assets	85,070	114,305	87,741
Deferred outflows of resources	36	418	416
Total assets and deferred outflows of resources	85,106	114,723	88,157
<b>Liabilities</b>			
Current liabilities	29,221	44,949	16,628
Net pension liability	9,477	14,130	14,383
Long-term debt, net of current maturities	1,530	2,644	1,897
Total liabilities	40,228	61,723	32,908
Deferred inflows of resources	3,593	714	461
<b>Net position</b>			
Invested in capital assets	37,830	38,739	39,971
Restricted			
Expendable for use in self-insurance	2,752	897	1,018
Expendable for specific operating activities	46	46	46
Unrestricted	657	12,604	13,753
Total net position	\$ 41,285	\$ 52,286	\$ 54,788

The Hospital's cash and investment position decreased in 2021 by \$28.3 million. This net decrease in cash is attributable to the use of CARES Act funding and the on-going recoupment of Medicare Advanced and Accelerated Loan Payments. The decrease in cash is also attributable to the reduction in patient volumes and a use of cash to fund operations and capital purchases and improvements. The Hospital's cash and investment position increased in 2020 by \$28.5 million. This net increase in cash is attributable to the CARES Act funding and Medicare Advanced and Accelerated Loan Payments.

## GREENWOOD LEFLORE HOSPITAL

### Management's Discussion and Analysis Years Ended September 30, 2021 and 2020

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

	2021	2020	2019
Cash and cash equivalents	\$ 17,289	\$ 38,614	\$ 10,033
Assets limited to use	2,752	897	1,018
Investments	4,610	-	-
Designated by Board for capital improvements	-	13,400	13,400
<b>Total available cash and investments</b>	<b>\$ 24,651</b>	<b>\$ 52,911</b>	<b>\$ 24,451</b>

The Hospital's cash and cash equivalents includes funds associated with the Advanced Medicare Payment Program reported as a contract liability of approximately \$13.5 million and \$16.5 million at September 30, 2021 and 2020, respectively.

Cash and investment balances available for operations at September 30, 2021 and 2020, inclusive of CARES Act and Medicare Advanced Payment funds, represent cash sufficient to cover approximately 78 and 173 days of operating expenses, respectively.

#### Capital Assets and Current Liabilities Administration

Net capital assets decreased by \$2.8 million in 2021. This increase relates to \$3.4 million in capital expenditures offset by \$6.2 million in depreciation of the Hospital's assets. Net capital assets increased by \$1 million in 2020. This increase relates to \$7 million in capital expenditures offset by \$6 million in depreciation of the Hospital's assets.

The table below shows the changes in capital assets:

#### Capital Assets (in thousands)

	September 30,		
	2021	2020	2019
Land and land improvements	\$ 1,922	\$ 1,901	\$ 1,899
Building and leasehold improvements	57,124	56,878	55,680
Equipment	143,392	139,851	134,644
Capital lease assets	169	-	-
<b>Subtotal</b>	<b>202,607</b>	<b>198,630</b>	<b>192,223</b>
Less: accumulated depreciation	(162,534)	(156,357)	(150,891)
Construction in progress	1,239	1,830	1,754
<b>Net capital assets</b>	<b>\$ 41,312</b>	<b>\$ 44,103</b>	<b>\$ 43,086</b>

In 2021, current liabilities decreased by \$15.7 million, primarily due to the \$3 million decrease in the liability associated with the Medicare Advanced Payments that were recouped from remittance advices and the \$11.2 million deferred CARES Act revenue being recognized in fiscal year 2021 as incurred. In 2020, current liabilities increased by \$28.3 million, primarily due to the \$16.5 million liability associated with the Medicare Advanced Payments due to be recouped from future remittance advices and the \$11.2 million deferred CARES Act revenue to be recognized in fiscal year 2021 as incurred.



## GREENWOOD LEFLORE HOSPITAL

### Management's Discussion and Analysis Years Ended September 30, 2021 and 2020

#### Net Pension Liability

The net pension liability and related deferred outflows and inflows of resources are actuarially determined. Deferred outflows from pension were \$0.03 million in 2021 and \$0.4 million in 2020 and 2019. Deferred inflows from pension were \$3.6 million, \$0.7 million and \$0.5 million in 2021, 2020 and 2019, respectively. These represent a change in actuarial assumptions, experience and investment gains or losses pertaining to the defined benefit plan that is being amortized over a two to five-year period. Net pension liability as of September 30, 2021, 2020, and 2019 was \$9.5 million, \$14.1 million, and \$14.4 million, respectively.

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

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

	Fiscal Year Ended September 30,		
	2021	2020	2019
Operating revenues			
Net patient service revenue	\$ 96,652	\$ 99,938	\$ 111,222
Other revenues	2,875	1,088	1,057
Total operating revenues	<u>99,527</u>	<u>101,026</u>	<u>112,279</u>
Operating expenses			
Professional care of patients	84,536	81,299	82,191
General, administrative and plant services	21,312	21,567	21,684
Employee health and welfare	9,664	8,843	9,368
Depreciation and amortization	6,282	5,906	6,007
Total operating expenses	<u>121,794</u>	<u>117,615</u>	<u>119,250</u>
Loss from operations	<u>(22,267)</u>	<u>(16,589)</u>	<u>(6,971)</u>
Nonoperating revenues (expenses)			
Investment income	266	698	699
Interest expense	(125)	(129)	(79)
CARES Act funding	11,123	13,581	-
Loss on disposal of capital assets	2	(63)	(17)
Total nonoperating revenues, net	<u>11,266</u>	<u>14,087</u>	<u>603</u>
Decrease in net position	<u>(11,001)</u>	<u>(2,502)</u>	<u>(6,368)</u>
Net position, beginning of year	<u>52,286</u>	<u>54,788</u>	<u>61,156</u>
Net position, end of year	<u>\$ 41,285</u>	<u>\$ 52,286</u>	<u>\$ 54,788</u>

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

## GREENWOOD LEFLORE HOSPITAL

### Management's Discussion and Analysis Years Ended September 30, 2021 and 2020

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visits to the Hospital's facilities were significantly curtailed beginning March 2020 and continued through fiscal 2021. The Hospital experienced significantly lower inpatient and outpatient volumes while also dealing with increased costs associated with staffing, personal protective equipment, and managing the pandemic, causing the significant decline in operating income from the prior year. Through September 30, 2021, the Hospital received approximately \$24.8 million of CARES Act relief funds, of which approximately \$11.2 million and \$13.6 million was recognized as nonoperating revenues in the accompanying 2021 and 2020 statements of revenues, expenses and changes in net position, respectively. The CARES Act relief funds are to be used to cover allowable costs and loss of revenue attributable to the effects of COVID-19 and are subject to terms and conditions which contain significant complexities and uncertainties.

#### **Net Patient Service Revenue**

##### Fiscal Year Ended September 30, 2021

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

Contractual adjustments, which are deductions from gross patient service revenue, decreased \$4.6 million (2 percent) to \$195.5 million in 2021 from \$200.1 million in 2020. Contractual adjustments expressed as a percentage of gross patient service revenues were 63.3 percent in 2021 and 63.5 percent in 2020. The Hospital's net benefit from the Medicaid Voluntary Contribution program and the Mississippi Hospital Access program decreased approximately \$437,000 in fiscal year 2021. There can be no assurance that the Hospital will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified.

Bad debt expense increased \$1.5 million (10 percent) to \$16.8 million in 2021 from \$15.3 million in 2020. Bad debt expense expressed as a percentage of gross patient service revenue was 5.4 percent in 2021 and 4.8 percent 2020.

##### Fiscal Year Ended September 30, 2020

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

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### Management's Discussion and Analysis Years Ended September 30, 2021 and 2020

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

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

#### **Operating Expenses**

##### Fiscal Year Ended September 30, 2021

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

Professional care of patients' expenses comprises 69.4 percent and 69.1 percent of total operating expenses for 2021 and 2020, respectively, and increased to \$84.5 million in 2021 from \$81.3 million in 2020, an increase of \$3.2 million or 3.9 percent. Salaries and contract expenses associated with rendering patient care comprises approximately 65.4 percent of total professional care of patients' expenses. Salaries and contract expenses within the cost component increased \$2.5 million in 2021. This was the result of rising labor costs created by the nationwide staffing shortages in nursing, cardiopulmonary and laboratory related to the COVID-19 pandemic. Supplies and other costs included in the professional care of patients' components increased \$.08 million from 2020 to 2021.

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

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

Depreciation and amortization expense was \$6.3 million for 2021 and \$5.9 million for 2020.

##### Fiscal Year Ended September 30, 2020

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

Professional care of patients' expenses comprises 69.1 percent and 68.9 percent of total operating expenses for 2020 and 2019, respectively, and decreased to \$81.3 million in 2020 from \$82.2 million in 2019, a decrease of \$0.9 million or 1.1 percent. Salaries and contract expenses associated with rendering patient care comprises approximately 63.0 percent of total professional care of patients' expenses. Salaries and contract expenses within the cost component decreased \$0.8 million in 2020, This was the result of rising labor costs created by the staffing shortages

## GREENWOOD LEFLORE HOSPITAL

### Management's Discussion and Analysis Years Ended September 30, 2021 and 2020

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related to the COVID-19 pandemic offset by the patient volume decreases and continued focus on labor targets. Supplies and other costs included in the professional care of patients' components decreased \$3.2 million from 2019 to 2020.

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

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

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

#### **Economic Factors and Next Year's Budget**

COVID-19 is expected to continue to have a significant impact on patient services. While ICU services have been favorably impacted, the hospital's remaining inpatient and outpatient services have been negatively impacted. The pace of any recovery to historical patient service levels, including patient service revenues is unknown and we believe dependent upon vaccination levels and the lack of any additional "COVID Waves" related to virus mutations. In addition, the nationwide shortage of key clinical skills has resulted in the cost of labor increases in order to continue to adequately staff the hospital's services. The hospital continues to monitor regulatory actions for the availability of additional grants to mitigate negative impacts on revenues and costs.

The Board of Hospital Commissioners approved the 2022 operating budget. The budget was developed after a review of key volume indicators and trends, the likelihood of an ongoing pandemic, a review of the Hospital's strategic business plan, a review of the funding changes to Medicare and Medicaid and a review of local economic conditions the service area. The budget provides for a net loss of \$9.4 million. The budget does not include \$5.4 million in ARPA funding that was awarded in November 2021.

#### **Contacting the Hospital Financial Manager**

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

**GREENWOOD LEFLORE HOSPITAL**

Statements of Net Position  
September 30, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 17,288,573	\$ 38,613,917
Assets limited as to use	2,751,780	897,011
Investments	4,610,280	-
Patient accounts receivable, net of allowance for doubtful accounts of \$45,859,218 and \$42,238,007, respectively	10,933,670	9,804,850
Estimated third-party payor settlements	857,493	981,461
Inventories	2,639,155	2,610,634
Prepaid expenses and other current assets	1,785,657	1,599,345
Total current assets	40,866,608	54,507,218
Funds internally designated for capital improvements	-	13,400,000
Capital assets, net	41,311,916	44,102,646
Other assets		
Other receivables	1,583,784	988,124
Other assets	282,494	282,494
Intangibles	1,024,940	1,024,940
Total other assets	2,891,218	2,295,558
Total assets	85,069,742	114,305,422
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension outflows	36,212	418,066
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	6,664,073	5,664,530
Accrued expenses, including payroll taxes withheld	6,292,242	8,770,082
Contract liability	13,534,198	16,529,305
CARES Act deferred revenue	779,691	11,265,797
Current maturities of long-term debt and capital lease obligations	1,951,059	2,718,961
Total current liabilities	29,221,263	44,948,675
Net pension liability	9,476,751	14,130,423
Long-term debt and capital lease obligations, net of current maturities	1,530,203	2,644,092
Total liabilities	40,228,217	61,723,190
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	3,592,403	713,949
<b>NET POSITION</b>		
Net investment in capital assets	37,830,654	38,739,593
Restricted		
Use in self-insurance	2,751,780	897,011
Specific operating activities	45,882	46,062
Unrestricted	657,018	12,603,683
Total net position	41,285,334	52,286,349
Total liabilities, deferred inflows of resources and net position	\$ 85,105,954	\$ 114,723,488

See notes to financial statements.

**GREENWOOD LEFLORE HOSPITAL**

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$16,769,497 and \$15,251,992, respectively	\$ 96,652,104	\$ 99,937,557
Other operating revenue	2,874,688	1,088,060
Total operating revenues	99,526,792	101,025,617
Operating expenses		
Professional care of patients	84,536,010	81,298,930
General and administrative services	14,048,893	14,711,840
Dietary services	1,247,033	1,305,801
Household and plant operations	6,016,062	5,549,527
Employee health and welfare	9,664,240	8,842,889
Depreciation and amortization	6,281,337	5,905,573
Total operating expenses	121,793,575	117,614,560
Loss from operations	(22,266,783)	(16,588,943)
Nonoperating revenues (expenses)		
Investment income	265,461	698,582
Interest expense	(124,830)	(129,388)
CARES Act funding	11,122,740	13,580,799
Gain (loss) on disposal of capital assets	2,397	(63,139)
Total nonoperating revenues	11,265,768	14,086,854
Decrease in net position	(11,001,015)	(2,502,089)
Net position, beginning of year	52,286,349	54,788,438
Net position, end of year	\$ 41,285,334	\$ 52,286,349

See notes to financial statements.

**GREENWOOD LEFLORE HOSPITAL**  
 Statements of Cash Flows  
 Years Ended September 30, 2021 and 2020

	2021	2020
<b>Cash flows from operating activities</b>		
Receipts from and on behalf of patients	\$ 95,647,252	\$ 102,114,699
Payments to employees	(78,391,508)	(69,646,554)
Payments to suppliers and contractors	(40,802,884)	(42,303,792)
Other receipts and payments, net	2,874,688	1,088,060
Net cash used in operating activities	<u>(20,672,452)</u>	<u>(8,747,587)</u>
<b>Cash flows from noncapital financing activities</b>		
Contract liability	(2,995,107)	16,529,305
CARES Act relief funds	636,634	24,846,596
Net cash provided by (used in) noncapital financing activities	<u>(2,358,473)</u>	<u>41,375,901</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from sale of capital assets	3,350	300
Purchases of capital assets	(3,318,076)	(4,115,304)
Proceeds from issuance of long-term debt	-	1,000,000
Payments on long-term debt and capital lease obligations	(2,055,275)	(1,622,784)
Interest paid on long-term debt and capital lease obligations	(124,830)	(129,388)
Net cash used in capital and related financing activities	<u>(5,494,831)</u>	<u>(4,867,176)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(81,195)	(103,291)
Proceeds from sale of investments	-	5,996,437
Interest and dividends on investments	385,552	559,360
Net cash provided by investing activities	<u>304,357</u>	<u>6,452,506</u>
Increase (decrease) in cash and cash equivalents	(28,221,399)	34,213,644
Cash and cash equivalents, beginning of year	<u>48,261,752</u>	<u>14,048,108</u>
Cash and cash equivalents, end of year	<u>\$ 20,040,353</u>	<u>\$ 48,261,752</u>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents	\$ 17,288,573	\$ 38,613,917
Assets limited as to use	2,751,780	897,011
Cash internally designated for capital improvements	-	8,750,824
Total cash and cash equivalents	<u>\$ 20,040,353</u>	<u>\$ 48,261,752</u>

See notes to financial statements.

**GREENWOOD LEFLORE HOSPITAL**  
 Statements of Cash Flows (Continued)  
 Years Ended September 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>Reconciliation of loss from operations to net cash provided by (used in) operating activities</b>		
Loss from operations	\$ (22,266,783)	\$ (16,588,943)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities		
Depreciation and amortization	6,281,337	5,905,573
Provision for bad debts	16,769,497	15,251,992
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources		
Receivables	(17,898,317)	(12,622,716)
Inventories	(28,521)	(123,097)
Prepaid and other assets	(781,972)	858,385
Accounts payable	999,543	(1,865,611)
Estimated third-party payor settlements	123,968	(452,134)
Accrued expenses, including payroll taxes withheld	(2,477,840)	889,773
Net pension liability and related accounts	(1,393,364)	(809)
Net cash used in operating activities	\$ (20,672,452)	\$ (8,747,587)
<b>Supplemental cash flow information</b>		
Purchase of equipment through capital lease obligations	\$ 173,484	\$ 2,870,479
Unrealized gain (loss) on investments	\$ (120,091)	\$ 139,222
Gain (loss) on disposal of capital assets	\$ 2,397	\$ (63,139)

See notes to financial statements.



**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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

Nature of Operations and Reporting Entity

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

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

Basis of Accounting

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

Use of Estimates

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

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

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

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

Cash and Cash Equivalents

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

Patient Accounts Receivable

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

Inventories

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

Prepaid Expenses and Deferred Charges

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

Investments

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

Designated Funds

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

Capital Assets

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

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

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

Useful lives for the major asset classes follows:

	<u>Years</u>
Land improvements	5 - 20
Buildings and improvements	5 - 40
Fixed equipment	5 - 25
Major moveable equipment	5 - 20

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

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

Intangible Assets

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

Income Taxes

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

Net Position

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

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

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

Operating Revenue and Expenses

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

Net Patient Service Revenue

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

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

Charity Care

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

Grants and Contributions

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

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

Compensated Absences

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

Estimated Health Insurance

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

Defined Benefit Pension Plan (the "Plan")

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

Estimated Malpractice Costs

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

New Accounting Standards Adopted

The Hospital adopted GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in fiscal year 2021. This statement postpones by one year the effective dates of certain GASB pronouncements, including Statements No. 84 and No. 89, to fiscal years 2022 and 2023. This statement postpones by eighteen months the effective dates of certain GASB pronouncements, including Statement No. 87, to fiscal year 2022.

In June 2021, the GASB issued Technical Bulletin No. 2021-1, *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and Coronavirus Diseases*, to provide application guidance for recognition and presentation issues related to expenses incurred in response to closures prompted by the COVID-19 pandemic and revenue and liabilities related to certain programs established by the CARES Act. The requirements of the technical bulletin were effective immediately and applied in fiscal year 2021.

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Continued**

Accounting Pronouncements Issued Not Yet Adopted

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. This statement is meant to provide guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. Fiduciary activities meeting certain criteria (i.e., pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds) will be reported in a fiduciary fund as part of the basic financial statements. The requirements of this statement are effective for reporting periods beginning after December 15, 2020, with earlier application encouraged. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

In June 2019, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period by not allowing for the capitalization of interest in future periods. The requirements of this statement are effective for reporting periods beginning after December 15, 2021, with earlier application encouraged and should be applied prospectively. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

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

In May 2021, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users. This statement defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, with earlier application encouraged. The Hospital is currently assessing the impact of the adoption of this GASB and its effect on the Hospital's financial position or results of operations.

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Deposits and Investments**

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits might not be recovered. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann (1972). Under this program, the Hospital's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation ("FDIC"). All deposits with financial institutions must be collateralized in an amount equal to 105 percent of uninsured deposits and are therefore fully insured. The bank balance of the collateralized and insured balances was \$19,524,059 and \$47,819,056 at September 30, 2021 and 2020, respectively, including money market accounts listed below.

Investments

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

The Hospital's investments are reported at fair value, as discussed in Note 3. At September 30, 2021 and 2020, the Hospital had the following investments and maturities.

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

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

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Continued**

Deposits and investments are presented on the statements of net position as of September 30, 2021 and 2020, as follows:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 17,288,573	\$ 38,613,917
Assets limited as to use, current	2,751,780	897,011
Investments	4,610,280	-
Internally designated for capital improvements	-	13,400,000
Total	\$ 24,650,633	\$ 52,910,928

Of the \$657,018 and \$12,603,683 of unrestricted net position reported at September 30, 2021 and 2020, respectively, \$-0- and \$13,400,000 have been internally designated by the Hospital's Board of Commissioners for capital acquisitions. From time to time, the operations of the Hospital have resulted in negative changes in unrestricted net position and, over a period, these negative operations have resulted in the Hospital relying on the use of internally designated funds to meet cash flow needs. Designated funds remain under the control of the Board of Commissioners which may, at its discretion, later use the funds for other purposes, and the portion invested in cash and cash equivalents is presented on the statements of cash flows as of September 30, 2021 and 2020, as follows:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ -	\$ 8,750,824
Investments	-	4,649,176
Total	\$ -	\$ 13,400,000

**Note 3. Fair Value Measurement**

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

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

The Hospital has the following recurring fair value measurements:

- Investment pools of \$4,610,280 and \$4,649,176 as of September 30, 2021 and 2020, respectively, are valued at the Hospital's percentage ownership based on the value of the underlying investments (Level 2 inputs).



**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Capital Assets**

Major classes of capital assets at September 30, 2021 and 2020 are summarized as follows:

	2021	2020
Land and improvements	\$ 1,921,975	\$ 1,900,387
Buildings	57,123,778	56,877,881
Fixed equipment	7,914,713	7,825,301
Moveable equipment	135,646,821	132,025,577
Total capital assets	202,607,287	198,629,146
Less accumulated depreciation	(162,533,608)	(156,356,622)
Add construction in progress	1,238,237	1,830,122
Capital assets, net	\$ 41,311,916	\$ 44,102,646

Depreciation expense for the years ended September 30, 2021 and 2020 totaled \$6,281,337 and \$5,905,573, respectively. There was no capitalized interest included in construction in progress during the years ended September 30, 2021 and 2020. Equipment under capital lease obligations net of accumulated amortization totaled \$2,653,370 and \$3,155,424 as of September 30, 2021 and 2020, respectively. Accumulated amortization of equipment under capital lease obligations was approximately \$2,707,000 and \$2,036,000 at September 30, 2021 and 2020, respectively.

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

	2020	Increases	Decreases	2021
Capital assets not being depreciated				
Land	\$ 578,395	\$ -	\$ -	\$ 578,395
Construction in progress	1,830,122	673,195	(1,265,080)	1,238,237
Total	2,408,517	673,195	(1,265,080)	1,816,632
Capital assets being depreciated				
Land improvements	1,321,992	21,588	-	1,343,580
Buildings	56,877,881	245,897	-	57,123,778
Fixed equipment	7,825,301	89,412	-	7,914,713
Movable equipment	132,025,577	3,726,008	(104,764)	135,646,821
Total	198,050,751	4,082,905	(104,764)	202,028,892
Less accumulated depreciation for				
Land improvements	(480,938)	(12,351)	-	(493,289)
Buildings	(21,071,718)	(1,534,648)	-	(22,606,366)
Fixed equipment	(4,043,150)	(90,350)	-	(4,133,500)
Movable equipment	(130,760,816)	(4,643,988)	104,351	(135,300,453)
Total accumulated depreciation	(156,356,622)	(6,281,337)	104,351	(162,533,608)
Depreciable capital assets, net	41,694,129	(2,198,432)	(413)	39,495,284
Total capital assets, net	\$ 44,102,646	\$ (1,525,237)	\$ (1,265,493)	\$ 41,311,916

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Continued**

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

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

**Note 5. Long-Term Debt and Capitalized Obligations**

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

	2021	2020
Trustmark note payable, with an interest rate of 2.98 percent and payments due through November 2, 2021, collateralized by equipment that was purchased with the note	\$ 127,106	\$ 874,875
Bank of Commerce note payable, with an interest rate of 1.50 percent and payable in 11 monthly principal and interest payments of \$13,215, beginning December 2020 and ending November 2021 with a final payment of \$748,620	759,920	892,715
Capital lease obligations, with payments due through 2025, collateralized by leased equipment.	2,594,236	3,595,463
Total long-term debt	3,481,262	5,363,053
Less current maturities of long-term debt	(1,951,059)	(2,718,961)
Long-term debt and capital lease obligations, excluding current maturities	\$ 1,530,203	\$ 2,644,092

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Continued**

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

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

	2021	2020
Interest expense	\$ 124,830	\$ 129,388
Investment income	\$ 265,461	\$ 698,582

Scheduled interest and principal payments of long-term debt and payments on capital lease obligations at September 30, 2021 are as follows:

Year Ending September 30,	Long-Term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2022	\$ 887,026	\$ 2,394	\$ 1,064,033	\$ 56,089
2023	-	-	709,235	33,120
2024	-	-	696,924	14,010
2025	-	-	124,044	860
2026	-	-	-	-
	<u>\$ 887,026</u>	<u>\$ 2,394</u>	<u>\$ 2,594,236</u>	<u>\$ 104,079</u>

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

	Balance September 30, 2020	Additions	Retirements	Balance September 30, 2021	Due Within One Year
Notes payable	\$ 1,767,590	\$ -	\$ (880,564)	\$ 887,026	\$ 887,026
Capital lease obligations	3,595,463	173,484	(1,174,711)	2,594,236	1,064,033
Total long-term debt	<u>\$ 5,363,053</u>	<u>\$ 173,484</u>	<u>\$ (2,055,275)</u>	<u>\$ 3,481,262</u>	<u>\$ 1,951,059</u>

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

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

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Other Receivables**

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

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

**Note 7. Defined Benefit Pension Plan**

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

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

Normal Retirement Benefit

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

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

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

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Continued**

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

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

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

Summary of Participant Data

	2021	2020
1. Inactive Plan Participants		
a. Retirees and beneficiaries currently receiving benefits	359	349
b. Terminated employees entitled to deferred benefits	580	575
c. Disabled employees entitled to deferred benefits	-	-
d. Total	939	924
2. Active Plan Participants		
a. Vested	281	309
b. Nonvested	-	-
c. Total	281	309
3. Total Plan Participants	1,220	1,233

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, 2021 and 2020 were \$1,598,738 and \$1,413,913, respectively, equal to the actuarial determined annual contributions for each year.

Net Pension Liability

The Hospital's net pension liability was measured as of September 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2020 and 2019, respectively.

Summary of Assumptions

The total pension liability as of September 30, 2021 and 2020 was measured using the following actuarial assumptions, applied to all periods in the measurement:

*Investment Rate of Return*    7.10 and 7.00 percent, respectively, per annum, compounded annually

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Continued**

*Discount Rate*                                      7.10 and 7.00 percent, respectively, per annum, compounded annually

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

*Salary increases*                                      Not applicable, benefits are frozen

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

Effective September 30, 2021, the mortality table was changed from the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2019 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2020 to better recognize current and future mortality improvements.

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

Schedule of Changes in Net Pension Liability

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

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

**Note 7. Continued**

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

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

	1% Decrease (6.10%)	Current Rate (7.10%)	1% Increase (8.10%)
Net Pension Liability	\$ 14,977,041	\$ 9,476,751	\$ 4,875,148

The asset allocations for each major asset class at September 30, 2021 and 2020, are summarized below in the following table:

Asset Class	2021 Allocation	2020 Allocation
Mutual funds – fixed income	42.8%	43.4%
Mutual funds – equities	41.2%	40.8%
Common stock – equities	2.7%	2.3%
International mutual funds	12.6%	12.6%
Cash and cash equivalents	0.7%	0.8%
International foreign stock	-	0.1%
Total	100%	100%

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Continued**

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended September 30, 2021 and 2020, the Hospital recognized pension expense of \$205,375 and \$1,413,106, respectively. At September 30, the Hospital reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<b>2021</b>	<b>2020</b>
Deferred outflows of resources		
Experience losses	\$ 36,212	\$ 125,840
Change in assumptions	-	292,226
Total deferred outflows of resources	<b>\$ 36,212</b>	<b>\$ 418,066</b>
	<b>2021</b>	<b>2020</b>
Deferred inflows of resources		
Changes in assumptions	\$ (195,309)	\$ -
Net difference between projected and actual earnings on pension plan investments	(3,397,094)	(713,949)
Total deferred inflows of resources	<b>\$ (3,592,403)</b>	<b>\$ (713,949)</b>
Net deferred inflows of resources	<b>\$ (3,556,191)</b>	<b>\$ (295,883)</b>

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ (978,587)
2023	(870,604)
2024	(977,067)
2025	(729,933)
<b>Total</b>	<b>\$ (3,556,191)</b>

Amortization Period

Investment gains or losses are amortized over five years.

Changes in actuarial assumptions and experience gains or losses are amortized over the average working lifetime of all participants, which for the current period is 1.4 and 1.5 years for the measurement periods ended September 30, 2021 and 2020, respectively.



**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Net Patient Service Revenue**

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

Medicare

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

Medicaid

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

The Hospital participates in the Division of Medicaid ("DOM") Mississippi Hospital Access Payment ("MHAP") program (the "MHAP Program"). The MHAP Program is administered by the DOM through the Mississippi CAN coordinated care organizations ("CCO"). The CCO's subcontract with the Hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care. The MHAP payments and associated tax were distributed and collected in equal installments during the months of December 2019 through June 2020, and monthly thereafter. The Hospital received approximately \$8,768,000 and \$9,654,000 from the MHAP program with related tax assessments of approximately \$1,987,000 and \$2,436,000 recorded in operating expenses for the years ended September 30, 2021 and 2020, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change. The 2021 and 2020 net patient service revenue decreased approximately \$126,360 and \$-0-, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated. The Hospital's cost reports have been settled through September 30, 2017.

Other

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

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Continued**

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

	<b>2021</b>	<b>2020</b>
Gross patient service revenue	\$ 308,882,623	\$ 315,281,761
Less:		
Provisions for contractual adjustments	(195,461,022)	(200,092,212)
Provisions for bad debts	(16,769,497)	(15,251,992)
Net patient service revenue	\$ 96,652,104	\$ 99,937,557

Nonoperating Income

In response to the COVID-19 pandemic, Congress passed multiple bills that included funding and operational relief for affected hospitals. The U. S. Department of Health and Human Services ("HHS"), the Centers for Medicare and Medicaid Services, and the Health Resources and Services Administration all issued various waivers of regulations governing coverage of specific services and conditions of program participation. The Public Health and Social Services Emergency Fund (the "Provider Relief Fund") was among the provisions of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which was signed into law on March 27, 2020. On April 22, 2020, HHS announced a distribution methodology for the \$100 billion Provider Relief Fund appropriated as part of the CARES Act. Additionally, HHS provided \$75 billion in addition to the \$100 billion provided under the CARES Act. As a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost operating revenues and COVID-19 related costs. As of September 30, 2021, the Hospital received approximately \$24.8 million from the Provider Relief Fund and recognized approximately \$11.2 million and \$13.6 million in nonoperating revenues in the accompanying 2021 and 2020 statements of revenues, expenses and changes in net position, respectively. The Hospital recognizes the Provider Relief Fund payments as income when there is reasonable assurance of compliance with the conditions associated with the funding. In June 2021, the Hospital received approximately \$500,000 of additional HHS funds related to Rural Health Clinic COVID-19 Testing. The total amount of the funds is included as CARES Act deferred revenue on the statements of net position.

The CARES Act also established the \$150 billion Coronavirus Relief Fund. Under the provision of the Act, 150 billion was made available by the U.S. Department of Treasury to states, tribal governments and certain units of local government for specified uses related to the COVID-19 pandemic. Under the Coronavirus Relief Fund's distribution formula, Mississippi received \$1.25 billion. In July 2020, the Mississippi Legislature passed House Bill 1782, which allocated \$91.9 million to the Mississippi State Department of Health. As of September 30, 2021, the Hospital received approximately \$1.7 million from the Mississippi State Department of Health to be used for necessary expenditures incurred due to the COVID-19 public health emergency. The Hospital recognized approximately \$742,000 and approximately \$958,000 of the Coronavirus Relief Funds in nonoperating revenue in the accompanying 2021 and 2020 statements of operations and changes in net assets, respectively.

In fiscal year 2020, the Hospital also applied for and was paid approximately \$16,500,000 as an advance on six months of its Medicare payments through the Medicare Accelerated and Advance Payment Program expanded to increase cash flow to providers of services impacted by the COVID-19

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 8. Continued**

pandemic. Recoupment of the advance payments began one year after the advance payments were received. After the first year, Medicare began automatically recouping 25 percent of the Medicare payments otherwise owed to the provider for 11 months. At the end of the 11-month period, recoupment will increase to 50 percent for another six months. For any outstanding balance after the 29 months, Medicare will issue letters requiring repayment of any outstanding balance, subject to an interest rate of four percent. As of September 30, 2021, Medicare has recouped approximately \$3 million of these funds. The Hospital has accounted for the remaining unrecouped funds as a contractual liability at September 30, 2021 and 2020.

Subsequent to fiscal year ended 2021, HHS began distributing \$8.5 billion in American Rescue Plan ("ARP") Rural payments to providers and suppliers who serve rural Medicaid, Children's Health Insurance Program ("CHIP"), and Medicare beneficiaries. The Hospital received approximately \$5.5 million of these distributed funds in November 2021 and has until December 31, 2022 to use the funds received. These funds have similar terms and conditions to the HHS Provider Relief Fund.

**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 \$1,575,000 and \$2,408,000 in 2021 and 2020, respectively.

**Note 10. Concentration of Credit Risks and Patient Service Revenue**

Accounts Receivable

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

	<b>2021</b>	<b>2020</b>
Medicare	26%	33%
Medicaid	16	15
Blue Cross	7	6
Self-pay	33	31
Other	18	15
Total	100%	100%

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Continued**

Patient Service Revenue

The percentage mix of gross revenue for the years ended September 30, 2021 and 2020 for patient services rendered under contract with major third-party cost reimbursors follows:

	2021	2020
Medicare	49%	50%
Medicaid	20	21
Blue Cross	11	9
Self-pay	7	7
Other	13	13
Total	100%	100%

**Note 11. Commitments and Contingencies**

Operating Leases

The Hospital leases various equipment under operating leases expiring at various dates through September 2024. Total rental expense for the years ended September 30, 2021 and 2020, for all operating leases was approximately \$1,649,590 and \$1,667,423, respectively.

The following is a schedule by year of future minimum lease payments under noncancelable operating leases as of September 30, 2021, that have initial or remaining lease terms in excess of one year:

Year Ending September 30,	Amount
2022	\$ 659,262
2023	427,106
2024	178,781
Total	\$ 1,265,149

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.

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Continued**

Medical Malpractice Program

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

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

	(Beginning) October 1, Claims Liability	Current Year Claims and Change in Estimates	Current Year Claim Payments	(Ended) September 30, Claims Liability
2021	\$ 2,754,184	\$ (847,768)	\$ (142,963)	\$ 1,763,453
2020	\$ 2,614,180	\$ 264,706	\$ (124,702)	\$ 2,754,184

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, 2021 and 2020 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 2021 and 2020 are as follows:

	(Beginning) October 1, Claims Liability	Current Year Claims and Change in Estimates	Current Year Claim Payments	(Ended) September 30, Claims Liability
2021	\$ 523,602	\$ 4,863,399	\$ (4,673,098)	\$ 713,903
2020	\$ 936,476	\$ 3,884,304	\$ (4,297,178)	\$ 523,602

**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. Going Concern Risks and Uncertainties**

During recent years, including 2021 and 2020, the Hospital incurred operating losses due primarily to decrease in patient census. A large part of these services are for patients whose bills are paid in whole or partly by third-party payors, e.g., Medicare and Medicaid. Reductions in payments from these third-party payors have also contributed to the operational losses sustained by the Hospital and deterioration of cash on hand. The Hospital estimates lost patient service revenue due to COVID-19 of approximately \$38 million for 2020 and 2021 combined. As a continuing impact of the COVID-19 pandemic, the Hospital continues to experience lower inpatient and outpatient volumes while also incurring increased costs associated with supply chain and resources, staffing, personal protective equipment, and managing the pandemic. The full impact of the public health crisis on the Hospital cannot be estimated with any degree of certainty at this time and will depend upon the duration of the public health crisis and the state and federal response. These conditions raise substantial doubt about the Hospital's ability to continue as a going concern.

Management has evaluated these conditions and has determined that they are significant in relation to the Hospital's ability to meet its obligations as they come due. Accordingly, management is aggressively seeking opportunities to grow net patient service revenue, improve revenue cycle performance and create an environment conducive to the normalization of patient volume. The Hospital is also implementing initiatives to improve efficiency of operations for the services being provided.

**Note 13. Subsequent Events**

In preparing these financial statements, the Hospital has disclosed events and transactions through December 21, 2021, the date the financial statements were available to be issued.

As disclosed in Note 8, in November 2021 the Hospital received approximately \$5.5 million of funds from the ARP Rural Fund and in December 2021 received approximately \$2.2 million in funds from the HRSA Phase 4 distribution. Additional funding is expected associated with the HRSA Phase 4, however the timing, certainty and amount of the distribution cannot be reasonably estimated.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GREENWOOD LEFLORE HOSPITAL**

Schedule of Changes in Net Pension Liability and Related Ratios  
September 30, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>							
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	3,509,805	3,474,705	3,514,817	3,413,176	3,363,064	3,384,889	3,384,889
Difference between expected and actual experience	126,746	377,521	(1,120,322)	740,367	(355,795)	(294,088)	68,042
Changes of assumptions	(683,581)	876,677	382,573	(299,489)	-	(1,336,081)	-
Benefit payments/refunds	(3,327,653)	(2,848,623)	(2,665,455)	(2,461,722)	(2,320,792)	(2,053,702)	(1,965,617)
<b>Net change in total pension liability</b>	<b>(374,683)</b>	<b>1,880,280</b>	<b>111,613</b>	<b>1,392,332</b>	<b>686,477</b>	<b>(298,982)</b>	<b>1,487,314</b>
<b>Total pension liability – beginning</b>	<b>50,140,069</b>	<b>48,259,789</b>	<b>48,148,176</b>	<b>46,755,844</b>	<b>46,069,367</b>	<b>46,368,349</b>	<b>44,881,035</b>
<b>Total pension liability – ending (a)</b>	<b>\$ 49,765,386</b>	<b>\$ 50,140,069</b>	<b>\$ 48,259,789</b>	<b>\$ 48,148,176</b>	<b>\$ 46,755,844</b>	<b>\$ 46,069,367</b>	<b>\$ 46,368,349</b>
<b>Plan Fiduciary Net Position</b>							
Contributions – employer	\$ 1,598,738	\$ 1,413,913	\$ 1,340,319	\$ 1,452,904	\$ 1,367,610	\$ 1,394,632	\$ 2,517,899
Net investment income	6,100,827	3,654,209	1,826,911	2,073,394	2,883,575	2,229,987	107,212
Benefit payments/refunds	(3,327,653)	(2,848,623)	(2,665,455)	(2,461,722)	(2,320,792)	(2,053,702)	(1,965,617)
Administrative expenses	(92,923)	(87,105)	(85,539)	(85,579)	(80,239)	(78,351)	(88,388)
<b>Net change in plan fiduciary net position</b>	<b>4,278,989</b>	<b>2,132,394</b>	<b>416,236</b>	<b>978,997</b>	<b>1,850,154</b>	<b>1,492,566</b>	<b>571,106</b>
<b>Plan fiduciary net position – beginning</b>	<b>36,009,646</b>	<b>33,877,252</b>	<b>33,461,016</b>	<b>32,482,019</b>	<b>30,631,865</b>	<b>29,139,299</b>	<b>28,568,193</b>
<b>Plan fiduciary net position – ending (b)</b>	<b>\$ 40,288,635</b>	<b>\$ 36,009,646</b>	<b>\$ 33,877,252</b>	<b>\$ 33,461,016</b>	<b>\$ 32,482,019</b>	<b>\$ 30,631,865</b>	<b>\$ 29,139,299</b>
<b>Net pension liability – ending (a) – (b)</b>	<b>\$ 9,476,751</b>	<b>\$ 14,130,423</b>	<b>\$ 14,382,537</b>	<b>\$ 14,687,160</b>	<b>\$ 14,273,825</b>	<b>\$ 15,437,502</b>	<b>\$ 17,229,050</b>
<b>Plan fiduciary net position as a percent of the total pension liability</b>	<b>81.0%</b>	<b>71.8%</b>	<b>70.2%</b>	<b>69.5%</b>	<b>69.5%</b>	<b>66.5%</b>	<b>63.0%</b>
<b>Covered-employee payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Net pension liability as a percent of covered-employee payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

See notes to required supplementary information.



**GREENWOOD LEFLORE HOSPITAL**  
Schedule of Contributions  
Years Ended September 30, 2021, 2020, 2019, 2018, 2017, 2016 and 2015

Year Ended September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as % of Covered Payroll
2021	\$ 1,598,738	\$ 1,598,738	\$ -	N/A	N/A
2020	1,405,581	1,413,913	8,332	N/A	N/A
2019	1,340,319	1,340,319	-	N/A	N/A
2018	1,452,904	1,452,904	-	N/A	N/A
2017	1,367,610	1,367,610	-	N/A	N/A
2016	1,394,632	1,394,632	-	N/A	N/A
2015	2,517,899	2,517,899	-	N/A	N/A

See notes to required supplementary information.

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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Summary of Assumptions and Methods Used to Determine Contributions Rates

The total pension liability as of September 30, 2021 and 2020 was determined using the following actuarial assumptions, applied to all periods in the measurement:

<i>Investment Rate of Return</i>	7.10 and 7.00 percent, respectively, per annum, compounded annually
<i>Discount Rate</i>	7.10 and 7.00 percent, respectively per annum, compounded annually

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

<i>Salary increases</i>	Not applicable, benefits are frozen
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Effective September 30, 2020 the mortality table was changed from the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2018 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2019 to better recognize current and future mortality improvements.

Effective September 30, 2021 the mortality table was changed from the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2019 to the RP-2014 Blue Collar, Separate Pre- and Post-Commencement, with separate Male and Female tables, fully Generational using Projections Scale MP-2020 to better recognize current and future mortality improvements.

Amortization Period

Investment gains or losses are amortized over five years.

Changes in actuarial assumptions and experience gains or losses are amortized over the average working lifetime of all participants, which for the years ending September 30, 2021 and 2020 was 1.4 and 1.5 years, respectively.

Schedule of Investment Returns

	Fiscal year ended 2021	September 30, 2020
Net investment yield	17.39%	11.01%

**GREENWOOD LEFLORE HOSPITAL**  
Years Ended September 30, 2021 and 2020

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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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, 2021 and 2020 uses a closed period of 21 and 22 years, respectively.

Assumptions and Valuation Method

The Hospital selected the assumptions and funding methods based on the review of Plan experience in conjunction with the October 1, 2020 and 2019 Actuarial Valuation Reports. The actuary annually reviews the assumptions and methods for reasonableness.

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

## SUPPLEMENTARY INFORMATION

**GREENWOOD LEFLORE HOSPITAL**  
 Schedule of Surety Bonds for Officers and Employees  
 September 30, 2021

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



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Hospital Commissioners  
Greenwood Leflore Hospital  
Greenwood, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of Greenwood Leflore Hospital (the "Hospital"), a component unit of Leflore County, including the City of Greenwood, Mississippi, as of and for the year ended September 30, 2021 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 21, 2021.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

The image shows a handwritten signature in black ink that reads "HORNE LLP". The letters are written in a cursive, slightly slanted style.

Ridgeland, Mississippi  
December 21, 2021